

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 1, 2007
POSITION: Neutral
SPONSOR: State Controller's Office

BILL NUMBER: SB 920
AUTHOR: J. Oropeza

BILL SUMMARY: Taxpayer Information: Unclaimed Property

Under existing law, most tax laws administered by the Board of Equalization (BOE) and the Franchise Tax Board (FTB) contain provisions making it illegal for those departments to divulge information to any unauthorized persons regarding a taxpayer's affairs.

This bill would permit FTB and BOE to provide information available in their records to an authorized representative of the California State Controller's Office (SCO) that would assist SCO in determining compliance with the provisions of the Unclaimed Property Law (UPL).

FISCAL SUMMARY

Finance estimates this bill would have minimal state General Fund impact. BOE, FTB, and SCO costs to implement this bill would be minor and absorbable.

COMMENTS

Finance notes the following with regard to this bill:

- According to the author's office, the purpose of this bill is to improve efficiencies in, and compliance with, the state's Unclaimed Property Program.

Analyst/Principal (0762) C. Hill	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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ANALYSIS**A. Programmatic Analysis**

Current federal law provides that returns and tax information are confidential and may not be disclosed to federal or state agencies or employees except for authorized purposes. Agencies allowed access to federal return information include certain federal and state agencies, such as Franchise Tax Board (FTB) and Board of Equalization (BOE). A federal return is defined as any tax return, information return, declaration of estimated tax, or claim for refund under the Internal Revenue Code. The improper disclosure of federal tax information is subject to criminal prosecution as a felony. Existing state law likewise prohibits the disclosure of any taxpayer information, except as specifically authorized by statute. The improper disclosure of state tax information is punishable as a misdemeanor.

Current state law prohibits the disclosure of any taxpayer information except as specifically authorized by statute. California law permits FTB and BOE to release individual tax return information to specific state agencies. Agencies must have a specific reason for requesting the information, including investigating items of income disclosed on any return or report, verifying eligibility for public assistance, locating absent parents to collect child support, or locating abducted children. For some agencies, only limited information may be released, such as the taxpayer's social security number and address.

California law also permits state tax agencies to release confidential tax information according to tax return sharing agreements with the Internal Revenue Services (IRS), the Multistate Tax Commission, and the taxing authorities of other states and Mexico. The exchange must relate to the enforcement of tax laws and the information must not be made public.

Under California's Unclaimed Property Law, the state acquires unclaimed property which requires "holders" such as corporations, business associations, financial institutions, and insurance companies to annually report and deliver property to the Controller's Office after there has been no customer contact for three years. The Unclaimed Property Law was enacted to prevent holders of unclaimed property from using the owner's money and incorporating it into their business income.

This bill would authorize FTB and BOE, subject to federal requirements, to annually provide State Controllers Office (SCO) specific information from the business entity returns or other business entity records maintained by FTB. The information authorized to be disclosed would include the following:

- Taxpayer name.
- Taxpayer identification number.
- Taxpayer address.
- Taxpayer's principal business activity code.
- Gross revenues as reported by the taxpayer.

The bill would limit the use of the information disclosed under this bill for purposes of determining compliance with the Unclaimed Property Laws administered by SCO.

B. Fiscal Analysis

Finance estimates this bill would have minimal state General Fund impact. BOE, FTB, and SCO costs to implement this bill would be minor and absorbable.

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO RV	PROP 98	FC	2006-2007 FC	2007-2008 FC	2008-2009		
0840/Controller	SO	No	-----	No/Minor Fiscal Impact	-----	-----	0001	
0860/Equalization	SO	No	-----	No/Minor Fiscal Impact	-----	-----	0001	
1730/FTB	SO	No	-----	No/Minor Fiscal Impact	-----	-----	0001	