

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 14, 2010
POSITION: Neutral
SPONSOR: Franchise Tax Board

BILL NUMBER: AB 2177
AUTHOR: J. Beall

BILL SUMMARY: Income and Corporation Taxes: Franchise Tax Board

Under current federal law, the due process element of reasonable notice is met when the Internal Revenue Service (IRS) mails a required notice to the taxpayer at the taxpayer's last known address. Federal regulations require that unless the IRS has been given clear and concise notice of a different address, the address that appears on the taxpayer's most recently filed federal tax return is the taxpayer's last known address. The last known address rule places responsibility on the taxpayer to notify the tax agency of any change of address. While the IRS allows taxpayers to submit returns and payments electronically, the IRS explicitly informs taxpayers that it does not communicate on taxpayer accounts electronically.

Under existing California tax law, any notice mailed to a taxpayer is sufficient to satisfy the reasonable notice element of due process if it is mailed to the taxpayer's last known address, defined as the address that appears on the taxpayer's last return filed with Franchise Tax Board (FTB), unless the taxpayer has provided FTB written or electronic notification of a different address or FTB has an address it has reason to believe is the most current address for the taxpayer. A notice of proposed assessment and final deficiency notice issued after January 1, 2008, requires a postmark indicating the date the item is delivered to the U.S. Postal Service.

This bill would, after January 1, 2011, authorize FTB to implement an alternative communication method that, at the request of a taxpayer, would allow FTB to communicate with the taxpayer electronically. Specifically, this bill would:

- Allow FTB, at the request of a taxpayer, to provide an email to the taxpayer stating that a notice, statement, bill, or other communication, which is required or authorized under current law, has been posted to, or updated on, the taxpayer's online account.
- Allow taxpayers to file electronically a protest, notification, and other communication to the FTB in a secure manner, using the FTB's website.
- Specify that a taxpayer must designate a preferred electronic communication method if the taxpayer wishes to communicate with the FTB electronically.
- Prohibit the use of the alternative communication method for any notice, statement, bill, protest, or other communication between the FTB and a taxpayer prior to January 1, 2013, or prior to the successful implementation of the Taxpayer Folder component of the FTB's Enterprise Data to Revenue (EDR) project, whichever is later.

This bill would sunset January 1, 2018

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)

J. Beall

April 14, 2010

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FISCAL SUMMARY

Finance estimates this bill would have a minor and absorbable state General Fund impact. Costs to provide access to the EDR taxpayer folder have been included in EDR estimates. While FTB anticipates there would be some potential postage and mailing savings related to making electronic communication available in lieu of paper notices, the amount of savings is based on the number of taxpayers that choose this option and is not quantifiable at this time.

COMMENTS

Finance notes the following with regard to this bill:

- This bill would implement a component of FTB's EDR project, allowing FTB to draft regulations that would permit FTB, upon request of the taxpayer, to send certain electronic notifications.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
1730/FTB	SO	No		-----	See Fiscal Summary	-----			0001