

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 15, 2010  
POSITION: Neutral, note concerns

BILL NUMBER: AB 2564  
AUTHOR: S. Swanson  
RELATED BILLS: Ch. 49, Statutes of 2006 (AB 1809)

**BILL SUMMARY: Tax Expenditure Report's due date**

This bill would change the due date for the Department of Finance's (Finance) tax expenditure report from September 15 to February 1 of each year.

**FISCAL SUMMARY**

To the extent that this bill would require Finance to divert staffing resources from preparing the Governor's Budget to meet the new report due date required by this measure, it could result in additional operating costs for Finance. This bill would not impact revenues.

**COMMENTS**

Finance notes the concern that from a workload perspective, a February due date could be problematic because it could interfere with the preparation for the Governor's Budget which is due by January 10 of each year. In order to avoid this impact, Finance would likely continue to produce the report in the fall and possibly issue it then. There is no data that would normally be available after that time and before February that would materially improve the report. If some event changes the estimates materially, or a new tax expenditure is added prior to February 1, we could reissue the report.

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| Analyst/Principal<br>(0727) P. Ng | Date | Program Budget Manager<br>Mark Hill | Date |
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| Department Deputy Director | Date |
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| Governor's Office: | By: | Date: | Position Approved _____    |
|                    |     |       | Position Disapproved _____ |

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

S. Swanson

June 15, 2010

AB 2564

**ANALYSIS**

A. Programmatic Analysis

**Under state law**, the Department of Finance (Finance) has been required to provide a tax expenditure report to the Legislature since 1971. Chapter 1762, Statutes of 1971, required that a biennial report be submitted to the Legislature. Chapter 268, Statutes of 1984, increased the reporting frequency from once every two years to once a year. The current state law (i.e., Chapter 49, Statutes of 2006) requires the report be provided to the Legislature by September 15 of each year and include each of the following:

- A comprehensive list of tax expenditures exceeding \$5 million.
- The statutory authority for each provision.
- A description of the legislative intent of each tax expenditure, if specified in the enacting legislation.
- The sunset date of each provision.
- The beneficiaries of the provision.
- An estimate of the state and local revenue loss for the current and two subsequent fiscal years.
- For personal income tax expenditures, the number of taxpayers and returns affected for the most recent tax year.
- For corporation and sales tax expenditures, the number of returns or businesses affected for the most recent year for which data is available.
- A listing of any comparable federal benefit.
- A description of any tax expenditure evaluation or compilation of information completed by any state agency since the last tax expenditure report by Finance.

Chapter 49, Statutes of 2006 defines the tax expenditure as "a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state."

**Current state law** also requires the Governor to submit to the Legislature within the first 10 days of each calendar year, a budget for the ensuing fiscal year.

**This bill** would change the due date for Finance's tax expenditure report from September 15 to February 1 of each year.

B. Fiscal Analysis

To the extent that this bill would require Finance to divert staffing resources from preparing the Governor's Budget to meet the new report due date required by this measure, it could result in additional operating costs for Finance. This bill would not impact revenues.

| Code/Department<br>Agency or Revenue<br>Type | SO | (Fiscal Impact by Fiscal Year) |    |           |                     |           |    |           | Fund<br>Code |
|--|----|--------------------------------|----|-----------|---------------------|-----------|----|-----------|--------------|
|  | LA | (Dollars in Thousands)         |    |           |                     |           |    |           |              |
|  | CO | PROP                           |    |           |                     |           |    |           |              |
|  | RV | 98                             | FC | 2009-2010 | FC                  | 2010-2011 | FC | 2011-2012 |              |
| 8860/Finance                                 | SO | No                             |    | -----     | See Fiscal Analysis | -----     |    |           | 0001         |