

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 08/06/2012

BILL NUMBER: AB 2688

POSITION: Neutral

AUTHOR: Asm Revenue and Taxation

SPONSOR: State Board of Equalization, California Assessors' Association

BILL SUMMARY: Taxes: Sales and use taxes:

This bill is a Board of Equalization (BOE)-sponsored housekeeping measure for the sales and use tax (SUT) and special taxes and fees programs.

FISCAL SUMMARY

Finance concurs with BOE estimates that costs arising from this bill would be minor and absorbable and the revenue impact would be negligible.

COMMENTS

Finance is neutral on this bill because it would make noncontroversial, technical changes to statutes to improve BOE's administration of the SUT and special taxes and fees programs.

Analyst/Principal (0762) C.Hill	Date	Program Budget Manager Kristin Shelton	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

Asm Revenue and Taxation

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ANALYSIS

1. Programmatic Analysis

Current law defines "air taxi" as an aircraft used by an air carrier which does not use aircraft having a maximum passenger capacity of more than 30 seats or a maximum payload capacity of more than 7,500 pounds in air transportation and which does not hold a certificate of public convenience and necessity or other economic authority issued by the Federal Aviation Administration, or its successor.

This bill would revise the definition of "air taxi" to mean an aircraft used by an air carrier that does not use aircraft in air transportation with a maximum passenger capacity of 60 seats or a maximum payload capacity of more than 18,000 pounds, and which holds a certificate of public convenience and necessity or other economic authority used by the United States Department of Transportation, or its successor.

The intent of this provision is to conform California's definition of air taxi to the definition used by the federal Department of Transportation for an air taxi operator.

Existing law provides that a retailer may be relieved of the liability for the SUT when the measure of tax is represented by amounts that have been found to be worthless and charged off for income tax purposes, and allows retailers who sell their accounts receivables or lenders who purchase those receivables to claim a refund or claim a deduction on SUT returns for the portion of the accounts receivable which is written off as worthless. The retailer and the lender are required to prepare and retain an election, signed by both parties, designating which party is entitled to claim the bad debt loss prior to claiming a deduction or refund.

This bill would specify that the election for purposes of these provisions shall be established when the retailer who reported the tax and lender prepare and file the election form, signed by both parties, designating which party is entitled to claim the deduction or refund.

We understand the purpose of this revision is to address an unintended consequence that has resulted in situations where the lenders have failed to timely file otherwise properly completed election forms when claiming the deduction or refund. If an election form is not filed by the lender within the general limitations period for which a claim for refund or credit may be accepted as timely under the law, BOE is barred from accepting the otherwise valid claim. This bill would delete the requirement that the election form be prepared and retained prior to claiming a deduction or refund. Therefore, the date of filing of a proper election would then have no affect on the date of filing of the claim for a deduction or refund.

2. Fiscal Analysis

Finance concurs with BOE estimates that costs arising from this bill would be minor and absorbable, and the revenue impact would be negligible.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015 FC	
0860/Equalization	SO	No		-----	No/Minor Fiscal Impact	-----	0001