

Date of Hearing: April 19, 2021

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Autumn R. Burke, Chairwoman

AB 1538 (Quirk) – As Amended April 6, 2021

Majority vote. Fiscal committee.

SUBJECT: Tax return information: research: poverty

SUMMARY: Authorizes an additional exception to the general prohibition on disclosure of tax information. Specifically, **this bill:**

- 1) Authorizes the Franchise Tax Board (FTB) to disclose, upon request, returns or return information to a bona fide research body.
- 2) Requires the bona fide research body be immediately concerned with:
 - a) Conducting research and producing research studies related to poverty;
 - b) Measuring poverty and its effects; and,
 - c) Efforts to ameliorate poverty.
- 3) Authorizes the FTB to require reimbursement for all direct costs incurred in providing information.

EXISTING FEDERAL LAW:

- 1) Makes confidential and prohibits disclosure of any tax returns and return information, unless otherwise authorized by statute (26 U.S.C. Section 6103).
- 2) Makes a violation of the above provision a felony (26 U.S.C. Section 7213).
- 3) Specifies various exceptions to the prohibition on disclosure of return or return information (26 U.S.C. Section 6103).

EXISTING STATE LAW:

- 1) Makes confidential and prohibits disclosure of any tax returns and return information, unless otherwise authorized by statute (Revenue and Taxation Code (R&TC) Section 19542)).
- 2) Makes a violation of the above provision a misdemeanor (R&TC Section 19542).
- 3) Specifies various exceptions to the prohibition on disclosure of return or return information (R&TC Section 19542).

FISCAL EFFECT: Pending

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

Understanding the scope of poverty in California is crucial to implementing effective anti-poverty policy. With homelessness on the rise, and the COVID recession sending millions into unemployment, the state needs to combat poverty now more than ever. Major investments in fighting poverty have been made through programs like the California Earned Income Tax Credit, California Renter's Credit, and the Young Child Tax Credit. However, efforts to implement these programs effectively are constrained by our limited understanding of the nature of poverty throughout the state.

AB 1538 will authorize the Franchise Tax Board to share data with bona fide research bodies in order to conduct research relating to poverty, measuring poverty and its effects, and efforts to ameliorate poverty. To better understand the effects of poverty throughout the state, it is essential for researchers to have the ability to request access to this data for this purpose. Comprehensive research can lead to more effective anti-poverty policy, and ensure that safety net programs, such as the Earned Income Tax Credit, California Renter's Credit, and the Young Child Tax Credit, reach those who need it most.

- 2) This bill is supported by Economic Security Project Action, which notes:

Having the ability to conduct poverty research on essential safety net programs, like the Earned Income Tax Credit (CalEITC), California Renter's Credit, Young Child Tax Credit, American Opportunity Tax Credit, social security payments and student loan interest deductions, will allow researchers to conduct comprehensive anti-poverty research.

At Economic Security Project Action, we rely on data and analysis to understand what works to address economic precarity and poverty. Our research shows that cash assistance, because of its flexibility and fungibility, allows people to make the best decisions for themselves, whether that's having the funds to pay first and last month's rent or getting the car fixed which means being able to take the job that's farther away.

Economic Security Project Action supports AB 1538 because it will allow researchers to conduct comprehensive poverty research that will promote effective anti-poverty policy and ensure that essential safety net programs, like those listed above, reach Californians who need it most.

- 3) Committee Staff Comments:

- a) *Tax returns:* Generally, tax returns are due on or around April 15. The FTB provides an automatic six-month extension. Given the potential for sensitive information to be included in a return, existing law prohibits disclosure of returns or information contained in returns. However, existing law also makes a number of exceptions to this prohibition. Generally, exceptions authorize disclosure of specified information to the taxpayer or

their representative, to entities administering tax law and other public programs, and to entities engaged in law enforcement action under specified circumstances. This bill provides an additional exception for disclosure to a research body directly engaged in researching poverty, its impacts, and potential solutions.

- b) *Confidential information*: As currently drafted, this bill does not prohibit the FTB from releasing confidential taxpayer information. If the author does not wish for the FTB to disclose such information, the author and Committee may wish to include a prohibition on the disclosure of confidential taxpayer information.
- c) *Treatment of released information*: Additionally, this bill does not prohibit the bona fide research body from further disclosure of confidential taxpayer information. If the author does not wish for the bona fide research body to disclose such information, the author and Committee may wish to amend this bill to apply a prohibition on the disclosure of confidential information.
- d) *Federal tax information*: The FTB is unable to disclose federal tax information. However, as currently drafted, this bill would not prohibit disclosure of federal tax information. If the author does not wish for the FTB to disclose federal tax information, the author and Committee may wish to amend this bill to prohibit such a disclosure.

REGISTERED SUPPORT / OPPOSITION:

Support

Economic Security Project Action

Opposition

None on file

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