

Date of Hearing: April 28, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
AB 837 (Blanca Rubio) – As Introduced February 17, 2021

Policy Committee: Revenue and Taxation Vote: 9 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill prohibits the Franchise Tax Board (FTB) from imposing specified collection actions against a member of the Armed Forces of the United States deployed on active duty.

FISCAL EFFECT:

Costs of an unknown but possibly significant amount, in excess of \$150,000 annually, in General Fund revenue loss. While this bill generally restates existing law that already requires the FTB to pause collection activity, this bill utilizes undefined terms, for example, “wages,” “active duty,” “bank account” and “deployed away from the individual’s permanent duty station,” and does not specify how the taxpayer should notify the FTB of their deployment. Without additional detail, it is unclear if the FTB could implement this bill in the same manner as FTB’s existing practice, resulting in potentially significant revenue loss. In further codifying the FTB’s existing practice, the FTB would also be required to continue administration of the practice as specified, regardless of internal budget or policy considerations, resulting in costs to comply with and implement the requirements of this bill.

COMMENTS:

1) **Purpose.** According to the author:

As the sister to a soldier, I want my brother's focus abroad to be serving his country and returning home safely to his one-year-old. While California is one of several states that tax deployed military personnel, tax burdens and disputes should not be a priority while deployed. In no way does this measure forgive any disputes, rather allows military families to handle them once they return safely to their permanent residence.

2) **Current FTB Practice.** Existing federal law generally allows postponement of federal income tax obligations when an individual is serving in the Armed Forces of the United States. The postponement applies during the period of active service and the following 180 days. California conforms to this provision of federal law. When the FTB is notified of a taxpayer’s deployment, the FTB updates the taxpayer’s account to reflect their deployment and pauses any current collection activity until 180 days after their scheduled return date.

AB 837 expressly prohibits the imposition of a levy on salary or wages and placement of a lien on a bank account when the taxpayer is deployed on active duty. However, if the taxpayer does not inform the FTB of their deployment, FTB has no way of knowing that collection activities should be paused. The FTB states its current practice is to stop collection and release any current levies once the taxpayer, the taxpayer's spouse or the taxpayer's representative contacts the FTB regarding the levy and provides proof of deployment. Additional clarification from the author about how this bill should be implemented may help streamline FTB operations and reduce further complications for armed forces members.

- 3) **Prior Legislation.** AB 2732 (Rubio), of the 2019-20 Legislative Session, was identical to this bill. AB 2732 was not heard by the Assembly Committee on Revenue and Taxation.

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