CONCURRENCE IN SENATE AMENDMENTS
AB 1519 (Gipson)
As Amended April 28, 2026
Majority vote

SUMMARY

Original Committee of Reference: Revenue and Taxation

Redefines the term "tax liability" for purposes of the 20-year statute of limitations for Franchise Tax Board (FTB) collection activities.

Senate Amendments
Current Committee Recommendation: Concur in Senate Amendments

1) Delete the provisions of this bill related to employer notifications to employees.

2) Modify the definition of "tax liability" for purposes of the FTB's 20-year statute of limitations on collections to delete references to additions to tax, interest, penalties, fees and any other amounts relating to the imposed liability.

3) Provide that the term "tax liability" does not include interest, penalties, costs, or fees, excluding the limited liability company fee imposed pursuant to Revenue and Taxation Code (R&TC) Section 17942, relating to that assessment of tax.

4) Provide that the collection period for interest, penalties, costs, or fees that may accrue with a particular tax liability shall lapse at the same time as that of the related tax liability.

COMMENTS

1) *General background*: For many years, no statute of limitations existed for the collection of an income or franchise tax delinquency. However, beginning in 2006, a statute of limitations on the FTB's collection actions went into effect with the enactment of R&TC Section 19255.

   As a general rule, R&TC Section 19255 provides that after 20 years have passed from the date the latest "tax liability" for a taxable year (or the date any other liability that is not associated with a taxable year) becomes "due and payable", the FTB is prohibited from collecting that amount and the taxpayer's liability is abated. Any actions taken by the FTB to collect an uncollectible liability shall be released, withdrawn, or otherwise terminated; and no subsequent administrative or civil action may be taken to collect the uncollectable amount. Any amounts received in violation of this statute of limitations shall be considered an overpayment that may be credited and refunded to the taxpayer in accordance with existing law.

   For purposes of these provisions, the term "tax liability" is defined as a liability imposed under the Personal Income Tax (PIT) Law, the Corporation Tax (CT) Law, or their administrative provisions. The term specifically *includes* any additions to tax, interest, penalties, fees, and any other amounts relating to the imposed liability. Moreover, if more than one liability is "due and payable" for a particular taxable year, generally the "due and payable" date that is later in time shall be considered the date upon which the 20-year limitation period begins.

2) *So, what's the problem*? According to attorney Joseph A. Broyles, who brought this issue to the author's attention:

> Whenever the FTB files a tax lien, they assess a charge/fee for the filing of that tax lien. That charge/fee causes the 20-year "clock" to [be] restarted. This allows the FTB to restart the 20-year statute of limitations whenever it wants to by filing a lien or assessing some fee, cost, charge or penalty. If you read the statute literally, even interest charges cause the 20-year period to restart.

3) *What would this bill do*? This bill would redefine the term "tax liability" for purposes of the 20-year statute of limitations provisions. Specifically, the term would be redefined to mean a liability *due and payable* (rather than imposed) under the PIT Law, the CT Law, or the administrative provisions for those laws. Additionally, this bill would provide that the term "tax liability" does not include interest, penalties, costs, or fees relating to that assessment of tax.

4) *A challenging statute*: R&TC Section 19255, which this bill amends, can only be described as Kafkaesque in its complexity (and potential application). That section purports to provide a straightforward 20-year statute of limitations on FTB tax collections. However, the statute appears to start (and restart) the limitations period based on the "latest tax liability" for a taxable year. The statute defines a tax liability, in turn, to include "additions to tax, interest, penalties, fees and any other amounts relating to the imposed liability." Thus, critics contend that when FTB imposes a fee (e.g., for recording a lien), the fee acts to restart the 20-year limitations period for the *entire* liability. Based on a strict reading of the statute, even interest charges accruing on a tax liability would continually reset the statute of limitations, rendering it a nullity. At a certain point, it would be fairer to taxpayers and tax practitioners simply to eliminate the statute of limitations altogether rather than preserve the pretense. The author's aim is simple: once the underlying tax liability becomes due and payable, the limitations period begins to run – and subsequent fees and charges should not serve to "restart" it.

According to the Author
The author has provided the following statement in support of this bill:

> In 2005, California enacted a 20-year statute of limitations for FTB collection actions, which is twice the length of the federal limitations period. California's statute of limitations, however, is not working as intended. Because current law defines a "tax liability" to include interest, penalties, fees, and other amounts related to the original liability, subsequent FTB collection actions, such as the recording of a lien, work to indefinitely extend the statute of limitations on the original liability. Statutes of limitations are designed to strike a balance between effective tax enforcement and the goal of ensuring taxpayers are not subject to indefinite government collections. AB 1519 reestablishes this balance by creating a workable and reasonable limitations period. By doing so, AB 1519 will provide certainty for both taxpayers and the FTB, while promoting confidence in our state's tax system.

Arguments in Support
Supporters of this bill note the following:

> Under Section 19255, if there are multiple assessments for the same year, the 20-year limitations period begins to run from the date of the last assessment. Assessments include additional tax, penalties, interest and any FTB fees. The flaw in the statute is that it allows the FTB to unilaterally restart the 20-year clock by assessing any one of many collection fees, which it routinely assesses. Read literally, the statute provides that the daily compounding of interest restarts the 20-year clock; although, the FTB has not taken the position that the daily accrual of interest restarts the 20-year clock each day. The FTB does, however, take the position that every time it charges any one of its many collection fees, the 20-year clock is reset back to zero.
> Allowing the FTB to unilaterally restart the 20-year clock at any time effectively nullifies the statute of limitations. This was clearly not the intent of the Legislature.

Arguments in Opposition
None on file

FISCAL COMMENTS

According to the Senate Committee on Appropriations:

> FTB indicates that this bill would not change the way state income or franchise tax is calculated under current law, but estimates that the provisions of this bill could lead to roughly $100,000 of discharges in the first year after enactment, and minimal amounts annually thereafter (General Fund). FTB's administrative costs would be minor and absorbable.

VOTES

ASM REVENUE AND TAXATION: 7-0-0
YES: Gipson, Ta, Bains, DeMaio, Garcia, McKinnor, Quirk-Silva

ASSEMBLY FLOOR: 76-0-3
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
ABS, ABST OR NV: Flora, Krell, Sanchez

SENATE FLOOR: 39-0-1
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Reyes

ASM REVENUE AND TAXATION: 7-0-0
YES: Gipson, Sanchez, Carrillo, DeMaio, Mark González, Quirk-Silva, Michelle Rodriguez

UPDATED

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