

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 591 (Valladares) – As Amended July 17, 2025

Policy Committee: Revenue and Taxation

Vote: 6 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

**SUMMARY:**

This bill requires, for a payment made on or after January 1, 2026, the Franchise Tax Board (FTB) to provide a first-time penalty waiver to an individual taxpayer that fails to remit a payment required to be made electronically.

**FISCAL EFFECT:**

- 1) Potential ongoing General Fund (GF) revenue loss of an unknown amount, potentially in excess of \$150,000, by requiring FTB to grant a penalty waiver to an individual taxpayer that must otherwise pay a penalty of 1% of the amount of tax required to be remitted electronically. By potentially decreasing personal income tax revenue, this bill may also decrease Proposition 98 GF spending by approximately 40% of the GF revenue loss (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) Costs of an unknown, but likely absorbable amount, to FTB to update penalty rules.

**COMMENTS:**

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

California's tax system should encourage compliance, not punish honest mistakes with eye-watering penalties. Under current law, a business that pays its entire tax bill on time – but mails a check instead of sending an electronic transfer – can face a 10-percent surcharge that quickly climbs into six figures. Individuals face a 1-percent hit for the same clerical slip. These penalties dwarf the offense, create distrust, and make California an outlier among states.

This bill is supported by the California Taxpayers Association and tax preparer entities.

- 2) **Electronic Payment Requirements.** A taxpayer with a total tax liability exceeding \$80,000, or that makes an estimated tax or extension payment exceeding \$20,000, is required to remit payments electronically to FTB. A taxpayer may request a waiver from the electronic mandate if certain conditions are met. Otherwise, a corporate taxpayer required to remit payment electronically but that does so via other means is assessed a penalty of 10% of the payment, and an individual taxpayer who does so is assessed a penalty of 1% of the payment. The penalty is assessed unless the taxpayer demonstrates to FTB that the failure to make the payment electronically was for reasonable cause, and not the result of willful neglect. This

bill provides that the 1% penalty is automatically waived for an individual taxpayer's first violation.

**Analysis Prepared by:** Irene Ho / APPR. / (916) 319-2081