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AB-131 Taxation. (2017-2018)

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Date Published: 09/18/2017 09:00 PM

Assembly Bill No. 131

CHAPTER 252

An act to amend Sections 15570.84, 15600, 15670, 15671, 15672, 15674, 15676, and 15677 of, to add Sections 15570.66, 15618.5, 15676.5, and 15679.5 to, and to add Chapter 4.5 (commencing with Section 15570.50) to Part 8.7 of Division 3 of Title 2 of, the Government Code, and to amend Sections 6377.1, 17052, and 18874 of, and to add Section 20.5 to, the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor September 16, 2017. Filed with Secretary of State September 16, 2017.]

LEGISLATIVE COUNSEL'S DIGEST

AB 131, Committee on Budget. Taxation.

(1) The California Constitution provides for the establishment of the State Board of Equalization (board) and prescribes the board's duties, powers, and responsibilities regarding the administration of certain taxes and fees, including the review, equalization, or adjustment of property tax assessments, the assessment of taxes on insurers, and the assessment and collection of excise taxes on the manufacture, importation, and sale of alcoholic beverages in this state. Existing law generally makes the board responsible for administrative appeals relating to the collection of those taxes and fees.

Existing law establishes, in the Government Operations Agency, the California Department of Tax and Fee Administration (department) and transferred to the department the duty to administer various statutory taxes and fees that had previously been administered by the board. Under existing law, all laws prescribing the duties, powers, and responsibilities of the board to which the department succeeds, together with all lawful rules and regulations established under those laws, are expressly continued in force, including, but not limited to, existing processes and remedies available to a taxpayer or feepayer, such as settlement options and appeals processes.

Existing law establishes the Office of Tax Appeals (office) in state government and transferred to the office the duty to conduct appeals hearings for the various taxes and fees administered by the department and for the administrative appeals of state personal income taxes and corporation franchise and income taxes, which are administered by the Franchise Tax Board. Existing law establishes tax appeals panels within the office, each consisting of 3 administrative law judges. Existing law, on and after January 1, 2018, requires that those tax appeals panels hear appeals for those various taxes and fees and, on and after January 1, 2018, prohibits the board from hearing those appeals.

(2) This bill would allow the board to continue to have the legal authority to hear, determine, decide, or take any other action with respect to an appeal, regarding matters for which the duties, powers, and responsibilities are transferred to the office, only if the hearing, determination, decision, or any other action with respect to an appeal is placed on the calendar of a meeting of the board to be held before January 1, 2018 and the appeal is heard, determined, decided, or is otherwise final before January 1, 2018. On and after January 1, 2018, the bill would provide that the board has no legal authority to, and shall not, regarding those matters,

conduct an appeals hearing, make a determination, issue or publish a decision, or take any other action with respect to an appeal heard at a meeting of the board before January 1, 2018, if the board's hearing, determination, decision, or any other action is, for any reason, not final before January 1, 2018.

(3) With respect to the department, this bill would require appeals conferences to continue to be conducted as before the above-described transfer from the board, would provide that the regulations governing appeals conferences continue in force and apply to appeals conferences, and would authorize the department to amend, repeal, or add regulations as necessary to carry out its appeals conferences duties. The bill would also authorize a person requesting relief in an appeals conference to request a hearing before a tax appeals panel if the department denies the request for relief.

Existing law prohibits the director and chief deputy director of the department or any person who has at any time obtained specified knowledge from disclosing that knowledge in a manner not authorized by law.

This bill would authorize disclosure of that knowledge to designated persons for use in actions or proceedings affecting the personnel rights of employees or former employees of the department, as specified.

(4) This bill would authorize the board and the department to obtain specified copies of pictures or photographs of licensees from the Department of Motor Vehicles in order to carry out its respective duties, powers, and responsibilities.

(5) This bill would specify that the tax appeals panels of the office and the appeals hearings conducted by the tax appeals panels are not to be construed to be, or to be conducted by, a tax court.

Existing law authorizes a person with an appeals hearing before a tax appeals panel to be represented by any authorized person, including an accountant. The Administrative Procedures Act requires a hearing to be open to public observation.

This bill would instead include within that authorization both a certified public accountant and a public accountant. The bill would require the office to establish a process under which a person filing an appeal is authorized to request a closed hearing and would require the office to establish objective criteria for determining whether to grant a request, as provided.

Existing law provides that the person filing the appeal may appeal the decision of the tax appeals panel to the superior court in accordance with the law imposing the tax or fee and states that the standard of judicial review is review de novo.

This bill provides that if a person disagrees with the decision of the tax appeals panel, the person may bring an action in superior court in accordance with the law imposing the tax or fee for a trial de novo.

Existing law requires all appeals hearings and proceedings conducted by tax appeals panels within the office to be conducted pursuant to the Administrative Procedure Act.

This bill, to the extent applicable and not in conflict, would require regulations adopted under the jurisdiction of the board to continue in force and apply to all appeals hearings and proceedings. However, the bill would require the office to amend, repeal or add to the regulations to govern these hearings and proceedings as necessary or proper. The bill would require the office to adopt regulations regarding the presentation of evidence and preparation for hearings and proceedings before a tax appeals panel that do not require application of specialized knowledge, as provided.

(6) This bill would also make clarifying and conforming changes with regard to the transfer of duties to the department and the establishment of the office.

(7) Existing sales and use tax laws impose taxes on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, and provide various exemptions from those taxes.

Existing law partially exempts from those taxes, on and after July 1, 2014, and before July 1, 2030, the gross receipts from the sale of, and the storage, use, or other consumption of, qualified tangible personal property purchased by a qualified person for purchases not exceeding \$200,000,000, for use primarily in manufacturing, processing, refining, fabricating, or recycling of tangible personal property, as specified; qualified tangible personal property purchased for use by a qualified person to be used primarily in research and development, as provided; qualified tangible personal property purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any qualified tangible personal property, as provided; and qualified tangible personal property purchased by a contractor purchasing that property for use in the performance of a construction contract for the qualified person, that will use that property as an integral part of specified processes. Existing law, on and after January 1, 2018, and before July 1, 2030, additionally exempts from those taxes the sale of, and the storage, use, or other consumption of, qualified tangible personal property purchased for use by a qualified person to be used primarily in the generation or production, as defined, or storage and distribution, as defined, of electric power.

Existing law, on and after January 1, 2018, and before July 1, 2030, expands the definition of a qualified person to include, among others, a person primarily engaged in the business of electric power generation or electric power distribution and further expands that definition by not excluding from the definition of a qualified person, specified persons conducting an agricultural business activity.

Existing law requires the department to cancel any outstanding and unpaid deficiency determination and any related penalties and interest and prohibits the department from issuing any deficiency determination or notice of determination, with respect to unpaid sales and use tax on qualified property with a useful life, as defined, that was purchased or leased on or after July 1, 2014, and before January 1, 2018. Existing law also requires any amounts paid by a qualified person pursuant to such determination to be refunded by the department to the qualified person.

Under existing law, no later than each March 1 next following a calendar year for which these provisions provide an exemption, the California Department of Tax and Fee Administration (department) is required to provide to the Joint Legislative Budget Committee and the Department of Finance a report of the total dollar amount of exemptions taken for the immediately preceding calendar year. Existing law requires an amount equal to the total dollar amount, notwithstanding the definition of "useful life," as reported by the department, with the concurrence of the Department of Finance, to be transferred from the Greenhouse Gas Reduction Fund to the General Fund.

This bill would instead require the department to provide the report by May 1. The bill, no later than each May 1 next following calendar years 2018 through 2030, inclusive, would instead require the department to provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken for sales to, or purchases by, specified qualified persons, including a person primarily engaged in the business of electric power generation or electric power distribution and a qualified person conducting an agricultural business activity for the immediately preceding calendar year, as provided. The bill, for the purposes of these provisions, would define the revenue value of an amount of exemptions as the estimated revenue loss to the General Fund from the allowance of those exemptions.

This bill, from calendar years 2018 through 2030, inclusive, would require an amount that equals the revenue value of the total dollar amount of exemptions, as reported by the department pursuant to the aforementioned report relating to specified qualified persons, with the concurrence of the Department of Finance, to be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each June 30 next following that calendar year, as described. The bill would require the total dollar amount to be transferred to the General Fund to exclude any amounts attributable to any cancellations the department made of any outstanding and unpaid deficiency determinations and any refunds, as specified.

This bill, no later than each May 1 next following calendar years 2022 through 2030, inclusive, would require the department to provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken under these provisions, for all qualified persons for the immediately preceding calendar year, as provided.

This bill, for calendar years 2022 through 2030, inclusive, would provide for an additional amount to be transferred from the Greenhouse Gas Reduction Fund to the General Fund, not to exceed the difference between the revenue value of the total dollar amount of exemptions reported for all qualified persons and the revenue value of the dollar amount of exemptions reported for the above-mentioned specified qualified persons, as specified. The bill would provide for the amount transferred to be determined by the Director of Finance, unless a different amount is otherwise specified in the Budget Act for that fiscal year.

(8) The Personal Income Tax Law allows various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws. Federal income tax laws allow a refundable earned income tax credit for certain low-income individuals who have earned income from wages, salaries, tips, and other employee compensation plus net earnings from self-employment and who meet certain other requirements.

The Personal Income Tax Law, for taxable years beginning on or after January 1, 2015, in modified conformity with federal income tax laws, allows an earned income tax credit against personal income tax and a payment from the Tax Relief and Refund Account for an allowable credit in excess of tax liability, to an eligible individual that is equal to that portion of the earned income tax credit allowed by federal law as determined by the earned income tax credit adjustment factor, as specified. The Personal Income Tax Law provides that the amount of the credit is calculated as a percentage of the eligible individual's earned income and is phased out above a specified amount as income increases.

This bill, for taxable years on and after January 1, 2017, would revise the calculation factors to expand the credit amount.

Existing law establishes the continuously appropriated Tax Relief and Refund Account and provides that payments required to be made to taxpayers or other persons from the Personal Income Tax Fund are to be paid from that account, including any amount to be paid as an earned income tax credit in excess of any tax liabilities.

By authorizing new payments from that account for additional amounts in excess of personal income tax liabilities, this bill would make an appropriation.

(9) Existing law authorizes individuals to contribute amounts in excess of their personal income tax liability for the support of specified funds. Existing law includes generally applicable administrative provisions, including a minimum contribution amount for the continuation of any voluntary tax contribution fund on the tax return form. Existing law, with respect to specified voluntary contribution funds, establishes minimum contribution amounts that are adjusted by the Franchise Tax Board each year for the continuation of that fund on the tax return form. Existing law establishes the minimum contribution amount for the 2017 calendar year, with regard to the voluntary contribution funds described above, as \$0.

Under existing law, the minimum contribution amount requirement for the 2018 calendar year, in order for the fund to appear on the tax return form for the 2018 taxable year, means either \$250,000 or the minimum contribution amount previously determined, pursuant to the provisions establishing the fund, as of September 1, 2016, that would have been the minimum contribution requirement for the 2017 calendar year for that fund, as applicable.

This bill would instead specify that, for the 2018 calendar year, the minimum contribution requirement would be the greater of either of those amounts.

(10) Existing constitutional provisions require that a statute that limits the right of access to the meetings of public bodies or the writings of public officials and agencies be adopted with findings demonstrating the interest protected by the limitation and the need for protecting that interest.

This bill would make legislative findings to that effect.

(11) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. It is the intent of the Legislature that it be a priority of the State of California to continue its work against the underground economy.

SEC. 2. The Legislature finds and declares all of the following:

(a) In the Taxpayer Transparency and Fairness Act of 2017, the Legislature established the Office of Tax Appeals in order to provide an independent and administrative body for conducting tax appeals hearings before a tax appeals panel.

(b) Because the tax appeals panels within the Office of Tax Appeals are an administrative body and are not part of the judicial branch, it is the intent of the Legislature for taxpayers to choose by whom they are represented, consistent with Section 15676 of the Government Code. Further, the Legislature specifically intends, consistent with Section 15676.5 of the Government Code, that taxpayers continue to be able to choose to be represented by certified public accountants and others at every stage of the hearings and proceedings before a tax appeals panel, as was previously the case in matters before the State Board of Equalization prior to the transfer of duties described in Section 15672 of the Government Code.

(c) Consistent with these objectives, the Legislature further intends that the regulations to be adopted by the Office of Tax Appeals pursuant to Sections 15676.5 and 15679.5 of the Government Code not limit or impair the ability of certified public accountants and others to represent their clients before a tax appeals panel.

SEC. 3. Chapter 4.5 (commencing with Section 15570.50) is added to Part 8.7 of Division 3 of Title 2 of the Government Code, to read:

CHAPTER 4.5. Appeals Conferences

15570.50. Appeals conferences shall continue to be conducted in the same manner as before the duties, powers, and responsibilities were transferred to the department pursuant to Section 15570.22.

15570.52. Consistent with Section 15570.22, the regulations contained in Article 6 (commencing with Section 5260) of Chapter 2 of Division 2.1 of Title 18 of the California Code of Regulations shall continue in force and shall apply to appeals conferences within the department's jurisdiction. However, pursuant to Chapter 4 (commencing with Section 15570.40), the department may amend, repeal, or add regulations as necessary or appropriate to carry out this chapter.

15570.54. A person requesting relief in an appeals conference may thereafter request a hearing before a tax appeals panel in the Office of Tax Appeals if the department denies the request for relief.

SEC. 4. Section 15570.66 is added to the Government Code, to read:

15570.66. Notwithstanding Section 1808.5 of the Vehicle Code, the department may obtain copies of fullface engraved pictures or photographs of licensees directly from the Department of Motor Vehicles for the purposes of enforcing its duties, powers, and responsibilities described in Section 15570.22.

SEC. 5. Section 15570.84 of the Government Code is amended to read:

15570.84. (a) The director, chief deputy director, or any person who has at any time obtained any knowledge described below from any of the foregoing officers shall not divulge or make known in any manner not provided by law, any of the following items of information concerning the business affairs of companies reporting to the department:

(1) Any information concerning the business affairs of any company that is gained during an examination of its books and accounts or in any other manner, and is not required by law to be reported to the department.

(2) Any information, other than the assessment and the amount of taxes or fees levied, obtained by the department in accordance with law from any company other than one for which that information is required by law to be made public.

(3) Any particular item of information relating to the disposition of its earnings contained in the report of a quasi-public corporation that the corporation, by written communication specifying the items and presented at the time when it files its report, requests to be treated as confidential.

(b) Nothing in this section shall be construed as preventing examination of these records and reports by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine these records and reports.

(c) The Governor may authorize examination of these records and reports by other state officers. In that event, the information obtained by these persons shall not be made public. The Governor, however, may direct that any of the information referred to in this section shall be made public.

(d) Successors, receivers, trustees, executors, administrators, assignees, and guarantors, if directly interested, may be given information as to the items described in this section and any unpaid tax or fee amount or any tax or fee amounts required to be collected, interest, and penalties.

(e) Any violation of this section is a misdemeanor and punishable by a fine not to exceed one thousand dollars (\$1,000), or by imprisonment not to exceed six months, or both, at the discretion of the court.

(f) The department may disclose to persons described in paragraphs (1) to (4), inclusive, the information set forth in paragraphs (1) to (3), inclusive, of subdivision (a) solely for use in an action or proceeding affecting the personnel rights of an employee or former employee, or in preparation of the action or proceeding, but only to the extent the department determines that the information is, or may be, relevant and material to the action or proceeding. The information set forth in paragraphs (1) to (3), inclusive, of subdivision (a) may be disclosed pursuant to this section to any of the following persons:

(1) An employee or former employee of the department who is, or may be, a party to an administrative action or proceeding affecting the personnel rights of that employee or former employee.

(2) Upon written request by the employee or former employee of the department, to the employee's or former employee's duly authorized legal representative.

(3) Officers and employees of the department for use in any action or proceeding affecting the rights of an employee or former employee, to the extent necessary to advance or protect the interests of the State of California.

(4) An administrative law judge, administrative board member, judge, or justice, or authorized officer or employee thereof, in connection with an administrative hearing, adjudication, or appeal thereof, related to an action or proceeding affecting the personnel rights of an employee or former employee of the department.

(g) For the purposes of this section, "an action or proceeding affecting the personnel rights of an employee or former employee of the department" means an action or proceeding arising under either of the following:

(1) The State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5).

(2) The Ralph C. Dills Act (Chapter 10.3 (commencing with Section 3512) of Division 4 of Title 1).

(h) Any unauthorized disclosure by a person described in paragraphs (1) to (4), inclusive, of subdivision (f) of any information set forth in paragraphs (1) to (3), inclusive, of subdivision (a) disclosed to that person pursuant to this section shall be subject to criminal penalty and civil liability for that unauthorized disclosure.

SEC. 6. Section 15600 of the Government Code is amended to read:

15600. (a) There is in state government the State Board of Equalization.

(b) The board shall continue to only have the following duties, powers, and responsibilities:

(1) The review, equalization, or adjustment of a property tax assessment pursuant to Section 11 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the board in connection with that review, equalization, or adjustment.

(2) The measurement of county assessment levels and adjustment of secured local assessment rolls pursuant to Section 18 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the board in connection with that measurement and adjustment.

(3) The assessment of pipelines, flumes, canals, ditches, and aqueducts lying within two or more counties and property, except franchises, owned or used by regulated railway, telegraph, or telephone companies, car companies operating on railways in the state, and companies transmitting or selling gas or electricity pursuant to Section 19 of Article XIII of the California Constitution, and any duty, power, or responsibility conferred by statute on the board in connection with that assessment.

(4) The assessment of taxes on insurers pursuant to Section 28 of Article XIII of the California Constitution and any duty, power, or responsibility conferred by statute on the board in connection with that assessment.

(5) The assessment and collection of excises taxes on the manufacture, importation, and sale of alcoholic beverages in this state pursuant to Section 22 of Article XX of the California Constitution, and any duty, power, or responsibility conferred by statute on the board in connection with that assessment and collection.

(c) The board shall retain the duty to adjust the rate of the motor vehicle fuel tax pursuant to subdivision (b) of Section 7360 of the Revenue and Taxation Code for the 2018–19 fiscal year.

(d) (1) In order to ensure a seamless transition from the State Board of Equalization to the Office of Tax Appeals in the conduct of appeals hearings on and after January 1, 2018, pursuant to Part 9.5 (commencing with Section 15670), the State Board of Equalization, consistent with subdivision (b) of Section 15674, shall continue to have the legal authority to hear, determine, decide, or take any other action with respect to an appeal, as defined in subdivision (a) of Section 15671, regarding matters for which the duties, powers, and responsibilities are transferred to the Office of Tax Appeals pursuant to Section 15672, only if both of the following are satisfied:

(A) The hearing, determination, decision, or any other action with respect to an appeal is placed on the calendar of a meeting of the State Board of Equalization to be held before January 1, 2018.

(B) The appeal is heard, determined, decided, or is otherwise final before January 1, 2018.

(2) On and after January 1, 2018, the State Board of Equalization shall have no legal authority to, and shall not, regarding matters for which the duties, powers, and responsibilities are transferred to the Office of Tax Appeals pursuant to Section 15672, conduct an appeals hearing, make a determination, issue or publish a decision on an appeal, or take any other action with respect to an appeal heard at a meeting of the State Board of Equalization before January 1, 2018, for which the State Board of Equalization's hearing, determination, decision, or any other action is, for any reason, not final before January 1, 2018.

(e) (1) The board shall retain all employees serving in state civil service, including temporary employees, who are engaged in the performance of functions described in subdivision (b). The status, positions, and rights of those persons shall not be affected by their retention and shall continue to be retained by them pursuant to the State Civil Service Act (Part 2 (commencing with Section 18500) of Division 5), except as to positions the duties of which are vested in a position exempt from civil service.

(2) The board also may employ civil service staff persons to carry out the duties, powers, and responsibilities described in subdivision (b) as approved by the Legislature through the budget.

(3) The board shall retain the authority to appoint an executive director and prescribe and enforce his or her duties pursuant to Section 15604.

(f) Each member of the board elected by the voters of an equalization district shall have only one office in Sacramento and one district office.

(g) Each board member elected by the voters of an equalization district shall have a staff consisting of two staff persons who are exempt from civil service pursuant to Section 4 of Article VII of the California Constitution and any other civil service positions approved by the Legislature through the budget.

(h) (1) A board member shall have no authority to appoint, remove, discipline, assign, reassign, promote, demote, or issue orders to any employee of the board, including, but not limited to, the career executive assignment positions and other noncivil service managers.

(2) The executive director shall be solely responsible for selecting persons for career executive assignment positions and other noncivil service managers for the board.

(i) A board member shall not modify or approve a budget change proposal for the board or the California Department of Tax and Fee Administration. The executive director shall modify or approve all budget change proposals for the board.

(j) A board member shall not interfere with or influence the process of the board's or the California Department of Tax and Fee Administration's legislative analyses, revenue analyses, or any other form of technical assistance requested by the Governor or the Legislature.

(k) All board member procurements shall be processed through the Department of General Services.

(l) (1) A member of the board shall not represent a person in a hearing before the board before one year after the expiration of the member's term on the board or one year after separation from the board.

(2) The staff of a member of the board shall not represent a person in a hearing before the board before one year after separation from employment with that member.

(m) This section shall become operative on July 1, 2017.

SEC. 7. Section 15618.5 is added to the Government Code, to read:

15618.5. Notwithstanding Section 1808.5 of the Vehicle Code, the board, as a board, individually, or through its staff, may obtain copies of fullface engraved pictures or photographs of licensees directly from the Department of Motor Vehicles for the purposes of enforcing the duties, powers, and responsibilities described in Section 15600.

SEC. 8. Section 15670 of the Government Code is amended to read:

15670. (a) There shall be established in state government the Office of Tax Appeals.

(b) (1) The office is under the control of a director. The Governor shall appoint the director, chief deputy director, and chief counsel of the office. The appointment of the director is subject to confirmation by the Senate.

(2) The director shall administer and direct the day-to-day operations of the office, including, but not limited to, ensuring that each hearing office is sufficiently staffed and that appeals hearings are heard and resolved in a timely and efficient manner. The director shall not direct, oversee, supervise, or be otherwise involved in the decisionmaking process of the tax appeals panels.

(c) Within the office, there shall be tax appeals panels. Each tax appeals panel shall consist of three administrative law judges designated by the director of the office. Each administrative law judge shall satisfy both of the following:

(1) Possess both of the following qualifications:

(A) Active membership in the State Bar of California for at least five years immediately preceding his or her designation to a tax appeals panel.

(B) Knowledge and experience with regard to the administration and operation of the tax and fee laws of the United States and of this state.

(2) Subscribe to the Code of Judicial Ethics adopted by the Supreme Court pursuant to subdivision (m) of Section 18 of Article VI of the California Constitution for the conduct of judges, including, but not limited to, those canons governing conflict of interest.

SEC. 9. Section 15671 of the Government Code is amended to read:

15671. For purposes of this part, the following terms shall have the following meanings:

(a) "Appeal" means any of the following:

(1) A petition, including, but not limited to, a petition for redetermination, petition for reassessment, petition for reconsideration of successor liability, or petition for rehearing.

(2) Administrative protest with respect to a tax or fee administered by the California Department of Tax and Fee Administration.

(3) Claim, including a claim for refund with respect to a tax or fee administered by the California Department of Tax and Fee Administration.

(4) Appeal from an action of the Franchise Tax Board filed under Part 10.2 (commencing with Section 18401) of Division 2 of the Revenue and Taxation Code or Chapter 1 (commencing with Section 20501) and Chapter 4 (commencing with Section 20641) of Part 10.5 of Division 2 of the Revenue and Taxation Code.

(5) Application, including, but not limited to, an application for administrative hearing.

(6) Any other item that may be scheduled for a hearing, including, but not limited to, requests for relief of taxes, fees, interest, or penalties.

(b) "Office" means the Office of Tax Appeals.

SEC. 10. Section 15672 of the Government Code is amended to read:

15672. (a) Except as provided in subdivision (b) of Section 15600, the office is the successor to, and is vested with, all of the duties, powers, and responsibilities of the State Board of Equalization necessary or appropriate to conduct appeals hearings.

(b) The tax appeals panels and the appeals hearings conducted by the tax appeals panels under this part shall not be construed to be, or to be conducted by, a tax court.

SEC. 11. Section 15674 of the Government Code is amended to read:

15674. (a) The tax appeals panels shall do all of the following:

(1) On or after January 1, 2018, conduct all appeals hearings for those duties, powers, and responsibilities transferred to the office pursuant to Section 15672.

(2) Issue a written opinion for each appeal decided.

(3) Except as otherwise provided in this part, conduct all appeals hearings and proceedings under the Administrative Procedure Act.

(b) On or after January 1, 2018, the State Board of Equalization shall not conduct appeals or take any other action with respect to an appeal, except as provided in subdivision (b) of Section 15600 and consistent with subdivision (d) of Section 15600.

SEC. 12. Section 15676 of the Government Code is amended to read:

15676. A person may be represented on an appeal by any authorized person or persons, at least 18 years of age, of the person's choosing, including, but not limited to, an attorney, appraiser, certified public accountant, public accountant, bookkeeper, employee, business associate, or any other person.

SEC. 13. Section 15676.5 is added to the Government Code, to read:

15676.5. Subject to Section 15679, in order to facilitate the implementation of Section 15676:

(a) The office shall establish a process under which a person filing an appeal may request, notwithstanding Section 11425.20 or any other law to the contrary, a closed hearing.

(b) The office shall also establish objective criteria for determining whether to grant a request described in subdivision (a) and these objective criteria shall include, but not be limited to, those criteria that are necessary or proper to carry out the intent of Section 15676.

SEC. 14. Section 15677 of the Government Code is amended to read:

15677. If a person that sought relief from a tax appeals panel disagrees with its decision, the person may bring an action in superior court in accordance with the law imposing the tax or fee for a trial de novo.

SEC. 15. Section 15679.5 is added to the Government Code, to read:

15679.5. (a) Consistent with Section 15674, all appeals hearings and proceedings shall be conducted pursuant to the Administrative Procedure Act. To the extent applicable and not in conflict with this part, the regulations contained in Division 2.1 of Title 18 of the California Code of Regulations shall continue in force and apply to all appeals hearings and proceedings.

(b) (1) Pursuant to Section 15679, the office shall amend, repeal, or add to the regulations described in subdivision (a) as necessary or appropriate to govern hearings and proceedings conducted by tax appeals panels pursuant to this part.

(2) Notwithstanding any other law and consistent with Section 15676 and Division 2.1 of Title 18 of the California Code of Regulations, the office shall adopt regulations regarding the presentation of evidence and preparation for hearings and proceedings before a tax appeals panel that do not require application of specialized knowledge.

(3) To the extent applicable and not in conflict with this part, regulatory actions adopted to carry out this subdivision shall be consistent with the Model State Administrative Tax Tribunal Act dated August 2006 adopted by the American Bar Association.

SEC. 16. Section 20.5 is added to the Revenue and Taxation Code, to read:

20.5. (a) Unless the context requires otherwise, as used in this code or any other code, “board, itself” or “State Board of Equalization meeting as a public body” means the California Department of Tax and Fee Administration for those duties, powers, and responsibilities transferred to the California Department of Tax and Fee Administration pursuant to Section 15570.22 of the Government Code.

(b) Unless the context requires otherwise, as used in this code or any other code, “executive director” or “executive officer of the board” means the director of the California Department of Tax and Fee Administration for those duties, powers, and responsibilities transferred to the California Department of Tax and Fee Administration pursuant to Section 15570.22 of the Government Code.

SEC. 17. Section 6377.1 of the Revenue and Taxation Code is amended to read:

6377.1. (a) Except as provided in subdivision (e), on or after July 1, 2014, and before July 1, 2030, there are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following:

(1) Qualified tangible personal property purchased for use by a qualified person to be used primarily in any stage of the manufacturing, processing, refining, fabricating, or recycling of tangible personal property, beginning at the point any raw materials are received by the qualified person and introduced into the process and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling has altered tangible personal property to its completed form, including packaging, if required.

(2) Qualified tangible personal property purchased for use by a qualified person to be used primarily in research and development.

(3) Qualified tangible personal property purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any qualified tangible personal property described in paragraph (1) or (2).

(4) Qualified tangible personal property purchased for use by a contractor purchasing that property for use in the performance of a construction contract for the qualified person, that will use that property as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, the generation or production, or storage and distribution, of electric power, or as a research or storage facility for use in connection with those processes.

(5) Qualified tangible personal property purchased for use by a qualified person to be used primarily in the generation or production, or storage and distribution, of electric power.

(b) For purposes of this section:

(1) “Department” means the California Department of Tax and Fee Administration.

(2) “Fabricating” means to make, build, create, produce, or assemble components or tangible personal property to work in a new or different manner.

(3) “Generation or production” means the activity of making, producing, creating, or converting electric power from sources other than a conventional power source, as defined in Section 2805 of the Public Utilities Code.

(4) "Manufacturing" means the activity of converting or conditioning tangible personal property by changing the form, composition, quality, or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(5) "Primarily" means 50 percent or more of the time.

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified person and introduced into the manufacturing, processing, refining, fabricating, or recycling activity of the qualified person and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling activity of the qualified person has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified person's manufacturing, processing, refining, fabricating, or recycling activity is conducted. Raw materials that are stored on premises other than where the qualified person's manufacturing, processing, refining, fabricating, or recycling activity is conducted shall not be considered to have been introduced into the manufacturing, processing, refining, fabricating, or recycling process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of tangible personal property.

(8) (A) "Qualified person" means:

(i) Prior to January 1, 2018, a person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, 541711, or 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(ii) On and after January 1, 2018, and before July 1, 2030, a person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, 221111 to 221118, inclusive, 221122, 541711, or 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(B) Notwithstanding subparagraph (A), "qualified person" shall not include either of the following:

(i) Prior to January 1, 2018, an apportioning trade or business that is required to apportion its business income pursuant to subdivision (b) of Section 25128 or a trade or business conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.

(ii) On and after January 1, 2018, and before July 1, 2030, an apportioning trade or business, other than a trade or business described in paragraph (1) of subdivision (c) of Section 25128, that is required to apportion its business income pursuant to subdivision (b) of Section 25128, or a trade or business, other than a trade or business described in paragraph (1) of subdivision (c) of Section 25128, conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.

(9) (A) "Qualified tangible personal property" includes, but is not limited to, all of the following:

(i) Machinery and equipment, including component parts and contrivances such as belts, shafts, moving parts, and operating structures.

(ii) Equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, but not limited to, computers, data-processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years therefor, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the qualified person or another party.

(iii) Tangible personal property used in pollution control that meets standards established by this state or any local or regional governmental agency within this state.

(iv) (I) Prior to January 1, 2018, special purpose buildings and foundations used as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or that constitute a research or storage facility used during those processes. Buildings used solely for warehousing purposes after completion of those processes are not included.

(II) On and after January 1, 2018, and before July 1, 2030, special purpose buildings and foundations used as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or that constitute a research

or storage facility used during those processes, or the generation or production or storage and distribution of electric power. Buildings used solely for warehousing purposes after completion of those processes are not included.

(B) "Qualified tangible personal property" shall not include any of the following:

- (i) Consumables with a useful life of less than one year.
- (ii) Furniture, inventory, and equipment used in the extraction process, or equipment used to store finished products that have completed the manufacturing, processing, refining, fabricating, or recycling process.
- (iii) Tangible personal property used primarily in administration, general management, or marketing.

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product.

(11) "Research and development" means those activities that are described in Section 174 of the Internal Revenue Code or in any regulations thereunder.

(12) "Storage and distribution" means storing or distributing through the electric grid, but not transmission of, electric power to consumers regardless of source.

(13) (A) "Useful life" for tangible personal property that is treated as having a useful life of one or more years for state income or franchise tax purposes shall be deemed to have a useful life of one or more years for purposes of this section. "Useful life" for tangible personal property that is treated as having a useful life of less than one year for state income or franchise tax purposes shall be deemed to have a useful life of less than one year for purposes of this section. For the purposes of this paragraph, tangible personal property that is deducted under Sections 17201 and 17255 or Section 24356 shall be deemed to have a useful life of one or more years.

(B) The department shall cancel any outstanding and unpaid deficiency determination and any related penalties and interest and shall not issue any deficiency determination or notice of determination, with respect to unpaid sales and use tax on qualified property with a useful life, as defined in subparagraph (A), that was purchased or leased on or after July 1, 2014, and before January 1, 2018. Any amounts paid by a qualified person pursuant to such determination shall be refunded by the department to the qualified person. Any cancellation or refund described in this subparagraph is contingent upon a qualified person making a request to the department, in a manner prescribed by the department, by June 30, 2018.

(c) An exemption shall not be allowed under this section unless the purchaser furnishes the retailer with an exemption certificate, completed in accordance with any instructions or regulations as the department may prescribe, and the retailer retains the exemption certificate in its records and furnishes it to the department upon request.

(d) (1) Notwithstanding the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)) and the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), the exemption established by this section shall not apply with respect to any tax levied by a county, city, or district pursuant to, or in accordance with, either of those laws.

(2) Notwithstanding subdivision (a), the exemption established by this section shall not apply with respect to any tax levied pursuant to Section 6051.2, 6051.5, 6201.2, or 6201.5, pursuant to Section 35 of Article XIII of the California Constitution, or any tax levied pursuant to Section 6051 or 6201 that is deposited in the State Treasury to the credit of the Local Revenue Fund 2011 pursuant to Section 6051.15 or 6201.15.

(e) (1) The exemption provided by this section shall not apply to either of the following:

(A) Any tangible personal property purchased during any calendar year that exceeds two hundred million dollars (\$200,000,000) of purchases of qualified tangible personal property for which an exemption is claimed by a qualified person under this section. For purposes of this subparagraph, in the case of a qualified person that is required to be included in a combined report under Section 25101 or authorized to be included in a combined report under Section 25101.15, the aggregate of all purchases of qualified personal property for which an exemption is claimed pursuant to this section by all persons that are required or authorized to be included in a combined report shall not exceed two hundred million dollars (\$200,000,000) in any calendar year.

(B) The sale or storage, use, or other consumption of property that, within one year from the date of purchase, is removed from California, converted from an exempt use under subdivision (a) to some other use not qualifying for exemption, or used in a manner not qualifying for exemption.

(2) If a purchaser certifies in writing to the seller that the tangible personal property purchased without payment of the tax will be used in a manner entitling the seller to regard the gross receipts from the sale as exempt from the sales tax, and the purchase exceeds the two-hundred-million-dollar (\$200,000,000) limitation described in subparagraph (A) of paragraph (1), or

within one year from the date of purchase, the purchaser removes that property from California, converts that property for use in a manner not qualifying for the exemption, or uses that property in a manner not qualifying for the exemption, the purchaser shall be liable for payment of sales tax, with applicable interest, as if the purchaser were a retailer making a retail sale of the tangible personal property at the time the tangible personal property is so purchased, removed, converted, or used, and the cost of the tangible personal property to the purchaser shall be deemed the gross receipts from that retail sale.

(f) This section shall apply to leases of qualified tangible personal property classified as "continuing sales" and "continuing purchases" in accordance with Sections 6006.1 and 6010.1. The exemption established by this section shall apply to the rentals payable pursuant to the lease, provided the lessee is a qualified person and the tangible personal property is used in an activity described in subdivision (a).

(g) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of exemptions that will be taken for each calendar year, or any portion thereof, for which this section provides an exemption.

(2) (A) No later than each May 1 next following a calendar year for which this section provides an exemption, the department shall provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the total dollar amount of exemptions taken under this section for the immediately preceding calendar year. The report shall compare the total dollar amount of exemptions taken under this section for that calendar year with the department's estimate for that same calendar year. If that total dollar amount taken is less than the estimate for that calendar year, the report shall identify options for increasing exemptions taken so as to meet estimated amounts.

(B) (i) No later than each May 1 next following calendar years 2018 to 2030, inclusive, the department shall provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken pursuant to subdivision (a) for sales to, or purchases by, qualified persons described in clause (ii) for the immediately preceding calendar year.

(ii) The report required under this subparagraph shall only include the revenue value of the total dollar amount of exemptions allowed to the following:

(I) A qualified person that is primarily engaged in those lines of business described in Codes 221111 to 221118, inclusive, and 221122 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(II) A qualified person that is both of the following:

(ia) A person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, 541711, and 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(ib) A person that is an apportioning trade or business as described in paragraph (1) of subdivision (c) of Section 25128, that is required to apportion its business income pursuant to subdivision (b) of Section 25128, or a trade or business as described in paragraph (1) of subdivision (c) of Section 25128, conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.

(C) No later than each May 1 next following calendar years 2022 through 2030, inclusive, the department shall provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken under this section for the immediately preceding calendar year, and for calendar year 2022, the period shall cover July 1 to December 31, 2022.

(3) (A) An amount that equals the revenue value of the total dollar amount of exemptions, as reported by the department pursuant to subparagraph (B) of paragraph (2), with the concurrence of the Department of Finance, shall be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each June 30 next following the calendar year described in subparagraph (B) of paragraph (2). Any amount attributable to any cancellations the department made of any outstanding and unpaid deficiency determinations and any refunds under subparagraph (B) of paragraph (13) of subdivision (b) shall be excluded from the transfer of the amount described in subparagraph (B). The transfers to the General Fund shall be accrued to the fiscal year in which the revenue loss occurred.

(B) (i) For calendar years 2022 through 2030, inclusive, an amount not to exceed the difference between the revenue value of the total dollar amount of exemptions as reported by the department pursuant to subparagraph (C) of paragraph (2), and the revenue value of the total dollar amount of exemptions as reported by the department pursuant to subparagraph (B) of paragraph (2), may be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each July

31 following that calendar year described in subparagraph (C) of paragraph (2). The transfers to the General Fund shall be accrued proportionally to the fiscal year in which the revenue loss occurred.

(ii) The amount transferred under this subparagraph for each fiscal year shall be as determined by the Director of Finance, unless a different amount is otherwise specified in the Budget Act for that fiscal year.

(4) For purposes of this subdivision, the "revenue value" of an amount of exemptions shall mean the estimated revenue loss to the General Fund from the allowance of those exemptions.

(h) This section is repealed on January 1, 2031.

SEC. 18. Section 17052 of the Revenue and Taxation Code is amended to read:

17052. (a) (1) For each taxable year beginning on or after January 1, 2015, there shall be allowed against the "net tax," as defined by Section 17039, an earned income tax credit in an amount equal to an amount determined in accordance with Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal income tax purposes for the taxable year, except as otherwise provided in this section.

(2) (A) The amount of the credit determined under Section 32 of the Internal Revenue Code, relating to earned income, as modified by this section, shall be multiplied by the earned income tax credit adjustment factor for the taxable year.

(B) Unless otherwise specified in the annual Budget Act, the earned income tax credit adjustment factor for a taxable year beginning on or after January 1, 2015, shall be 0 percent.

(C) The earned income tax credit authorized by this section shall only be operative for taxable years for which resources are authorized in the annual Budget Act for the Franchise Tax Board to oversee and audit returns associated with the credit.

(b) (1) In lieu of the table prescribed in Section 32(b)(1) of the Internal Revenue Code, relating to percentages, the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	7.65%	7.65%
1 qualifying child	34%	34%
2 qualifying children	40%	40%
3 or more qualifying children	45%	45%

(2) (A) In lieu of the table prescribed in Section 32(b)(2)(A) of the Internal Revenue Code, the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	\$3,290	\$3,290
1 qualifying child	\$4,940	\$4,940
2 or more qualifying children	\$6,935	\$6,935

(B) Section 32(b)(2)(B) of the Internal Revenue Code, relating to joint returns, shall not apply.

(c) (1) Section 32(c)(1)(A)(ii)(I) of the Internal Revenue Code is modified by substituting "this state" for "the United States."

(2) Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting "plus" and inserting in lieu thereof the following: "and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code."

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall not apply.

(3) For taxable years beginning on or after January 1, 2017, paragraph (2) shall not apply and in lieu thereof Section 32(c)(2)(A) of the Internal Revenue Code is modified as follows:

(A) Section 32(c)(2)(A)(i) of the Internal Revenue Code is modified by deleting “plus” and inserting in lieu thereof the following: “and only if such amounts are subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code, plus.”

(B) Section 32(c)(2)(A)(ii) of the Internal Revenue Code shall apply.

(4) Section 32(c)(3)(C) of the Internal Revenue Code, relating to place of abode, is modified by substituting “this state” for “the United States.”

(d) Section 32(i)(1) of the Internal Revenue Code is modified by substituting “\$3,400” for “\$2,200.”

(e) In lieu of Section 32(j) of the Internal Revenue Code, relating to inflation adjustments, for taxable years beginning on or after January 1, 2016, the amounts specified in paragraph (2) of subdivision (b) and in subdivision (d) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

(f) If the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.

(g) (1) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(2) (A) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed or improper payments from being made with respect to net earnings from self-employment.

(B) The adoption of any regulations pursuant to subparagraph (A) may be adopted as emergency regulations in accordance with the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. Notwithstanding Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, these emergency regulations shall not be subject to the review and approval of the Office of Administrative Law. The regulations shall become effective immediately upon filing with the Secretary of State, and shall remain in effect until revised or repealed by the Franchise Tax Board.

(h) Notwithstanding any other law, amounts refunded pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000) of the Welfare and Institutions Code or amounts of those benefits.

(i) (1) For the purpose of implementing the credit allowed by this section for the 2015 taxable year, the Franchise Tax Board shall be exempt from the following:

(A) Special Project Report requirements under State Administrative Manual Sections 4819.36, 4945, and 4945.2.

(B) Special Project Report requirements under Statewide Information Management Manual Section 30.

(C) Section 11.00 of the 2015 Budget Act.

(D) Sections 12101, 12101.5, 12102, and 12102.1 of the Public Contract Code.

(2) The Franchise Tax Board shall formally incorporate the scope, costs, and schedule changes associated with the implementation of the credit allowed by this section in its next anticipated Special Project Report for its Enterprise Data to Revenue Project.

(j) (1) In accordance with Section 41 of the Revenue and Taxation Code, the purpose of the California Earned Income Tax Credit is to reduce poverty among California’s poorest working families and individuals. To measure whether the credit achieves its intended purpose, the Franchise Tax Board shall annually prepare a written report on the following:

(A) The number of tax returns claiming the credit.

(B) The number of individuals represented on tax returns claiming the credit.

(C) The average credit amount on tax returns claiming the credit.

(D) The distribution of credits by number of dependents and income ranges. The income ranges shall encompass the phase-in and phaseout ranges of the credit.

(E) Using data from tax returns claiming the credit, including an estimate of the federal tax credit determined under Section 32 of the Internal Revenue Code, an estimate of the number of families who are lifted out of deep poverty by the credit and an estimate of the number of families who are lifted out of deep poverty by the combination of the credit and the federal tax credit. For the purposes of this subdivision, a family is in "deep poverty" if the income of the family is less than 50 percent of the federal poverty threshold.

(2) The Franchise Tax Board shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Senate and Assembly Committees on Human Services.

(k) The tax credit allowed by this section shall be known as the California Earned Income Tax Credit.

(l) The amendments made to this section by Chapter 722 of the Statutes of 2016 shall apply to taxable years beginning on or after January 1, 2016.

(m) (1) For each taxable year beginning on or after January 1, 2017, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars (\$100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars (\$250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, and the earned income amount is greater than or equal to the corresponding amount in the table set forth in paragraph (2) below, then in lieu of the table prescribed in paragraph (1) of subdivision (b), the credit percentage and the phaseout percentage shall be determined as follows:

In the case of an eligible individual with:	The credit percentage is:	The phaseout percentage is:
No qualifying children	2.20%	1.22%
1 qualifying child	3.10%	2.29%
2 qualifying children	2.13%	3.45%
3 or more qualifying children	2.12%	3.49%

(2) For each taxable year beginning on or after January 1, 2017, if the amount of credit computed pursuant to subdivisions (a) and (b) is less than or equal to one hundred dollars (\$100) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with no qualifying children, or less than or equal to two hundred fifty dollars (\$250) multiplied by the ratio of the earned income tax credit adjustment factor for that taxable year divided by 0.85 for an eligible individual with one or more qualifying children, then in lieu of the table prescribed in subparagraph (A) of paragraph (2) of subdivision (b), the earned income amount and the phaseout amount shall be determined as follows:

In the case of an eligible individual with:	The earned income amount is:	The phaseout amount is:
No qualifying children	\$5,354	\$5,354
1 qualifying child	\$9,484	\$9,484
2 qualifying children	\$13,794	\$13,794
3 or more qualifying children	\$13,875	\$13,875

(3) For taxable years beginning on or after January 1, 2018, the amounts in paragraphs (1) and (2) shall be recomputed annually in the same manner as the recomputation of income tax brackets under subdivision (h) of Section 17041.

SEC. 19. Section 18874 of the Revenue and Taxation Code is amended to read:

18874. (a) Except as provided in subdivision (b) and notwithstanding any other law, the following shall apply to any voluntary tax contribution fund established by this chapter, appearing on the tax return for the 2016 taxable year, that has a minimum contribution amount requirement for the 2017 calendar year in order to continue to appear on the tax return form for the 2017 taxable year:

(1) The minimum contribution amount requirement for the 2017 calendar year is equal to zero dollars (\$0).

(2) The minimum contribution amount requirement for the 2018 calendar year, in order to appear on the tax return form for the 2018 taxable year, means the greater of either two hundred fifty thousand dollars (\$250,000), pursuant to paragraph (2) of subdivision (c) of Section 18873, or the minimum contribution amount previously determined, pursuant to the provisions of the article establishing the fund, as of September 1, 2016, that would have been for the 2017 calendar year for that fund.

(b) This section does not apply to a voluntary contribution fund that is otherwise subject to repeal, pursuant to the provisions of the article establishing the fund, without regard to satisfying a minimum contribution amount requirement.

SEC. 20. The Legislature finds and declares that Section 13 of this act, which adds Section 15676.5 to the Government Code, imposes a limitation on the public's right of access to the meetings of public bodies or the writings of public officials and agencies within the meaning of Section 3 of Article I of the California Constitution. Pursuant to that constitutional provision, the Legislature makes the following findings to demonstrate the interest protected by this limitation and the need for protecting that interest:

It is of vital importance to the Legislature to balance access to public information and discussion with legitimate privacy concerns. In recognition of the sensitive nature of financial statements and tax information, and in order to allow a person to be represented on an appeal before a tax appeals panel within the Office of Tax Appeals by any authorized person or persons of the persons's choosing as described in Section 15676 of the Government Code, the Legislature finds and declares that allowing persons the opportunity for a closed hearing before a tax appeals panel will protect that interest without otherwise impeding access to public information.

SEC. 21. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.