

Senate Bill 972

Corporate Disclosure Act

Senator Nancy Skinner, D-Berkeley

THIS BILL

Florida, Indiana, Iowa, Maine, Maryland, Minnesota, Mississippi, Nebraska, Oklahoma, and Washington all make publicly available some level of information on the amount of state taxes paid by individual corporations and the state tax credits taken by those corporations. This publicly available data provides policymakers and the public with the ability to evaluate whether the state's tax policy is meeting intended objectives that can guide future policy recommendations and ensure appropriate oversight of tax expenditures.

Unlike these states, California policymakers and the public do not have access to the total tax benefit a particular corporation receives or the amount of taxes the individual corporation pays directly to the state. SB 972 addresses this lack of transparency by requiring the disclosure of corporations that have \$5 billion or more in gross receipts in California, the total dollar value of tax subsidies they received, the types of subsidies, and state tax paid.

ISSUE

California forgoes the collection of billions of dollars in tax revenues each year through tax credits and other subsidies provided to corporations. The California State Auditor found that, in 2012-13, California experienced roughly \$5 billion in foregone tax revenue from state provided corporate tax breaks and subsidies.

Corporate income tax revenue to the state has been steadily declining for years. In the 1970s, corporate income tax revenue made up more than 15% of California's general fund. Now, income tax from corporations makes up less than 9% of revenue to the general fund. Meanwhile, the 2017 federal tax cut allowed corporations that do business in California to pocket an extra \$13 billion to \$17 billion annually.

Tax credits, exemptions, incentives, and deductions can be valuable tools to attract new business, create jobs, incentivize behavior or meet other policy goals. While not literally viewed as expenditures, in fact, all such policies are a decision by the state to not receive revenue that otherwise would be collected.

Thus, tax credits are an expenditure of taxpayer dollars.

California law does not allow for the disclosure of tax expenditures corporations receive or the amount of state taxes they pay. This makes it impossible for the public and policymakers to access information that would enable an assessment of whether tax expenditures the state provides are actually providing the intended economic or other benefits.

On the federal level, all publicly traded corporations are required to annually disclose to the U.S. Securities and Exchange Commission corporate profits, federal taxes paid, and federal tax credits claimed, giving the public and policy makers access to that information.

SOLUTION

SB 972 would make publicly available the amount of state taxes paid and the tax benefit taken by each of the largest corporations doing business in California.

Specifically, SB 972 is directed at corporations with gross receipts of \$5 billion or higher and allows the state Franchise Tax Board to disclose, for those corporations only, three data points:

- total dollar value of state tax benefits claimed
- the types of tax credits used
- total amount of tax paid directly to the state

This information would then be provided by the FTB to the Senate Governance and Finance Committee and the Assembly Revenue and Taxation Committee.

SUPPORT

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