

Senate Bill No. 506

CHAPTER 306

An act to amend Section 17275 of, and to add Section 17280.3 to, the Government Code, relating to state finance.

[Approved by Governor September 20, 2011. Filed with
Secretary of State September 21, 2011.]

LEGISLATIVE COUNSEL'S DIGEST

SB 506, Simitian. State finance: warrants.

Existing law authorizes a taxpayer who has a tax liability with respect to personal income taxes or bank and corporation taxes, and who is a payee named in a registered warrant to pay the tax liability with the registered warrant, as specified.

This bill would provide that if a registered warrant is issued for the payment of principal or interest due on a state bond, then the beneficial owner of that state bond may offset the principal amount of the registered warrant that is attributable to that beneficial owner's beneficial interest in the state bond against an existing tax liability, subject to certain requirements and procedures.

The people of the State of California do enact as follows:

SECTION 1. Section 17275 of the Government Code is amended to read:

17275. Any interest paid on any registered warrant shall accrue to the person holding the warrant on the date of redemption, except a registered reimbursement warrant may provide otherwise. A registered warrant ceases to bear interest on the first of the following dates:

(a) The maturity date endorsed on its face, if any, if on that date unapplied money or the proceeds of refunding warrants are available for its payment.

(b) The date of redemption, so long as the date is at least three days following the first day of published notice pursuant to Section 17273.

(c) The date a registered warrant is used by a taxpayer, pursuant to Section 17280.1, or by a beneficial owner of a state bond, pursuant to Section 17280.3, to offset a tax liability of the taxpayer or beneficial owner.

SEC. 2. Section 17280.3 is added to the Government Code, to read:

17280.3. (a) If a registered warrant, as defined in Section 17221, is issued for payment of any principal or interest due and payable on a state bond that is held in book entry form by a securities settlement system, the beneficial owner of the state bond may offset the portion of the principal amount of the registered warrant (exclusive of interest thereon) that is

attributable to that beneficial owner's beneficial interest in the state bond against an existing tax liability, as defined in subdivision (a) of Section 17280.1, of that beneficial owner, in accordance with the provisions of Sections 17280.1 and 17280.2, or otherwise in accordance with procedures established by the Controller pursuant to subdivision (b), notwithstanding that the securities settlement system, or its nominee, is the registered owner of the state bond or the named payee of the registered warrant. The amount of that beneficial owner's tax liability that may be offset pursuant to this section shall not exceed the portion of the principal amount of the registered warrant, exclusive of interest thereon, that is attributable to the taxpayer's beneficial ownership of the state bond. Any beneficial owner who exercises the offset right set forth in this section in payment of an existing tax liability shall not be entitled to receive payment of any interest accruing on the portion of the registered warrant attributable to that beneficial owner's beneficial interest in the state bond after the date on which the beneficial owner exercises the offset right in accordance with the applicable procedures, and the beneficial owner shall be required to promptly repay to the state any interest accruing on the registered warrant after that date that may be paid to or ultimately received by the beneficial owner, if any. The preceding sentence shall apply even if the portion of the principal amount of the registered warrant that is attributable to the beneficial owner's ownership interest in the state bond is larger than the amount of the tax liability offset by the beneficial owner with that registered warrant. Upon exercising the right of offset pursuant to this subdivision, the beneficial owner shall not be permitted to sell, transfer, or assign his or her beneficial ownership of the applicable state bond until the applicable registered warrant has been redeemed by the state and the beneficial owner has repaid any interest received on his or her portion of that registered warrant attributable to the period after that beneficial owner's exercise of the right of offset as provided in this subdivision. For purposes of this subdivision and subdivision (b), "state bond" means any general obligation bond or revenue anticipation note issued by the state.

(b) No state entity shall take any action that would materially adversely impair, limit, or restrict the rights of a beneficial owner of a state bond, as set forth in this section, Section 17280.1, or Section 17280.2, or any successor provisions, as those provisions were in effect when the person or party became a beneficial owner of the state bond, until the state bond is fully paid and discharged.