

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

SB 799 (Allen)
Version: March 24, 2025
Hearing Date: April 8, 2025
Fiscal: Yes
Urgency: No
AM

SUBJECT

False claims: taxation

DIGEST

This bill applies the California False Claims Act (CFCA) to cases of tax fraud, as specified.

EXECUTIVE SUMMARY

There is a drafting error in the current version of the bill in Section 12561 of the Government Code. This analysis is based on the bill as proposed to be amended by the author to fix that drafting error and make an additional nonsubstantive change to in Section 12562 of the Government Code to change “court approved” to “court-approved”. A mock-up of those sections as proposed to be amended can be found at the end of this analysis.

The CFCA is a whistleblower statute designed to protect public funds. The CFCA establishes liability to the state for persons who commit certain enumerated acts relating to false claims submitted to the state. It provides for treble damages and civil penalties, contains a *qui tam* provision, and whistleblower protections. This bill expands the provisions of the CFCA to claims, records, obligations, or statements made under the Revenue and Taxation Code if specified conditions are met. According to the author and the Attorney General, the sponsor of the bill, this bill “seeks to aid the discovery and civil prosecution of hard-to-find cases of tax fraud by incentivizing whistleblowers to come forward and report egregious cases of fraud.”¹ This bill contains substantially similar provisions to AB 2570 (Mark Stone, 2020), which was held in this Committee due to COVID-19 related bill limits, and AB 1270 (Mark Stone, 2019), which passed this Committee on a vote of 7 to 2 but was ultimately held in the Senate Appropriations Committee. This bill is sponsored by the California Attorney General and supported by the Consumer Attorneys of California, the California Federation of Labor Unions, the

¹ Attorney General Bonta, Senator Allen, *Unveil Legislation to Sharpen Tax Fraud Enforcement*, Off. Atty. Gen., Press Release (Mar. 28, 2025), available at <https://oag.ca.gov/news/press-releases/attorney-general-bonta-senator-allen-unveil-legislation-sharpen-tax-fraud>.

California District Attorneys Association, and Taxpayers Against Fraud. The bill is opposed by numerous entities representing businesses, accountants, and tax advocates. Should this bill pass this Committee, it will next be heard in the Senate Revenue and Taxation Committee.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Provides that a person who submits a false claim to the state, or to a political subdivision of the state, is liable for three times the amount of damages that the state or political subdivision sustains because of the false claim. (Gov. Code § 12651(a).)
- 2) Allows recovery of costs and imposes a civil penalty ranging from \$5,500 to \$11,000 for each claim. For purposes of the CFCA, submitting a false claim consists of committing any one of several enumerated acts, including, but not limited to, knowingly making a false or fraudulent claim or statement to the state or political subdivision in order to obtain money, services, or some other benefit. (Gov. Code § 12651(a).)
- 3) Requires the Attorney General (AG) or the prosecuting authority of a political subdivision to investigate diligently any false claim involving public funds, and authorizes the AG or the prosecuting authority to bring a civil action on behalf of the state or political subdivision against a person who violates the CFCA. (Gov. Code § 12652 (a)-(b).)
- 4) Provides that, in cases where the state or political subdivision has elected not to proceed with the action, a private person may bring an action in the name of the state or political subdivision as a *qui tam* plaintiff. (Gov. Code § 12652(c).)
 - a) Specifies that the *qui tam* plaintiff shall have the same right to conduct the action as the Attorney General or prosecuting authority would have had if it had chosen to proceed. (*Id.* at (f).)
- 5) Requires a complaint filed by a *qui tam* plaintiff to be filed in superior court in camera and authorizes the complaint to remain under seal for up to 60 days.
 - a) Prohibits service from being made on the defendant until after the complaint is unsealed.
 - b) Requires the *qui tam* plaintiff to serve the AG a copy of the complaint and a written disclosure of substantially all material evidence and information the person possesses on the same day the complaint is filed under a), above.
 - c) Within 60 days after receiving a complaint and written disclosure of material evidence and information alleging violations that involve state funds but not political subdivision funds, the AG may elect to intervene and proceed with the action. (Gov. Code. § 12652(c)(2)-(4).)

- 6) Provides that if the state, a political subdivision, or the *qui tam* plaintiff proceeds with the action, the court may award to the prevailing defendant its reasonable attorneys' fees and expenses against the party that proceeded with the action only if the court finds that the claim was clearly frivolous, vexatious, or brought for purposes of harassment. (Gov. Code § 12652 (g)(9).)
- 7) Provides that any employee, contractor, or agent shall be entitled to all relief necessary to make that employee, contractor, or agent whole, if that employee, contractor, or agent is discharged, demoted, suspended, threatened, harassed, or in any other manner discriminated against in the terms and conditions of their employment because of lawful acts done by the employee, contractor, agent, or associated others in furtherance of an action under this section or other efforts to stop one or more violations of the CFCA.
 - a) Specifies that relief shall include reinstatement, two times the amount of back pay, interest on back pay, compensation for any special damages sustained, and, where appropriate, punitive damages. Provides that the defendant shall also be required to pay litigation costs and reasonable attorneys' fees. (Gov. Code § 12653.)
- 8) Provides that any employee, contractor, or agent who is discharged, demoted, suspended, threatened, harassed, or otherwise discriminated against for lawful acts in furtherance of a CFCA claim, or for other efforts to stop a violation of the CFCA, is entitled to all necessary relief.
 - a) Specifies that such relief includes reinstatement, two times the amount of back pay, interest on back pay, compensation for any special damages sustained, and, where appropriate, punitive damages.
 - b) Provides that the defendant is required to pay litigation costs and reasonable attorneys' fees. (Gov. Code § 12653.)
- 9) Provides for the taxation of individuals, corporations, and sales and use of property, as specified, under the Personal Income Tax Law, the Corporation Tax Law, and the Sales and Use Tax Law and the Bradley-Burns Uniform Local Sales and Use Tax Law, respectively. (Rev. & Tax. Code §§ 17001 et. seq.; §§ 23001 et. seq.; and §§ 6001 et. seq. and §§ 7200 et. seq., respectively).

This bill:

- 1) Provides that the CFCA applies to claims, records, obligations, or statements made under the Revenue and Taxation Code if both of the following conditions are satisfied.
 - a) The damages pleaded in the action exceed \$200,000.
 - b) One of the following exceeds or equals \$500,000 for any taxable year subject to any action brought under these provisions:

- i. the taxable income of any person other than a corporation against whom the action is brought under the Personal Income Tax Law;
 - ii. the gross receipts less returns and allowances of any corporation or other person other than an individual against whom the action is brought under the Corporation Tax Law; or
 - iii. the sales of any person against whom the action is brought under the Sales and Use Tax Law or the Bradley-Burns Uniform Local Sales and Use Tax Law.
- 2) Requires the AG or prosecuting authority to consult with the taxing authorities to whom the claim, record, or statement was submitted or to whom the obligation was owed prior to filing or intervening in any action under this article that is based on the filing of false claims, records, or statements made under the Revenue and Taxation Code.
- 3) Authorizes the AG or prosecuting authority, but not the *qui tam* plaintiff, to obtain otherwise confidential records relating to taxes, fees, surcharges, or other obligations under the Revenue and Taxation Code needed to investigate or prosecute suspected violations from state and local taxing and other governmental authorities in possession of such information and records.
 - a) Those authorities are authorized to make the above described disclosures.
 - b) The taxing and other governmental authorities are prohibited from providing federal tax information without authorization from the Internal Revenue Service.
- 4) Requires any information received pursuant to 2) and 3), above, to be kept confidential, except as necessary to investigate and prosecute suspected violations.
- 5) Requires any complaint filed by a *qui tam* plaintiff to remain under seal for at least 60 days and provides it is not to be served on the defendant until the court so orders.
- 6) Deems any demand for payment or request for payment based on an alleged violation of the CFCA that is made prior to filing a by an attorney representing a private person a violation of the requirement that the complaint be filed in superior court in camera.
- 7) Clarifies that the person entitled to all relief necessary to be made whole is a current or former employee, contractor, or agent and that they are entitled to all relief necessary to be made whole also if they are harmed or penalized by an employer or contractor.
 - a) Clarifies that a "lawful act" done by the employee, contractor, agent, or associated other includes, but is not limited to, obtaining or transmitting to the state, a political subdivision, a *qui tam* plaintiff, or private counsel employed to investigate, potentially file, or file a course of action under the

CFCA, documents, data, correspondence, electronic mail, or any other information, even though that act may violate a contract, employment term, or duty owed to the employer or contractor.

- b) Also provides that the CFCA is not to be interpreted to prevent any law enforcement authority from bringing a civil or criminal action against any person for violating any provision of law.

COMMENTS

1. Stated need for the bill

The author writes:

Fraud and false claims against the government deprive state and local communities of vital funding for services like education, healthcare, public safety, and infrastructure. State and local governments face massive budget shortfalls and deficits, making the protection of every public dollar crucial. The tax gap between what is owed to the State and what is voluntarily reported and paid is estimated at \$25.5 billion. SB 799 strengthens efforts to uncover and prosecute previously unknown cases of tax fraud in order to ensure everyone is contributing their fair share of taxes. The bill incentivizes whistleblowers to come forward and report egregious cases of tax fraud, and provides a tool for the Attorney General and local prosecutors to hold those who commit tax fraud accountable based on a successful model in New York State. SB 799 could lead to the recovery of hundreds of millions of duly owed dollars for state and local governments, and will disincentive bad actors from committing fraud in the first place.

The sponsor of the bill Rob Bonta, the Attorney General, writes:

Since 1987, the CFCA has been an effective tool at revealing, deterring, and punishing those who defraud the government of public funds. Under the CFCA, it is unlawful to make false claims against the government. The CFCA has two notable components: (1) it encourages private citizens (whistleblowers) to report fraud by providing a right to share in any recovery of money; and (2) it imposes treble damages on violators. A typical example of a case initiated under the CFCA involves a whistleblower alleging that a contractor for the government is overcharging a state or local agency for goods or services, thus defrauding the government of public funds.

The years and billions of taxpayer dollars recovered since the passage of the CFCA have proven the value of this anti-corruption law. They have also pointed to its shortcomings in keeping pace with the evolving schemes of corruption that violators employ against our government.

The reforms to the CFCA proposed by SB 799 expand its application to the most egregious cases of tax fraud. Because of the incentive that the CFCA provides for inside whistleblowers to come forward, this bill would strengthen tax enforcement in California by helping to reveal new cases of tax fraud that would never be known to authorities but for the whistleblower. SB 799 helps clarify issues identified by our courts which, if left unaddressed, could be costly to taxpayers, and sends a strong message to whistleblowers that we appreciate and need their courage in stepping forward to uncover large-scale fraud committed by unscrupulous actors.

For the sake of California taxpayers who expect our government to operate effectively, we must utilize every tool at our disposal to protect our state's programs and services against fraudulent actors. SB 799 will buttress tax enforcement efforts in California and help recover millions of dollars that state and local government have been deprived of because of tax fraud. For these reasons, the Attorney General is honored to sponsor this important bill to protect public dollars and combat fraud against state and local government.

2. The False Claims Act

The Federal False Claims Act (Federal FCA) was enacted to combat fraud against the federal government and its myriad programs. It prohibits any person from "knowingly" presenting "a false or fraudulent claim for payment or approval" to the federal government. Any person found liable for violation of the Federal FCA is liable to the United States government for civil penalties and treble damages, or three times the amount of damages sustained by the government as a result of the act. (31 U.S.C. § 3729(a)(1).) The Federal FCA also contains a *qui tam* provision, allowing certain private persons to bring suit on behalf of themselves and the United States government. Such private persons may be eligible for a certain percentage of the proceeds awarded as a result of the actions. (31 U.S.C. § 3730.) The Federal FCA is widely hailed as the most effective and potent tool to detect, deter, and punish government fraud. The federal Department of Justice obtained more than \$4.7 billion in settlements and judgments from civil cases involving fraud and false claims against the government in fiscal year 2016.

The federal government provides an incentive for states to enact state statutes analogous to the Federal FCA that meet certain requirements. The CFCA is the whistleblower statute analogous to the Federal FCA. It is designed to protect public funds by encouraging employees, contractors, or agents to disclose false or fraudulent claims that their employers or others have made to the government. The CFCA protects informants from retaliation. The CFCA authorizes the AG, the prosecuting authority of a political subdivision, or any person acting as a *qui tam* plaintiff to bring a civil action in the name of the state or political subdivision. The CFCA establishes liability to the state for persons who commit certain enumerated acts relating to false claims submitted to the state. It provides for treble damages and civil penalties and also contains a *qui tam*

provision. The CFCA largely tracks the prohibitions of the Federal FCA. (Gov. Code § 12650 et seq.)

3. Expanding the CFCA to cases of tax fraud

Existing enforcement of taxes are administered by the Franchise Tax Board (FTB) for the Personal Income Tax Law and the Corporation Tax Law, and the California Department of Tax and Fee Administration (CDTFA) for sales and use taxes, among others. For the year 2023, the FTB estimated California's tax gap to be approximately \$25.5 billion, an amount based on the IRS's most recent study, released in 2022, with adjustments for California and the California economy.² The "tax gap" is the difference between what is properly owed to the state and what is voluntarily reported and paid timely.³

This bill seeks to expand the CFCA to include cases of tax fraud. Specifically, the bill would apply the CFCA to claims, records, obligations, or statements made under the Revenue and Taxation Code if both of the following apply:

- the damages pleaded in the action exceed \$200,000; and
- one of the following equals or exceeds \$500,000 for any taxable year:
 - taxable income of any person other than a corporation under the Personal Income Tax Law;
 - the gross receipts less returns and allowances of any corporation or other person other than an individual under the Corporation Tax Law; or
 - the sales of any person under the Sales and Use Tax Law or the Bradley-Burns Uniform Local Sales and Use Tax Law.

The author and sponsor of the bill argue that this bill could eventually lead to the recovery of hundreds of millions of dollars for state and local governments by ensuring taxes legally owed to the state that are fraudulently withheld are collected. As evidence of this assertion they point to a 2020 letter from Letitia James, New York AG, that notes New York enacted similar provisions to this bill in 2010, which resulted in settlements totaling more than \$470 million in unpaid taxes and associated damages over a ten-year period.

In recognition that tax records are held under strict confidentiality by FTB and CDTFA, the bill contains confidentiality protections for confidential tax information by: (1) requiring the AG or other prosecuting authority to keep confidential all tax information received from a taxing authority, except as necessary to investigate and prosecute suspected violations; and (2) prohibiting a *qui tam* plaintiff from obtaining confidential records from a taxing authority. The bill makes Legislative findings that in order to

² *Improve Compliance and Uniform Administration: Increased Enforcement Capabilities*, FTB (Jan. 1, 2024), available at <https://www.ftb.ca.gov/about-ftb/data-reports-plans/taxpayer-bill-of-rights/2023/improve-compliance-and-uniform-administration.html>.

³ *Ibid.*

protect the existing confidentiality of tax records, it is necessary to limit the public's access to these documents.

Additionally, to address concerns that *qui tam* plaintiffs will use the CFAC to “shake-down” individuals and businesses by threatening to file a claim unless they are given a settlement the bill does several things. First, it amends the CFAC to require any complaint filed by a *qui tam* plaintiff to remain under seal for at least 60 days, instead of up to 60, and provides it is not to be served on the defendant until the court so orders, as opposed to once the complaint is no longer under seal. Additionally, the bill states that a demand for payment or request for payment based on an alleged violation of the CFAC that is made prior to filing a complaint under seal by an attorney representing a private person is deemed a violation of the requirement that the complaint be filed in superior court in camera.

This bill also clarifies that the person entitled to all relief necessary to be made whole under the CFCA is a current or former employee, contractor, or agent, not just a current one. It also clarifies that a “lawful act” done by the employee, contractor, agent, or associated other shall include, but not be limited to, obtaining or transmitting to the state, a political subdivision, a *qui tam* plaintiff, or private counsel employed to investigate, potentially file, or file a course of action under the CFCA, documents, data, correspondence, electronic mail, or any other information, even though that act may violate a contract, employment term, or duty owed to the employer or contractor. The bill also provides that this is not to be interpreted to prevent any law enforcement authority from bringing a civil or criminal action against any person for violating any provision of law. The bill also makes clear that the person is entitled to all relief necessary to be made whole also if they are harmed or penalized by an employer or contractor.

4. Prior related bills

This bill contains substantially similar provisions to AB 2570 (Mark Stone, 2020) and AB 1270 (Mark Stone, 2019). AB 2570 was held in this Committee due to COVID-19 related bill limits. AB 1270 passed this Committee on a vote of 7 to 2, but was held in the Senate Appropriations Committee. This bill is a pared down version of AB 1270, as it does not include changes related to materiality and consequential damages that were included in AB 1270. The major difference between this bill and SB 1270 is that this bill would also apply the CFCA to any tax obligations owed in addition to any claims, records, or statements made under the Revenue and Taxation Code.

AB 310 (Lee, 2021), AB 2289 (Lee, 2022), and AB 259 (Lee, 2024) would have enacted a wealth tax on high net individuals, but also included changes to the CFCA that are substantially similar to this bill's provisions. All three bills were held in the Assembly Committee on Revenue and Taxation.

5. Statements in support

The Consumer Attorneys of California write in support stating:

California's annual estimated tax gap – the difference between what taxpayers owe and what they voluntarily pay – has been estimated to be between \$20-25 billion. The sheer size of the tax gap indicates the need to expand tax enforcement efforts to reduce fraud and deter tax evasion. However, despite the growing tax gap, since its enactment in 1987, the CFCA has specifically excluded tax fraud cases from its provisions.

In order to enhance efforts to close the tax gap, this bill authorizes various public entities and whistleblowers to pursue tax fraud cases under the CFCA if specified income and tax liability thresholds are met. Because of the incentive that the CFCA provides for whistleblowers to come forward, SB 799 would strengthen tax enforcement in California by helping to reveal new cases of tax fraud that would never be known to authorities without the whistleblower.

SB 799 also includes changes intended to further the purpose of the CFCA and strengthen overall enforcement. Successful false claims cases usually depend on insider information, often provided by a company's employees who have access to confidential, internal documents which establish a company's liability. This bill will further shield whistleblowers from civil liability by protecting them from lawsuits relating to disclosures of confidential company documents.

6. Statements in opposition

A coalition of various entities representing business, accountants, and tax advocates, including the Civil Justice Association of California, the California Taxpayers Association, and the California Chamber of Commerce, writes in opposition to the bill stating:

Our organizations in no way condone tax fraud, and we believe the state's large and amply-funded tax enforcement agencies, the Franchise Tax Board and California Department of Tax and Fee Administration, with their years of experience successfully pursuing tax fraud cases, are best equipped to investigate and prosecute tax fraud. On top of this, California's Office of the Attorney General also actively enforces tax code violations.

SB 799 could give rise to the types of harassing lawsuits that we have seen plague California communities under the Private Attorneys General Act (PAGA), the disability access laws (ADA), and Proposition 65. SB 799 would create similar problems by removing a longstanding exemption in the CFCA for tax claims – an

exemption that has existed due to the robust whistleblower programs already in place at tax agencies and a desire to avoid duplicating enforcement efforts.

SB 799 would allow private plaintiffs and their lawyers to engage in bounty hunting (qui tam actions) against taxpayers by alleging that legitimate tax positions are “fraud.” SB 799 would also create double jeopardy for taxpayers by allowing relitigation of cases in which experienced auditors at the tax agencies determined no fraud occurred.

Under CFCA, private plaintiffs may receive 15 to 50 percent of the recovery of claims they bring, in addition to attorneys’ fees and costs. Penalties range between \$5,000 and \$11,000 per violation, plus treble damages. As a result, under SB 799, a \$200,000 tax dispute could turn into potential exposure for the taxpayer that could easily exceed seven figures.

The CFCA was designed to deter governmental corruption; it was never meant to be used as a weapon against taxpayers. The last thing California needs during this time of economic and affordability challenges is a new form of bounty-hunter lawsuit that can be used to shake down struggling and law-abiding taxpayers and businesses.

SUPPORT

Rob Bonta, Attorney General (sponsor)
Consumer Attorneys of California
California Federation of Labor Unions, AFL-CIO
California District Attorneys Association
Taxpayers Against Fraud

OPPOSITION

Acclamation Insurance Management Services
Allied Managed Care
American Petroleum and Convenience Store Association
California Alliance of Taxpayer Advocates
California Association of Sheet Metal & Air Conditioning Contractors National Association
California Bankers Association
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Craft Brewers Association
California Financial Services Association
California Grocers Association

California Hospital Association
California Retailers Association
California Society of Certified Public Accountants
California Taxpayers Association
California Trucking Association
Cellular Telecommunications and Internet Association
Civil Justice Association of California
Coalition of Small and Disabled Veteran Businesses
Construction Employers Association
Council of Industries
Council on State Taxation
Family Business Association of California
Flasher Barricade Association
Govern for California
Greater Conejo Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Howard Jarvis Taxpayers Association
National Association of Theatre Owners of California
National Electrical Contractors Association, California Chapters
National Federation of Independent Business
Silicon Valley Leadership Group
Southern California Contractors Association
Technet
United Contractors
United Hospital Association
Valley Industry and Commerce Association

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation: See Comment 4, above.

MOCK-UP OF SB 799 (ALLEN) AS PROPOSED TO BE AMENDED

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

SECTION 1. Section 12651 of the Government Code is amended to read:

12651. (a) Any person who commits any of the following enumerated acts in this subdivision shall have violated this article and shall be liable to the state or to the political subdivision for three times the amount of damages that the state or political subdivision sustains because of the act of that person. A person who commits any of the following enumerated acts shall also be liable to the state or to the political subdivision for the costs of a civil action brought to recover any of those penalties or damages, and shall be liable to the state or political subdivision for a civil penalty of not less than five thousand five hundred dollars (\$5,500) and not more than eleven thousand dollars (\$11,000) for each violation, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law 101-410 Section 5, 104 Stat. 891, note following 28 U.S.C. Section 2461.

- (1) Knowingly presents or causes to be presented a false or fraudulent claim for payment or approval.
- (2) Knowingly makes, uses, or causes to be made or used a false record or statement material to a false or fraudulent claim.
- (3) Conspires to commit a violation of this subdivision.
- (4) Has possession, custody, or control of public property or money used or to be used by the state or by any political subdivision and knowingly delivers or causes to be delivered less than all of that property.
- (5) Is authorized to make or deliver a document certifying receipt of property used or to be used by the state or by any political subdivision and knowingly makes or delivers a receipt that falsely represents the property used or to be used.
- (6) Knowingly buys, or receives as a pledge of an obligation or debt, public property from any person who lawfully may not sell or pledge the property.
- (7) Knowingly makes, uses, or causes to be made or used a false record or statement material to an obligation to pay or transmit money or property to the state or to any political subdivision, or knowingly conceals or knowingly and improperly avoids, or decreases an obligation to pay or transmit money or property to the state or to any political subdivision.

(8) Is a beneficiary of an inadvertent submission of a false claim, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the state or the political subdivision within a reasonable time after discovery of the false claim.

(b) Notwithstanding subdivision (a), the court may assess not less than two times and not more than three times the amount of damages which the state or the political subdivision sustains because of the act of the person described in that subdivision, and no civil penalty, if the court finds all of the following:

(1) The person committing the violation furnished officials of the state or of the political subdivision responsible for investigating false claims violations with all information known to that person about the violation within 30 days after the date on which the person first obtained the information.

(2) The person fully cooperated with any investigation by the state or a political subdivision of the violation.

(3) At the time the person furnished the state or the political subdivision with information about the violation, no criminal prosecution, civil action, or administrative action had commenced with respect to the violation, and the person did not have actual knowledge of the existence of an investigation into the violation.

(c) Liability under this section shall be joint and several for any act committed by two or more persons.

(d) This section does not apply to any controversy involving an amount of less than five hundred dollars (\$500) in value. For purposes of this subdivision, "controversy" means any one or more false claims submitted by the same person in violation of this article.

(e) This section does not apply to claims, records, or statements made pursuant to Division 3.6 (commencing with Section 810) of Title 1 or to workers' compensation claims filed pursuant to Division 4 (commencing with Section 3200) of the Labor Code.

(f) (1) This section shall apply to claims, records, obligations, or statements made under the Revenue and Taxation Code only if both of the following apply:

(A) The damages pleaded in the action exceed two hundred thousand dollars (\$200,000).

(B) One of the following equals or exceeds five hundred thousand dollars (\$500,000) for any taxable year subject to any action brought pursuant to this article:

(i) The taxable income of any person other than a corporation against whom the action is brought, under Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code.

(ii) The gross receipts, as defined in Section 25120 of the Revenue and Taxation Code, less returns and allowances of any corporation or other person other than an individual against whom the action is brought, under Part 11 (commencing with Section 23001) of Division 2 of the Revenue and Taxation Code.

~~(C)~~ (iii) The sales of any person against whom the action is brought, under Part 1 (commencing with Section 6001) or Part 1.5 (commencing with Section 7200) of Division 2 of the Revenue and Taxation Code.

(2) For purposes of this subdivision only, "person" shall have the meaning ascribed to it in Section 17007 of the Revenue and Taxation Code.

(3) The Attorney General or prosecuting authority shall consult with the taxing authorities to whom the claim, record, or statement was submitted or to whom the obligation was owed prior to filing or intervening in any action under this article that is based on the filing of false claims, records, or statements made under the Revenue and Taxation Code.

(4) Notwithstanding any other law, the Attorney General or prosecuting authority, but not the qui tam plaintiff, is hereby authorized to obtain otherwise confidential records relating to taxes, fees, surcharges, or other obligations under the Revenue and Taxation Code needed to investigate or prosecute suspected violations of this subdivision from state and local taxing and other governmental authorities in possession of such information and records, and such authorities are hereby authorized to make those disclosures. The taxing and other governmental authorities shall not provide federal tax information without authorization from the Internal Revenue Service.

(5) Any information received pursuant to paragraphs (3) and (4) shall be kept confidential, except as necessary to investigate and prosecute suspected violations of this subdivision.

(g) This section does not apply to claims, records, or statements for the assets of a person that have been transferred to the Commissioner of Insurance, pursuant to Section 1011 of the Insurance Code.

12652. (a) (1) The Attorney General shall diligently investigate violations under Section 12651 involving state funds. If the Attorney General finds that a person has violated or is violating Section 12651, the Attorney General may bring a civil action under this section against that person.

(2) If the Attorney General brings a civil action under this subdivision on a claim involving political subdivision funds as well as state funds, the Attorney General shall, on the same date that the complaint is filed in this action, serve by mail with “return receipt requested” a copy of the complaint on the appropriate prosecuting authority.

(3) The prosecuting authority shall have the right to intervene in an action brought by the Attorney General under this subdivision within 60 days after receipt of the complaint pursuant to paragraph (2). The court may permit intervention thereafter upon a showing that all of the requirements of Section 387 of the Code of Civil Procedure have been met.

(b) (1) The prosecuting authority of a political subdivision shall diligently investigate violations under Section 12651 involving political subdivision funds. If the prosecuting authority finds that a person has violated or is violating Section 12651, the prosecuting authority may bring a civil action under this section against that person.

(2) If the prosecuting authority brings a civil action under this section on a claim involving state funds as well as political subdivision funds, the prosecuting authority shall, on the same date that the complaint is filed in this action, serve a copy of the complaint on the Attorney General.

(3) Within 60 days after receiving the complaint pursuant to paragraph (2), the Attorney General shall do either of the following:

(A) Notify the court that it intends to proceed with the action, in which case the Attorney General shall assume primary responsibility for conducting the action and the prosecuting authority shall have the right to continue as a party.

(B) Notify the court that it declines to proceed with the action, in which case the prosecuting authority shall have the right to conduct the action.

(c) (1) A person may bring a civil action for a violation of this article for the person and either for the State of California in the name of the state, if any state funds are involved, or for a political subdivision in the name of the political subdivision, if political subdivision funds are exclusively involved. The person bringing the action shall be referred to as the qui tam plaintiff. Once filed, the action may be dismissed only with the written consent of the court and the Attorney General or prosecuting authority of a political subdivision, or both, as appropriate under the allegations of the civil action, taking into account the best interests of the parties involved and the public purposes behind this act. No claim for any violation of Section 12651 may be waived or released by any private person, except if the action is part of a ~~court-approved~~ court-approved settlement of a false claim civil action brought under this section. Nothing in this paragraph shall be construed to limit the ability of the state or political subdivision to decline to pursue any claim brought under this section. [...]