

AMENDED IN ASSEMBLY JANUARY 31, 2002

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1744**

**Introduced by Assembly Member Corbett**

January 7, 2002

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~~An act to amend Sections 17024.5, 17039, 17052.12, 17275.5, 17501, 17551, 17560, 17570, 17731.5, 17751, 18038.5, 19136, 19141, 19521, 23036, 23038.5, 23609, 23701s, 23705, 24357.9, 24424, 24667, 24710, 24942, and 24949.1 of, to add Sections 17053.81, 17053.82, 17062.3, 17085.8, 17132, 17132.6, 17144.5, 17205, 17552.3, 17563.5, 19136.7, 23456.5, 23642.5, 24661.3, and 24685.5 to, and to repeal Sections 17279.5 and 24949.1 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act to add Sections 17501.5 and 17501.7 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1744, as amended, Corbett. Personal income and bank and corporation tax laws: federal conformity.

*Existing state income and corporation tax laws, in modified conformity with federal income tax laws, provide for tax benefits and specified other treatment in connection with retirement plans.*

*This bill would provide additional state income and corporation tax law conformity with federal income tax laws with respect to rollovers allowed among various types of plans, and purchase of service credit in government defined benefit plans.*

~~Under the Personal Income Tax Law and the Bank and Corporation Tax Law, various provisions of the federal Internal Revenue Code, as~~

enacted as of a specified date, are referenced in various sections of the Revenue and Taxation Code. Those laws provide that for taxable years beginning on or after January 1, 1998, the specified date of those referenced Internal Revenue Code sections is January 1, 1998, unless otherwise specifically provided.

Existing law requires, for any introduced bill that proposes changes in any of those dates, that the Franchise Tax Board prepare a complete analysis of the bill that describes all changes to state law that will automatically occur by reference to federal law as of the changed date. It further requires the Franchise Tax Board to immediately update and supplement that analysis upon any amendment to the bill, and requires that analysis to be made available to the public and to be submitted to the Legislature for publication in the daily journal of each house of the Legislature.

This bill would change the specified date of those referenced Internal Revenue Code sections to January 1, 2001, for taxable years beginning on or after January 1, 2001, and thereby would make numerous substantive changes to both the Personal Income Tax Law and the Bank and Corporation Tax Law with respect to those areas of preexisting conformity that are subject to changes under federal laws enacted after January 1, 1998, and that have not been, or are not being, excepted or modified.

This bill would make certain other changes in federal income tax laws applicable, with specified exceptions and modifications, and make specified supplemental, technical, or clarifying changes, for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law, or both, with respect to, among other things, credits that may reduce certain taxes below the tentative minimum tax, the credit for research and development expenses, adjustments in computing alternative minimum taxable income, the exclusion of extraterritorial income, the Ricky Ray Hemophilia Relief Fund Act of 1998, the mark to market accounting method, the inapplicability of excise tax on premiums paid, certain amounts paid in connection with insurance contracts, specified federal acts, the installment method of accounting, the Federal Agriculture Improvement and Reform Act of 1996, determinations relating to deferred compensation, taxation of estates and trusts, small business stock, failure by an individual to pay estimated income tax, underpayment of estimated tax, underpayments of installments, elimination of interest on overlapping periods of tax overpayments and underpayments, certain publicly traded partnerships treated as



~~corporations, the deduction for a qualified computer contribution, secured indebtedness, securities futures contracts, and the sale or exchange of livestock. This bill would specify various dates on which specified provisions apply, make findings and declarations that certain provisions are declaratory of existing law, and specify the intent and operation in the application of provisions conforming to various federal acts.~~

~~The Personal Income Tax Law, in partial conformity with federal law, provides tax benefits for contributions to retirement plans, including IRAs.~~

~~This bill, in conformance with the Economic Growth and Tax Relief Reconciliation Act of 2001, would expand the tax benefits allowed for contributions to retirement plans.~~

~~The Personal Income Tax Law and the Bank and Corporation Tax Law, in conformity with federal law, provides tax benefits for employers that provide employee pension plans.~~

~~This bill, in conformance with the Economic Growth and Tax Relief Reconciliation Act of 2001, would authorize credits for the startup costs of employee pension programs offered by small employers, as defined.~~

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 ~~SECTION 1. — Section 17024.5 of the Revenue and Taxation~~
- 2 *SECTION 1. Section 17501.5 is added to the Revenue and*
- 3 *Taxation Code, to read:*
- 4 *17501.5. The amendments made by Section 641 of the*
- 5 *Economic Growth and Tax Relief Reconciliation Act of 2001*
- 6 *(Public Law 107-16) to the following provisions of the Internal*
- 7 *Revenue Code or other federal law shall apply for purposes of this*
- 8 *part, Part 10.2 (commencing with Section 18401), and Part 11*
- 9 *(commencing with Section 23001), with respect to distributions*
- 10 *after December 31, 2001, except as otherwise provided:*
- 11 *(a) Section 72, relating to annuities and certain proceeds of*
- 12 *endowment and life insurance contracts.*
- 13 *(b) Section 219, relating to retirement savings.*



- 1     (c) Section 401, relating to qualified pension, profitsharing,
- 2     and stock bonus plans.
- 3     (d) Section 402, relating to taxability of beneficiary of
- 4     employees' trust.
- 5     (e) Section 403, relating to taxation of employee annuities.
- 6     (f) Section 408, relating to individual retirement accounts.
- 7     (g) Section 415, relating to limitations on benefits and
- 8     contribution under qualified plans.
- 9     (h) Section 457, relating to deferred compensation plans of
- 10    state and local governments and tax-exempt organizations.
- 11    (i) Subsections (h)(3) and (h)(5) of Section 1122 of the Tax
- 12    Reform Act of 1986.
- 13    SEC. 2. Section 17501.7 is added to the Revenue and Taxation
- 14    Code, to read:
- 15    17501.7. The amendments made by Section 647 of the
- 16    Economic Growth and Tax Relief Reconciliation Act of 2001
- 17    (Public Law 107-16) to the following provisions of the Internal
- 18    Revenue Code shall apply for purposes of this part, Part 10.2
- 19    (commencing with Section 18401), and Part 11 (commencing with
- 20    Section 23001), with respect to trustee-to-trustee transfers after
- 21    December 31, 2001, except as otherwise provided:
- 22    (a) Section 403, relating to taxation of employee annuities.
- 23    (b) Section 457, relating to deferred compensation plans of
- 24    state and local governments and tax-exempt organizations.
- 25    SEC. 3. Notwithstanding any provision of state or local law,
- 26    regulation, rule, ordinance, or plan requirement to the contrary,
- 27    including, but not limited to, Part 13 (commencing with Section
- 28    22000) of the Education Code, and Title 2 (commencing with
- 29    Section 8000), Title 3 (commencing with Section 23000), Title 4
- 30    (commencing with Section 34000), Title 5 (commencing with
- 31    Section 50001), and Title 8 (commencing with Section 68070) of
- 32    the Government Code, any member or plan participant who retired
- 33    on or after January 1, 2002, and prior to the date that is 120 days
- 34    after the effective date of legislation that conforms to or otherwise
- 35    adopts the amendments made to the Internal Revenue Code by
- 36    Sections 641 and 647 of the Economic Growth and Tax Relief
- 37    Reconciliation Act of 2001 (Public Law 107-16), may purchase
- 38    permissive service credit under the system or plan or redeposit
- 39    previously withdrawn contributions under the system or plan, or
- 40    both, prior to January 1, 2003, if (a) the payment made to the



1 system or plan to purchase the permissive service credit or  
2 redeposit the contributions, or both, are paid for with funds that  
3 were eligible for rollover into the system or plan under the  
4 provisions of Section 641 or 647 of the Economic Growth and Tax  
5 Relief Reconciliation Act of 2001 (Public Law 107-16), and (b) all  
6 payments intended to qualify under this section for the purchase  
7 of permissive service credit and redeposit of contributions are  
8 received by the system or plan no later than the date that is 180  
9 days after the effective date of legislation that conforms to or  
10 otherwise adopts the amendments made to the Internal Revenue  
11 Code by Sections 641 and 647 of the Economic Growth and Tax  
12 Relief Reconciliation Act of 2001 (Public Law 107-16).

13 SEC. 4. This act provides for a tax levy within the meaning of  
14 Article IV of the Constitution and shall go into immediate effect.  
15 Sections 1 and 2 of this act conform to federal law, in whole or in  
16 part, and shall be operative with respect to the same period and the  
17 same transactions as the federal law provisions to which those  
18 sections conform.

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**All matter omitted in this version of the  
bill appears in the bill as introduced in the  
Assembly, January 7, 2002 (JR 11)**

