

## Senate Bill No. 1977

### CHAPTER 1108

An act to add Section 24473 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

[Approved by Governor September 29, 2002. Filed with Secretary of State September 29, 2002.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1977, Johannessen. Bank and corporation taxes: reorganizations.

The Bank and Corporation Tax Law provides that certain provisions of federal law, relating to corporate distributions and adjustments, including distributions, liquidations, and reorganizations, apply for purposes of determining the tax under the state law, except as otherwise specified.

This bill would provide that the contribution or other transfer of assets from a mutual water company that is federally tax exempt, but that is a taxable entity under California law, to a community service district is not a transfer subject to tax under that law.

This bill would take effect immediately as a tax levy.

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

SECTION 1. Section 24473 is added to the Revenue and Taxation Code, to read:

24473. Notwithstanding any other provision of law, the contribution or other transfer of the assets of a mutual water company established prior to September 26, 1977, that is tax exempt under Section 501(c)(12) of the Internal Revenue Code, but is a taxable entity under California Law, including its lands, easements, rights, and obligations to act as sole agent of the stockholders in exercising the riparian rights of the stockholders, and rights relating to the ownership, operation, and maintenance of a water system and facilities serving the customers of the company, to a community services district formed pursuant to Part 1 (commencing with Section 61100) of Division 3 of Title 6 of the Government Code, is not a transfer subject to taxes imposed by this part if all of the following requirements are met:

(a) The consideration for the transfer of all or substantially all of the assets is the assumption by the district of the company's liability to provide service to the company's stockholders.



(b) The legal or beneficial title to all or substantially all of the company's assets is vested in the district on or before January 1, 2008.

(c) For the one-year period immediately prior to commencement of the transfer and continuing until the transfer is completed, 85 percent or more of the company's income consists of amounts collected from stockholders for the sole purpose of meeting losses and expenses.

SEC. 2. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

