

AMENDED IN ASSEMBLY APRIL 19, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

ASSEMBLY BILL

No. 249

Introduced by Assembly Members DeVore and Walters

February 8, 2005

An act to amend Section 19582.5 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 249, as amended, DeVore. Personal income taxes: tax forms.

The Personal Income Tax Law, which is administered by the Franchise Tax Board, imposes taxes upon the taxable income of specified persons. Existing law authorizes a taxpayer whose total income, as defined, is less than a specified amount to utilize Form 540 2EZ, as prepared by the Franchise Tax Board. The definition of "total income," for purposes of determining a taxpayer's eligibility to utilize Form 540 2EZ, does not include income derived from capital gains.

This bill would include capital gains *generated by mutual funds* in the definition of "total income" for purposes of determining a taxpayer's eligibility to utilize Form 540 2EZ.

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 19582.5 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 19582.5. (a) Notwithstanding any other law, a taxpayer filing
- 4 as either a single taxpayer or as a head of household whose total
- 5 income for the taxable year is one hundred thousand dollars

1 (\$100,000) or less, and taxpayers filing a joint return or a
2 taxpayer filing as a qualifying widow or widower whose total
3 income is two hundred thousand dollars (\$200,000) or less, shall
4 have the option to use Form 540 2EZ, or its successor form, as
5 prepared by the Franchise Tax Board, to reflect the provisions of
6 this section.

7 (b) For purposes of this section, “total income” means taxable
8 wages, dividends, interest, capital gains *generated by mutual*
9 *funds*, and pension income.

10 (c) The Legislative Analyst, in consultation with the Franchise
11 Tax Board, shall conduct a study on the impact of the revised
12 Form 540 2EZ and shall report to the Legislature, no later than
13 January 1, 2008, on the following:

- 14 (1) The number of filers using the revised Form 540 2EZ.
- 15 (2) The effectiveness of the revised Form 540 2EZ in the
16 simplification of tax preparation for the taxpayers eligible to use
17 that form.
- 18 (3) The impact the revised Form 540 2EZ has on the Franchise
19 Tax Board’s administration of the Personal Income Tax Law
20 (Part 10 (commencing with Section 17001)).