

**Introduced by Senators Machado and Correa**

January 7, 2008

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An act to add Section 17144.5 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1055, as introduced, Machado. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law, in modified conformity to federal income tax laws, requires a borrower to include in his or her income, with certain exceptions, the amount of debt canceled or discharged, as specified.

This bill would provide further conformity to federal income tax laws by conforming to specified provisions of the federal Mortgage Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, 2009.

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 17144.5 is added to the Revenue and
- 2 Taxation Code, to read:
- 3 17144.5. (a) Section 108 of the Internal Revenue Code shall
- 4 apply except as otherwise provided.

1 (b) Section 108 of the Internal Revenue Code, relating to income  
2 from discharge of indebtedness, as amended by Section 2 of the  
3 Mortgage Debt Relief Act of 2007 (Public Law 110-142), shall  
4 apply, except as otherwise provided.

5 (c) Section 108(a)(1)(E) of the Internal Revenue Code, as added  
6 by Section 2 of the Mortgage Debt Relief Act of 2007 (Public Law  
7 110-142), is modified by substituting the phrase “January 1, 2009”  
8 for “January 1, 2010” contained therein.

9 (d) This section shall apply to discharges of indebtedness  
10 occurring on or after January 1, 2007.

11 SEC. 2. The Legislature finds and declares that the mortgage  
12 debt tax relief allowed to taxpayers in connection with the  
13 discharge of qualified principal residence indebtedness, as  
14 described in this act, serves a public purpose and does not constitute  
15 a gift of public funds within the meaning of Section 6 of Article  
16 XVI of the California Constitution.

17 SEC. 3. This act provides for a tax levy within the meaning of  
18 Article IV of the Constitution and shall go into immediate effect.