

ASSEMBLY BILL

No. 856

Introduced by Assembly Member Jeffries

February 17, 2011

An act to add Section 17144.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 856, as introduced, Jeffries. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness 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, 2010, as provided. The federal Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.

This bill would provide further conformity to those federal acts, as provided.

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 17144.6 is added to the Revenue and
- 2 Taxation Code, to read:

1 17144.6. (a) Section 108 of the Internal Revenue Code, relating
2 to income from discharge of indebtedness, as amended by Section
3 2 of the Mortgage Forgiveness Debt Relief Act of 2007 (Public
4 Law 110-142), and as amended by Section 303 of the Emergency
5 Economic Stabilization Act of 2008 (Public Law 110-343), shall
6 apply, except as otherwise provided.

7 (b) This section shall apply to discharges of indebtedness
8 occurring on or after January 1, 2010.

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

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