

ASSEMBLY BILL

No. 1963

Introduced by Assembly Member Huber

February 23, 2012

An act to amend Section 1656.1 of the Civil Code, to amend Sections 6051, 6201, 17041, and 17073.5 of, and to add Chapter 3.8 (commencing with Section 6301) to Part 1 of Division 2 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1963, as introduced, Huber. Personal income tax: Sales and use tax: services tax.

(1) The Personal Income Tax Law imposes taxes based upon taxable income, at specified rates, and allows a taxpayer to elect to take a standard deduction, as provided.

This bill would revise the rates of tax imposed under the Personal Income Tax Law and would revise the standard deduction, as specified.

(2) Existing law imposes state sales and use taxes on retailers and on the storage, use, or other consumption of tangible personal property in this state at the rate of 6¼% of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state.

This bill would, on and after January 1, 2013, reduce the rate of state sales and use tax to 4% of the gross receipts from the retail sale of tangible personal property in this state and of the sales price of tangible personal property purchased from any retailer for storage, use, or other consumption in this state. This bill would also, on and after January 1, 2013, impose a state sales and use tax on the privilege of selling services

at retail and on the storage, use, or other consumption of services in this state, except as specified, at the rate of 4% of the sales price of the services.

(3) This bill would include a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of 2/3 of the membership of each house of the Legislature.

(4) This bill would take effect immediately as a tax levy.

Vote: 2/3. 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 1656.1 of the Civil Code is amended to
2 read:

3 1656.1. (a) Whether a retailer may add sales tax reimbursement
4 to the sales price of the tangible personal property *or service* sold
5 at retail to a purchaser depends solely upon the terms of the
6 agreement of sale. It shall be presumed that the parties agreed to
7 the addition of sales tax reimbursement to the sales price of tangible
8 personal property *or specified* sold at retail to a purchaser if:

9 (1) The agreement of sale expressly provides for such addition
10 of sales tax reimbursement;

11 (2) Sales tax reimbursement is shown on the sales check or other
12 proof of sale; or

13 (3) The retailer posts in his or her premises in a location visible
14 to purchasers, or includes on a price tag or in an advertisement or
15 other printed material directed to purchasers, a notice to the effect
16 that reimbursement for sales tax will be added to the sales price
17 of all items or certain items, whichever is applicable.

18 (b) It shall be presumed that the property *or service*, the gross
19 receipts from the sale of which is subject to the sales tax, is sold
20 at a price which includes tax reimbursement if the retailer posts
21 in his or her premises, or includes on a price tag or in an
22 advertisement (whichever is applicable) one of the following
23 notices:

24 (1) "All prices of taxable items include sales tax reimbursement
25 computed to the nearest mill."

26 (2) "The price of this item includes sales tax reimbursement
27 computed to the nearest mill."

1 (c) (1) The State Board of Equalization shall prepare and make
 2 available for inspection and duplication or reproduction a sales
 3 tax reimbursement schedule which shall be identical with the
 4 following tables up to the amounts specified therein:

5
6 4 3/4 percent

7 Price	8 Tax
8 .01- .10 .....	.00
9 .11- .31 .....	.01
10 .32- .52 .....	.02
11 .53- .73 .....	.03
12 .74- .94 .....	.04
13 .95-1.15 .....	.05

14
15 5 percent

16 Price	17 Tax
17 .01- .09 .....	.00
18 .10- .29 .....	.01
19 .30- .49 .....	.02
20 .50- .69 .....	.03
21 .70- .89 .....	.04
22 .90-1.09 .....	.05

23
24 5 1/4 percent

25 Price	26 Tax
26 .01- .09 .....	.00
27 .10- .28 .....	.01
28 .29- .47 .....	.02
29 .48- .66 .....	.03
30 .67- .85 .....	.04
31 .86-1.04 .....	.05

32
33 5 1/2 percent

34 Price	35 Tax
35 .01- .09 .....	.00
36 .10- .27 .....	.01
37 .28- .45 .....	.02
38 .46- .63 .....	.03
39 .64- .81 .....	.04
40 .82- .99 .....	.05

1	1.00-1.18 .....	.06
2		
3	5 ³ / ₄ percent	
4	Price	Tax
5	.01- .08 .....	.00
6	.09- .26 .....	.01
7	.27- .43 .....	.02
8	.44- .60 .....	.03
9	.61- .78 .....	.04
10	.79- .95 .....	.05
11	.96-1.13 .....	.06
12		
13	6 percent	
14	Price	Tax
15	.01- .08 .....	.00
16	.09- .24 .....	.01
17	.25- .41 .....	.02
18	.42- .58 .....	.03
19	.59- .74 .....	.04
20	.75- .91 .....	.05
21	.92-1.08 .....	.06
22		
23	6 ¹ / ₄ percent	
24	Price	Tax
25	.01- .07 .....	.00
26	.08- .23 .....	.01
27	.24- .39 .....	.02
28	.40- .55 .....	.03
29	.56- .71 .....	.04
30	.72- .87 .....	.05
31	.88-1.03 .....	.06
32		
33	6 ¹ / ₂ percent	
34	Price	Tax
35	.01- .07 .....	.00
36	.08- .23 .....	.01
37	.24- .38 .....	.02
38	.39- .53 .....	.03
39	.54- .69 .....	.04
40	.70- .84 .....	.05

1	.85- .99 .....	.06
2	1.00-1.15 .....	.07
3		
4	6¾ percent	
5	Price	Tax
6	.01- .07 .....	.00
7	.08- .22 .....	.01
8	.23- .37 .....	.02
9	.38- .51 .....	.03
10	.52- .66 .....	.04
11	.67- .81 .....	.05
12	.82- .96 .....	.06
13	.97-1.11 .....	.07
14		
15	7 percent	
16	Price	Tax
17	.01- .07 .....	.00
18	.08- .21 .....	.01
19	.22- .35 .....	.02
20	.36- .49 .....	.03
21	.50- .64 .....	.04
22	.65- .78 .....	.05
23	.79- .92 .....	.06
24	.93-1.07 .....	.07
25		
26	7¼ percent	
27	Price	Tax
28	.01- .06 .....	.00
29	.07- .20 .....	.01
30	.21- .34 .....	.02
31	.35- .48 .....	.03
32	.49- .62 .....	.04
33	.63- .75 .....	.05
34	.76- .89 .....	.06
35	.90-1.03 .....	.07
36		
37	7½ percent	
38	Price	Tax
39	.01- .06 .....	.00
40	.07- .19 .....	.01

1 .20- .3302
2 .34- .4603
3 .47- .5904
4 .60- .7305
5 .74- .8606
6 .87- .9907
7 1.00-1.1308
8

9 (2) Reimbursement on sales prices in excess of those shown in
10 the schedules may be computed by applying the applicable tax
11 rate to the sales price, rounded off to the nearest cent by eliminating
12 any fraction less than one-half cent and increasing any fraction of
13 one-half cent or over to the next higher cent.

14 (3) If sales tax reimbursement is added to the sales price of
15 tangible personal property *or service* sold at retail, the retailer
16 shall use a schedule provided by the board, or a schedule approved
17 by the board.

18 (d) The presumptions created by this section are rebuttable
19 presumptions.

20 (e) *“Service” means a service as specified in Section 6301 of*
21 *the Revenue and Taxation Code.*

22 SEC. 2. Section 6051 of the Revenue and Taxation Code is
23 amended to read:

24 6051. For the privilege of selling tangible personal property at
25 retail a tax is hereby imposed upon all retailers at the rate of 2½
26 percent of the gross receipts of any retailer from the sale of all
27 tangible personal property sold at retail in this state on or after
28 August 1, 1933, and to and including June 30, 1935, and at the
29 rate of 3 percent thereafter, and at the rate of 2½ percent on and
30 after July 1, 1943, and to and including June 30, 1949, and at the
31 rate of 3 percent on and after July 1, 1949, and to and including
32 July 31, 1967, and at the rate of 4 percent on and after August 1,
33 1967, and to and including June 30, 1972, and at the rate of 3¾
34 percent on and after July 1, 1972, and to and including June 30,
35 1973, and at the rate of 4¾ percent on and after July 1, 1973, and
36 to and including September 30, 1973, and at the rate of 3¾ percent
37 on and after October 1, 1973, and to and including March 31, 1974,
38 and at the rate of 4¾ percent *on and after March 31, 1974, and*
39 *to and including January 1, 2013, and at the rate of 2½ percent*
40 *thereafter.*

1 SEC. 3. Section 6201 of the Revenue and Taxation Code is
2 amended to read:

3 6201. An excise tax is hereby imposed on the storage, use, or
4 other consumption in this state of tangible personal property
5 purchased from any retailer on or after July 1, 1935, for storage,
6 use, or other consumption in this state at the rate of 3 percent of
7 the sales price of the property, and at the rate of 2½ percent on
8 and after July 1, 1943, and to and including June 30, 1949, and at
9 the rate of 3 percent on and after July 1, 1949, and to and including
10 July 31, 1967, and at the rate of 4 percent on and after August 1,
11 1967, and to and including June 30, 1972, and at the rate of 3¾
12 percent on and after July 1, 1972, and to and including June 30,
13 1973, and at the rate of 4¾ percent on and after July 1, 1973, and
14 to and including September 30, 1973, and at the rate of 3¾ percent
15 on and after October 1, 1973, and to and including March 31, 1974,
16 and at the rate of 4¾ percent *on and after March 31, 1974, and*
17 *to and including January 1, 2013, and at the rate of 2½ percent*
18 *thereafter.*

19 SEC. 4. Chapter 3.8 (commencing with Section 6301) is added
20 to Part 1 of Division 2 of the Revenue and Taxation Code, to read:

21
22 CHAPTER 3.8. SERVICES

23
24 Article 1. General Provisions and Definitions

25
26 6301. (a) Except where the context otherwise requires, the
27 definitions in Chapter 1 (commencing with Section 6001) govern
28 this chapter. For purposes of this chapter, the references to tangible
29 personal property in Chapter 1 (commencing with Section 6001)
30 shall include services.

31 (b) For purposes of this chapter, “services” shall not include
32 any of the following:

- 33 (1) Necessary medical services.
- 34 (2) Services related to education.
- 35 (3) Automotive repair services.
- 36 (4) Tax preparation and filing services.
- 37 (5) Licensed legal services.
- 38 (6) Services relating to agriculture and livestock.

Article 2. Imposition and Collection of Tax

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6305. In addition to the taxes imposed by this part, for the privilege of selling services at retail a tax is hereby imposed upon all retailers at the rate of 4 percent of the sales price of the services of any retailer from the sale of all services sold at retail in this state on or after January 1, 2013.

6306. In addition to the taxes imposed by this part, an excise tax is hereby imposed on the storage, use, or other consumption in this state of services purchased from any retailer on or after July 1, 2013, for storage, use, or other consumption in this state at the rate of 4 percent of the sales price of the services.

6307. (a) Section 6055, regarding worthless and charged off accounts, shall apply to this chapter. Except where the context otherwise requires, for purposes of this chapter the references in that section to tangible personal property shall include services.

(b) Section 6203.5, regarding worthless and charged off accounts, shall apply to this chapter. Except where the context otherwise requires, for purposes of this chapter the references in that section to tangible personal property shall include services.

6308. (a) Section 6204, regarding retailer debt, shall apply to this chapter. Except where the context requires, for purposes of this chapter the references in that section to tangible personal property shall include services.

(b) Section 6205, regarding advertising that tax will be assumed, shall apply to this chapter. Except where the context requires, for purposes of this chapter the references in that section to tangible personal property shall include services.

(c) Section 6206, regarding separate statement of price and tax, shall apply to this chapter. Except where the context requires, for purposes of this chapter the references in that section to tangible personal property shall include services.

Article 3. Permits and Registration, Presumptions, and Resale Certificates

6310. (a) Except where the context otherwise requires, Article 2 (commencing with Section 6066) of Chapter 2, regarding permits, shall apply to this chapter. For purposes of this chapter, the

1 references to tangible personal property in Article 2 (commencing
2 with Section 6066) of Chapter 2 shall include services.

3 (b) Except where the context otherwise requires, Article 2
4 (commencing with Section 6225) of Chapter 3, regarding
5 registration, shall apply to this chapter. For purposes of this chapter,
6 the references to tangible personal property in Article 2
7 (commencing with Section 6225) of Chapter 3 shall include
8 services.

9 6311. (a) Except where the context otherwise requires, Article
10 3 (commencing with Section 6091) of Chapter 2, regarding
11 presumptions and resale certificates, shall apply to this chapter.
12 For purposes of this chapter, the references to tangible personal
13 property in Article 3 (commencing with Section 6091) of Chapter
14 2 shall include services.

15 (b) Except where the context otherwise requires, Article 3
16 (commencing with Section 6241) of Chapter 3, regarding
17 presumptions and resale certificates, shall apply to this chapter.
18 For purposes of this chapter, the references to tangible personal
19 property in Article 3 (commencing with Section 6241) of Chapter
20 3 shall include services.

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22 Article 4. Exemptions

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24 6315. Unless otherwise specifically exempted, it is the intent
25 of this chapter that all sales of, and all storage, use, or other
26 consumption of, services be subject to tax as imposed by this
27 chapter.

28 6316. There are exempt from the taxes imposed by this chapter
29 the gross receipts from the sale of, or the storage, use, or other
30 consumption in this state of, all of the following:

31 (a) Services, the gross receipts from the sale of which, or the
32 storage, use or other consumption of which, this state is prohibited
33 from taxing under the Constitution or laws of the United States or
34 under the Constitution of this state.

35 (b) Services rendered, furnished, or performed by an individual
36 for an employer that pays the individual wages subject to Division
37 6 (commencing with Section 13000) of the Unemployment
38 Insurance Code.

39 (c) Services sold by a person engaged in a line of business
40 described in Subsector 611 of the North American Industry

1 Classification System (NAICS) published by the United States
2 Office of Management and Budget, 2012 edition.

3 (d) Services sold by a person engaged in those lines of business
4 described in Subsectors 621 to 623, inclusive, of the North
5 American Industry Classification System (NAICS) published by
6 the United States Office of Management and Budget, 2012 edition.

7 (e) Services subject to any tax imposed pursuant to Part 7
8 (commencing with Section 12001).

9 (f) Interest.

10 6317. There are exempted from the taxes imposed by this
11 chapter the gross receipts from occasional sales of services and
12 the storage, use, or other consumption in this state of services, the
13 transfer of which to the purchaser is an occasional sale.

14 6318. There are exempted from the taxes imposed by this
15 chapter, the gross receipts from the sale of, and the storage, use,
16 or other consumption of, services that:

17 (a) The retailer establishes to the satisfaction of the board that
18 the gross receipts were included in the measure of tax imposed by
19 Chapter 2 (commencing with Section 6051).

20 (b) That the retailer or purchaser establishes to the satisfaction
21 of the board that the sales price was included in the measure of
22 tax imposed by Chapter 3 (commencing with Section 6201).

23 6319. There are exempted from the computation of the amount
24 of the sales tax imposed by this chapter, the gross receipts from
25 the sale of services that, pursuant to the contract of sale, are
26 required to be delivered to a point outside this state by the retailer.

27 6320. There are exempted from the computation of the amount
28 of the sales tax imposed by this chapter, the gross receipts from
29 the sale of services to:

30 (a) The United States, its unincorporated agencies and
31 instrumentalities.

32 (b) Any incorporated agency or instrumentality of the United
33 States wholly owned by the United States or by a corporation
34 wholly owned by the United States.

35 (c) The American Red Cross, its chapters and branches.

36 6321. The storage, use, or other consumption in this state of
37 services, the gross receipts from the sale of which the purchaser
38 establishes to the satisfaction of the board were included in the
39 measure of the sales tax imposed by this chapter, is exempted from
40 the use tax; provided, however, that this exemption does not extend

1 to the possession of, or the exercise of any right or power over,
2 services by a lessee under a lease.

3 6322. (a) A credit shall be allowed against, but shall not
4 exceed, the taxes imposed on any person by this chapter by reason
5 of the storage, use, or other consumption of services in this state
6 to the extent that the person has paid a retail sales or use tax, or
7 reimbursement therefor, imposed with respect to that service by
8 any other state, political subdivision thereof, or the District of
9 Columbia prior to the storage, use, or other consumption of that
10 service in this state. The credit shall be apportioned to the taxes
11 against which it is allowed in proportion to the amounts of those
12 taxes.

13 (b) A credit, otherwise permitted by subdivision (a), shall not
14 be allowed against taxes which are measured by periodic payments
15 made under a lease, to the extent that the taxes imposed by any
16 other state, political subdivision thereof, or the District of Columbia
17 were also measured by periodic payments made under a lease for
18 a period prior to the storage, use, or other consumption of the
19 service in this state.

20 6323. If a purchaser certifies in writing to a seller that the
21 services purchased will be used in a manner or for a purpose
22 entitling the seller to regard the gross receipts, or a specified portion
23 of the gross receipts, from the sale as exempted by this chapter
24 from computation of the amount of sales tax, and uses the service
25 in some other manner or for some other purpose, the purchaser
26 shall be liable for payment of the sales tax as if the purchaser were
27 a retailer making a retail sale of the service at the time of the use,
28 and the cost of the service to the purchaser shall be deemed the
29 gross receipts, or a specified portion of the gross receipts, from
30 the retail sale.

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32 Article 5. Determinations
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34 6324. Except where the context otherwise requires, Chapter 5
35 (commencing with Section 6451), regarding determinations, shall
36 apply to this chapter. For purposes of this chapter, any references
37 to tangible personal property in Chapter 5 (commencing with
38 Section 6451) shall include services.

Article 6. Collection of Tax

6325. Except where the context otherwise requires, Chapter 6 (commencing with Section 6701), regarding collection of tax, shall apply to this chapter. For purposes of this chapter, any references to tangible personal property in Chapter 6 (commencing with Section 6701) shall include services.

Article 7. Overpayments and Refunds

6330. Except where the context otherwise requires, Chapter 7 (commencing with Section 6901), regarding determinations, shall apply to this chapter. For purposes of this chapter, any references to tangible personal property in Chapter 7 (commencing with Section 6901) shall include services.

Article 8. Administration

6335. Except where the context otherwise requires, Chapter 8 (commencing with Section 7051), regarding administration, shall apply to this chapter. For purposes of this chapter, any references to tangible personal property in Chapter 8 (commencing with Section 7051) shall include a specified digital good.

Article 9. Disposition of Proceeds

6340. All fees, taxes, interest, and penalties imposed, and all amounts of tax required to be paid to the state under this chapter, shall be paid to the board in the form of remittances payable to the State Board of Equalization of the State of California. The board shall transmit the payments, less refunds and cost of administration, to the Treasurer to be deposited in the General Fund.

Article 10. Violations

6345. Chapter 10 (commencing with Section 7152), regarding violations, shall apply to this chapter. For purposes of this chapter, any references to tangible personal property in Chapter 10 (commencing with Section 7152) shall include services.

Article 11. Res Judicata

6348. Chapter 11 (commencing with Section 7176), regarding res judicata, shall apply to this chapter. For purposes of this chapter, any references to tangible personal property in Chapter 11 (commencing with Section 7176) shall include services.

SEC. 5. Section 17041 of the Revenue and Taxation Code is amended to read:

17041. (a) (1) ~~There~~ For taxable years beginning before January 1, 2013, there shall be imposed for each taxable year upon the entire taxable income of every resident of this state who is not a part-year resident, except the head of a household as defined in Section 17042, taxes in the following amounts and at the following rates upon the amount of taxable income computed for the taxable year as if the resident were a resident of this state for the entire taxable year and for all prior taxable years for any carryover items, deferred income, suspended losses, or suspended deductions:

If the taxable income is:	The tax is:
Not over \$3,650.....	1% of the taxable income
Over \$3,650 but not	
over \$8,650.....	\$36.50 plus 2% of the excess over \$3,650
Over \$8,650 but not	
over \$13,650.....	\$136.50 plus 4% of the excess over \$8,650
Over \$13,650 but not	
over \$18,950.....	\$336.50 plus 6% of the excess over \$13,650
Over \$18,950 but not	
over \$23,950.....	\$654.50 plus 8% of the excess over \$18,950
Over \$23,950.....	\$1,054.50 plus 9.3% of the excess over \$23,950

(2) For taxable years beginning on or after January 1, 2009, and before January 1, 2011, the percentages specified in the table in paragraph (1) shall be increased by adding 0.25 percent to each percentage.

1 (3) For taxable years beginning on and after January 1, 2013,
 2 there shall be imposed for each taxable year upon the entire
 3 taxable income of every resident of this state who is not a part-year
 4 resident, except the head of a household as defined in Section
 5 17042, taxes in the following amounts and at the following rates
 6 upon the amount of taxable income computed for the taxable year
 7 as if the resident were a resident of this state for the entire taxable
 8 year and for all prior taxable years for any carryover items,
 9 deferred income, suspended losses, or suspended deductions:

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11	<i>If the taxable income is:</i>	<i>The tax is:</i>
12	<i>Not over \$28,000.....</i>	<i>2.75% of the taxable income</i>
13		
14	<i>Over \$28,000.....</i>	<i>\$770 plus 6.5% of the excess</i>
15		<i>over \$28,000</i>
16		

17 (b) (1) There shall be imposed for each taxable year upon the
 18 taxable income of every nonresident or part-year resident, except
 19 the head of a household as defined in Section 17042, a tax as
 20 calculated in paragraph (2).

21 (2) The tax imposed under paragraph (1) shall be calculated by
 22 multiplying the “taxable income of a nonresident or part-year
 23 resident,” as defined in subdivision (i), by a rate (expressed as a
 24 percentage) equal to the tax computed under subdivision (a) on
 25 the entire taxable income of the nonresident or part-year resident
 26 as if the nonresident or part-year resident were a resident of this
 27 state for the taxable year and as if the nonresident or part-year
 28 resident were a resident of this state for all prior taxable years for
 29 any carryover items, deferred income, suspended losses, or
 30 suspended deductions, divided by the amount of that income.

31 (c) (1) ~~There~~ For taxable years beginning before January 1,
 32 2013, there shall be imposed for each taxable year upon the entire
 33 taxable income of every resident of this state who is not a part-year
 34 resident for that taxable year, when the resident is the head of a
 35 household, as defined in Section 17042, taxes in the following
 36 amounts and at the following rates upon the amount of taxable
 37 income computed for the taxable year as if the resident were a
 38 resident of the state for the entire taxable year and for all prior
 39 taxable years for carryover items, deferred income, suspended
 40 losses, or suspended deductions:

1 If the taxable income is:	The tax is:
2 Not over \$7,300.....	1% of the taxable income
3 Over \$7,300 but not	
4	\$73 plus 2% of the excess
5 over \$17,300.....	over \$7,300
6 Over \$17,300 but not	
7	\$273 plus 4% of the excess
8 over \$22,300.....	over \$17,300
9 Over \$22,300 but not	
10	\$473 plus 6% of the excess
11 over \$27,600.....	over \$22,300
12 Over \$27,600 but not	
13	\$791 plus 8% of the excess
14 over \$32,600.....	over \$27,600
15 Over \$32,600.....	\$1,191 plus 9.3% of the excess
16	over \$32,600

17
 18 (2) For taxable years beginning on or after January 1, 2009, and
 19 before January 1, 2011, the percentages specified in the table in
 20 paragraph (1) shall be increased by adding 0.25 percent to each
 21 percentage.

22 (3) *For taxable years beginning on and after January 1, 2013,*
 23 *there shall be imposed for each taxable year upon the entire*
 24 *taxable income of every resident of this state who is not a part-year*
 25 *resident, when the resident is the head of a household, as defined*
 26 *in Section 17042, taxes in the following amounts and at the*
 27 *following rates upon the amount of taxable income computed for*
 28 *the taxable year as if the resident were a resident of this state for*
 29 *the entire taxable year and for all prior taxable years for any*
 30 *carryover items, deferred income, suspended losses, or suspended*
 31 *deductions:*

33 If the taxable income is:	The tax is:
34 Not over \$56,000.....	2.75% of the taxable income
35	
36 Over \$56,000.....	\$1,540 plus 6.5% of the excess
37	over \$56,000

38
 39 (d) (1) There shall be imposed for each taxable year upon the
 40 taxable income of every nonresident or part-year resident when

1 the nonresident or part-year resident is the head of a household,
 2 as defined in Section 17042, a tax as calculated in paragraph (2).
 3 (2) The tax imposed under paragraph (1) shall be calculated by
 4 multiplying the “taxable income of a nonresident or part-year
 5 resident,” as defined in subdivision (i), by a rate (expressed as a
 6 percentage) equal to the tax computed under subdivision (c) on
 7 the entire taxable income of the nonresident or part-year resident
 8 as if the nonresident or part-year resident were a resident of this
 9 state for the taxable year and as if the nonresident or part-year
 10 resident were a resident of this state for all prior taxable years for
 11 any carryover items, deferred income, suspended losses, or
 12 suspended deductions, divided by the amount of that income.
 13 (e) There shall be imposed for each taxable year upon the taxable
 14 income of every estate, trust, or common trust fund taxes equal to
 15 the amount computed under subdivision (a) for an individual
 16 having the same amount of taxable income.
 17 (f) The tax imposed by this part is not a surtax.
 18 (g) (1) Section 1(g) of the Internal Revenue Code, relating to
 19 certain unearned income of children taxed as if parent’s income,
 20 shall apply, except as otherwise provided.
 21 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code is
 22 modified, for purposes of this part, by substituting “1 percent” for
 23 “10 percent.”
 24 (h) For each taxable year beginning on or after January 1, 1988,
 25 the Franchise Tax Board shall recompute the income tax brackets
 26 prescribed in *paragraph (1) of subdivisions (a) and (c) and for*
 27 *each taxable year beginning on or after January 1, 2013, the*
 28 *Franchise Tax Board shall recompute the income tax brackets*
 29 *described in paragraph (3) of subdivisions (a) and (c).* ~~That~~
 30 ~~computation~~ *Those computations shall be made as follows:*
 31 (1) The California Department of Industrial Relations shall
 32 transmit annually to the Franchise Tax Board the percentage change
 33 in the California Consumer Price Index for all items from June of
 34 the prior calendar year to June of the current calendar year, no
 35 later than August 1 of the current calendar year.
 36 (2) The Franchise Tax Board shall do both of the following:
 37 (A) Compute an inflation adjustment factor by adding 100
 38 percent to the percentage change figure that is furnished pursuant
 39 to paragraph (1) and dividing the result by 100.

1 (B) Multiply the preceding taxable year income tax brackets by
2 the inflation adjustment factor determined in subparagraph (A)
3 and round off the resulting products to the nearest one dollar (\$1).

4 (i) (1) For purposes of this part, the term “taxable income of a
5 nonresident or part-year resident” includes each of the following:

6 (A) For any part of the taxable year during which the taxpayer
7 was a resident of this state (as defined by Section 17014), all items
8 of gross income and all deductions, regardless of source.

9 (B) For any part of the taxable year during which the taxpayer
10 was not a resident of this state, gross income and deductions
11 derived from sources within this state, determined in accordance
12 with Article 9 of Chapter 3 (commencing with Section 17301) and
13 Chapter 11 (commencing with Section 17951).

14 (2) For purposes of computing “taxable income of a nonresident
15 or part-year resident” under paragraph (1), the amount of any net
16 operating loss sustained in any taxable year during any part of
17 which the taxpayer was not a resident of this state shall be limited
18 to the sum of the following:

19 (A) The amount of the loss attributable to the part of the taxable
20 year in which the taxpayer was a resident.

21 (B) The amount of the loss which, during the part of the taxable
22 year the taxpayer is not a resident, is attributable to California
23 source income and deductions allowable in arriving at taxable
24 income of a nonresident or part-year resident.

25 (3) For purposes of computing “taxable income of a nonresident
26 or part-year resident” under paragraph (1), any carryover items,
27 deferred income, suspended losses, or suspended deductions shall
28 only be includable or allowable to the extent that the carryover
29 item, deferred income, suspended loss, or suspended deduction
30 was derived from sources within this state, calculated as if the
31 nonresident or part-year resident, for the portion of the year he or
32 she was a nonresident, had been a nonresident for all prior years.

33 SEC. 6. Section 17073.5 of the Revenue and Taxation Code
34 is amended to read:

35 17073.5. (a) A taxpayer may elect to take a standard deduction
36 as follows:

37 (1) In the case of a taxpayer, other than a head of a household
38 or a surviving spouse (as defined in Section 17046) or a married
39 couple filing a joint return, the standard deduction shall be ~~one~~

1 ~~thousand eight hundred eighty dollars (\$1,880)~~ *twenty-two*
 2 *thousand five hundred dollars (\$22,500).*

3 (2) In the case of a head of household or a surviving spouse (as
 4 defined in Section 17046) or a married couple filing a joint return,
 5 the standard deduction shall be ~~three thousand seven hundred sixty~~
 6 ~~dollars (\$3,760)~~ *forty-five thousand dollars (\$45,000).*

7 (b) The standard deduction provided for in subdivision (a) shall
 8 be in lieu of all deductions other than those which are to be
 9 subtracted from gross income in computing adjusted gross income
 10 under Section 17072.

11 (c) (1) The provisions of this section shall be applied in lieu of
 12 the provisions of Sections 63(c) and 63(f) of the Internal Revenue
 13 Code, relating to standard deductions.

14 (2) Notwithstanding paragraph (1), Section 63(c)(5) of the
 15 Internal Revenue Code, relating to limitations on the standard
 16 deduction of certain dependents, and ~~Section 63(e)(6) of 63(c)(6)~~
 17 *of the Internal Revenue Code, relating to certain individuals not*
 18 *eligible for the standard deduction, shall apply, except as otherwise*
 19 *provided. For purposes of this paragraph, the amount specified in*
 20 *Section 63(c)(5) of the Internal Revenue Code shall be adjusted*
 21 *for inflation in accordance with the provisions of Section 63(c)(4)*
 22 *of the Internal Revenue Code.*

23 (d) For each taxable year beginning on or after January 1, 1988,
 24 the Franchise Tax Board shall recompute the standard deduction
 25 amounts prescribed in subdivision (a). That computation shall be
 26 made as follows:

27 (1) ~~The California~~ Department of Industrial Relations shall
 28 transmit annually to the Franchise Tax Board the percentage change
 29 in the California Consumer Price Index for all items from June of
 30 the prior calendar year to June of the current calendar year, no
 31 later than August 1 of the current calendar year.

32 (2) The Franchise Tax Board shall compute an inflation
 33 adjustment factor by adding 100 percent to that portion of the
 34 percentage change figure which is furnished pursuant to paragraph
 35 (1) and dividing the result by 100.

36 (3) The Franchise Tax Board shall multiply the standard
 37 deduction amounts in the preceding taxable year by the inflation
 38 adjustment factor determined in paragraph (2), and round off the
 39 resulting products to the nearest one dollar (\$1).

1 (4) In computing the standard deduction amounts pursuant to
2 this subdivision, the amount provided in paragraph (2) of
3 subdivision (a) shall be twice the amount provided in paragraph
4 (1) of subdivision (a).

5 SEC. 7. This act provides for a tax levy within the meaning of
6 Article IV of the Constitution and shall go into immediate effect.

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