

AMENDED IN ASSEMBLY APRIL 25, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

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 amended, Huber. Personal income tax: Sales and use tax: ~~services tax~~. *Legislative Analyst's Office: report.*

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. 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 6 $\frac{1}{4}$ % 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 require the Legislative Analyst's Office to assess the changes to the laws described above as proposed in the introduced version of this bill, and to make specified recommendations to the Legislature in a report to be issued on or before July 1, 2013.

~~(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 6 ¼% 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 ⅔ of the membership of each house of the Legislature.~~

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

~~Vote: ⅔-majority. Appropriation: no. Fiscal committee: yes-no. State-mandated local program: no.~~

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

- 1 SECTION 1. (a) *The Legislative Analyst’s Office shall assess*
- 2 *the changes to the tax laws as proposed in the February 23, 2012,*
- 3 *introduced version of this bill and shall make recommendations*
- 4 *on both of the following:*
- 5 (1) *How the state could diversify, in a revenue-neutral manner,*
- 6 *the tax revenue it would have received as a result of the changes*
- 7 *to the tax laws as proposed in the February 23, 2012, introduced*
- 8 *version of this bill, so that annual state tax revenues are less*
- 9 *subject to volatile fluctuations due to economic upturns and*
- 10 *downturns.*
- 11 (2) *The impact on state tax revenues due to the exclusion from*
- 12 *the definition of services, as specified in Section 6301 of the*

1 *Revenue and Taxation Code, as proposed in the February 23,*
2 *2012, introduced version of this bill, of all of the following:*

- 3 (A) *Necessary medical services.*
- 4 (B) *Services related to education.*
- 5 (C) *Automotive repair services.*
- 6 (D) *Tax preparation and filing services.*
- 7 (E) *Licensed legal services.*
- 8 (F) *Services relating to agriculture and livestock.*
- 9 (G) *Services relating to housing, real estate, and banking.*
- 10 (b) *The recommendations made pursuant to subdivision (a)*
11 *shall be issued in a report to the Legislature on or before July 1,*
12 *2013.*

13 ~~SECTION 1. Section 1656.1 of the Civil Code is amended to~~
14 ~~read:~~

15 ~~1656.1. (a) Whether a retailer may add sales tax reimbursement~~
16 ~~to the sales price of the tangible personal property or service sold~~
17 ~~at retail to a purchaser depends solely upon the terms of the~~
18 ~~agreement of sale. It shall be presumed that the parties agreed to~~
19 ~~the addition of sales tax reimbursement to the sales price of tangible~~
20 ~~personal property or specified sold at retail to a purchaser if:~~

21 ~~(1) The agreement of sale expressly provides for such addition~~
22 ~~of sales tax reimbursement;~~

23 ~~(2) Sales tax reimbursement is shown on the sales check or other~~
24 ~~proof of sale; or~~

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

30 ~~(b) It shall be presumed that the property or service, the gross~~
31 ~~receipts from the sale of which is subject to the sales tax, is sold~~
32 ~~at a price which includes tax reimbursement if the retailer posts~~
33 ~~in his or her premises, or includes on a price tag or in an~~
34 ~~advertisement (whichever is applicable) one of the following~~
35 ~~notices:~~

36 ~~(1) "All prices of taxable items include sales tax reimbursement~~
37 ~~computed to the nearest mill."~~

38 ~~(2) "The price of this item includes sales tax reimbursement~~
39 ~~computed to the nearest mill."~~

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

4 3/4 percent

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

5 percent

Price	Tax
.01-.09	.00
.10-.29	.01
.30-.49	.02
.50-.69	.03
.70-.89	.04
.90-1.09	.05

5 1/4 percent

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

5 1/2 percent

Price	Tax
.01-.09	.00
.10-.27	.01
.28-.45	.02
.46-.63	.03
.64-.81	.04
.82-.99	.05

1 ~~1.00~~ 1.1806

2

3

5 ³/₄ percent

4

Price

Tax

5

~~.01~~ .0800

6

~~.09~~ .2601

7

~~.27~~ .4302

8

~~.44~~ .6003

9

~~.61~~ .7804

10

~~.79~~ .9505

11

~~.96~~ 1.1306

12

6 percent

13

Price

Tax

14

~~.01~~ .0800

15

~~.09~~ .2401

16

~~.25~~ .4102

17

~~.42~~ .5803

18

~~.59~~ .7404

19

~~.75~~ .9105

20

~~.92~~ 1.0806

21

22

6 ¹/₄ percent

23

Price

Tax

24

~~.01~~ .0700

25

~~.08~~ .2301

26

~~.24~~ .3902

27

~~.40~~ .5503

28

~~.56~~ .7104

29

~~.72~~ .8705

30

~~.88~~ 1.0306

31

32

6 ¹/₂ percent

33

Price

Tax

34

~~.01~~ .0700

35

~~.08~~ .2301

36

~~.24~~ .3802

37

~~.39~~ .5303

38

~~.54~~ .6904

39

~~.70~~ .8405

40

1	.85— .99 .....	.06
2	1.00— 1.15 .....	.07

6 3/4 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

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

7 1/4 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

7 1/2 percent

38	Price	Tax
39	.01— .06 .....	.00
40	.07— .19 .....	.01

1	.20 .33 .....	.02
2	.34 .46 .....	.03
3	.47 .59 .....	.04
4	.60 .73 .....	.05
5	.74 .86 .....	.06
6	.87 .99 .....	.07
7	1.00 1.13 .....	.08

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 shall~~
16 ~~use a schedule provided by the board, or a schedule approved by~~
17 ~~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 2 ½~~
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 2 ½ 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 3 ¾~~
34 ~~percent on and after July 1, 1972, and to and including June 30,~~
35 ~~1973, and at the rate of 4 ¾ percent on and after July 1, 1973, and~~
36 ~~to and including September 30, 1973, and at the rate of 3 ¾ percent~~
37 ~~on and after October 1, 1973, and to and including March 31, 1974,~~
38 ~~and at the rate of 4 ¾ percent on and after March 31, 1974, and to~~
39 ~~and including January 1, 2013, and at the rate of 2 ½ 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 2 ½ 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 3 ¾~~
12 ~~percent on and after July 1, 1972, and to and including June 30,~~
13 ~~1973, and at the rate of 4 ¾ percent on and after July 1, 1973, and~~
14 ~~to and including September 30, 1973, and at the rate of 3 ¾ percent~~
15 ~~on and after October 1, 1973, and to and including March 31, 1974,~~
16 ~~and at the rate of 4 ¾ percent on and after March 31, 1974, and to~~
17 ~~and including January 1, 2013, and at the rate of 2 ½ 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 referenees 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~~

3 ~~6305. In addition to the taxes imposed by this part, for the~~
4 ~~privilege of selling services at retail a tax is hereby imposed upon~~
5 ~~all retailers at the rate of 4 percent of the sales price of the services~~
6 ~~of any retailer from the sale of all services sold at retail in this state~~
7 ~~on or after January 1, 2013.~~

8 ~~6306. In addition to the taxes imposed by this part, an excise~~
9 ~~tax is hereby imposed on the storage, use, or other consumption~~
10 ~~in this state of services purchased from any retailer on or after July~~
11 ~~1, 2013, for storage, use, or other consumption in this state at the~~
12 ~~rate of 4 percent of the sales price of the services.~~

13 ~~6307. (a) Section 6055, regarding worthless and charged off~~
14 ~~accounts, shall apply to this chapter. Except where the context~~
15 ~~otherwise requires, for purposes of this chapter the references in~~
16 ~~that section to tangible personal property shall include services.~~

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

21 ~~6308. (a) Section 6204, regarding retailer debt, shall apply to~~
22 ~~this chapter. Except where the context requires, for purposes of~~
23 ~~this chapter the references in that section to tangible personal~~
24 ~~property shall include services.~~

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

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

34 Article 3. ~~Permits and Registration, Presumptions, and Resale~~
35 ~~Certificates~~

36
37 ~~6310. (a) Except where the context otherwise requires, Article~~
38 ~~2 (commencing with Section 6066) of Chapter 2, regarding permits,~~
39 ~~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.

21

22 Article 4. Exemptions

23

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.~~

31
32
33

Article 5. Determinations

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.~~

1 Article 6. ~~Collection of Tax~~

2
3 6325. ~~Except where the context otherwise requires, Chapter 6~~
4 ~~(commencing with Section 6701), regarding collection of tax, shall~~
5 ~~apply to this chapter. For purposes of this chapter, any references~~
6 ~~to tangible personal property in Chapter 6 (commencing with~~
7 ~~Section 6701) shall include services.~~

8
9 Article 7. ~~Overpayments and Refunds~~

10
11 6330. ~~Except where the context otherwise requires, Chapter 7~~
12 ~~(commencing with Section 6901), regarding determinations, shall~~
13 ~~apply to this chapter. For purposes of this chapter, any references~~
14 ~~to tangible personal property in Chapter 7 (commencing with~~
15 ~~Section 6901) shall include services.~~

16
17 Article 8. ~~Administration~~

18
19 6335. ~~Except where the context otherwise requires, Chapter 8~~
20 ~~(commencing with Section 7051), regarding administration, shall~~
21 ~~apply to this chapter. For purposes of this chapter, any references~~
22 ~~to tangible personal property in Chapter 8 (commencing with~~
23 ~~Section 7051) shall include a specified digital good.~~

24
25 Article 9. ~~Disposition of Proceeds~~

26
27 6340. ~~All fees, taxes, interest, and penalties imposed, and all~~
28 ~~amounts of tax required to be paid to the state under this chapter,~~
29 ~~shall be paid to the board in the form of remittances payable to the~~
30 ~~State Board of Equalization of the State of California. The board~~
31 ~~shall transmit the payments, less refunds and cost of administration,~~
32 ~~to the Treasurer to be deposited in the General Fund.~~

33
34 Article 10. ~~Violations~~

35
36 6345. ~~Chapter 10 (commencing with Section 7152), regarding~~
37 ~~violations, shall apply to this chapter. For purposes of this chapter,~~
38 ~~any references to tangible personal property in Chapter 10~~
39 ~~(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) 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	-
	\$36.50 plus 2% of the excess
— over \$8,650.....	over \$3,650
Over \$8,650 but not	-
	\$136.50 plus 4% of the excess
— over \$13,650.....	over \$8,650
Over \$13,650 but not	-
	\$336.50 plus 6% of the excess
— over \$18,950.....	over \$13,650
Over \$18,950 but not	-
	\$654.50 plus 8% of the excess
— over \$23,950.....	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 taxable~~
 3 ~~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, deferred~~
 9 ~~income, suspended losses, or suspended deductions:~~

10

11	If the taxable income is:	— The tax is:
12	Not over \$28,000.....	2.75% of the taxable income
13		
14	Over \$28,000.....	\$770 plus 6.5% of the excess
15		over \$28,000
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) For taxable years beginning before January 1, 2013,~~
 32 ~~there shall be imposed for each taxable year upon the entire taxable~~
 33 ~~income of every resident of this state who is not a part-year resident~~
 34 ~~for that taxable year, when the resident is the head of a household,~~
 35 ~~as defined in Section 17042, taxes in the following amounts and~~
 36 ~~at the following rates upon the amount of taxable income computed~~
 37 ~~for the taxable year as if the resident were a resident of the state~~
 38 ~~for the entire taxable year and for all prior taxable years for~~
 39 ~~carryover items, deferred income, suspended losses, or suspended~~
 40 ~~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 taxable~~
24 ~~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:~~

32 If the taxable income is:	—— The tax is:
33 Not over \$56,000.....	2.75% of the taxable income
34	
35 Over \$56,000.....	\$1,540 plus 6.5% of the excess
36	over \$56,000
37	
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 (e) 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 each~~
27 ~~taxable year beginning on or after January 1, 2013, the Franchise~~
28 ~~Tax Board shall recompute the income tax brackets described in~~
29 ~~paragraph (3) of subdivisions (a) and (c). Those computations shall~~
30 ~~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~~
40 ~~twenty-two thousand five hundred dollars (\$22,500).~~

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

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

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

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

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

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

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

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

38 ~~(4) In computing the standard deduction amounts pursuant to~~
39 ~~this subdivision, the amount provided in paragraph (2) of~~

- 1 ~~subdivision (a) shall be twice the amount provided in paragraph~~
- 2 ~~(1) of subdivision (a):~~
- 3 ~~SEC. 7. This act provides for a tax levy within the meaning of~~
- 4 ~~Article IV of the Constitution and shall go into immediate effect.~~

O