

AMENDED IN SENATE JANUARY 4, 2012

AMENDED IN SENATE MAY 23, 2011

AMENDED IN SENATE APRIL 26, 2011

**SENATE BILL**

**No. 358**

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**Introduced by Senator Cannella**  
**(Coauthors: Senators Fuller and Rubio)**  
(Coauthor: Assembly Member Olsen)

February 15, 2011

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An act to add Sections 17158, 18036.1, 24316, and 24916.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 358, as amended, Cannella. Income ~~tax~~ *taxes*: gross income: exclusion: depreciation deduction: air quality funds.

The Personal Income Tax Law and the Corporation Tax Law define gross income as all income from whatever source derived, unless specifically excluded.

This bill would exclude from gross income any amount provided to a person by the State Air Resources Board, an air pollution control district, or an air quality management district, *as defined*, for the purpose of air pollution reduction.

The Personal Income Tax Law and the Corporation Tax Law, in modified conformity with federal income tax laws, determine the basis for property when determining a gain or loss on the sale or other disposition of that property or when determining a depreciation deduction relating to that property.

This bill would provide, under both laws, that for purposes of determining the gain or loss from the sale or other deposition of the property or when determining the depreciation deduction, the basis of the property shall be reduced to the extent the property was acquired with a grant amount by the State Air Resources Board, an air pollution control district, or an air quality management district, *as defined*, for the purpose of air pollution reduction.

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 17158 is added to the Revenue and  
 2 Taxation Code, to read:  
 3 17158. (a) Gross income shall not include any amount  
 4 provided by the State Air Resources Board, an air pollution control  
 5 district, or an air quality management district to any person for the  
 6 purpose of air pollution reduction.  
 7 (b) For purposes of this section, the following definitions apply:  
 8 (1) “Air pollution control district” means any district created  
 9 or continued in existence pursuant to the provisions of Part 3  
 10 (commencing with Section 40000) of Division 26 of the Health  
 11 and Safety Code.  
 12 (2) “Air quality management district” means any district created  
 13 or continued in existence pursuant to the provisions of Part 3  
 14 (commencing with Section 40000) of Division 26 of the Health  
 15 and Safety Code.  
 16 (c) (1) The State Air Resources Board, an air pollution control  
 17 district, or an air quality management district shall certify to the  
 18 taxpayer the amount provided to the taxpayer for the purpose of  
 19 air pollution reduction.  
 20 (2) The taxpayer shall, upon request, provide a copy of the  
 21 certification to the Franchise Tax Board.  
 22 SEC. 2. Section 18036.1 is added to the Revenue and Taxation  
 23 Code, to read:  
 24 18036.1. (a) Notwithstanding any other provision to the  
 25 contrary, for purposes of this part, the basis of property for  
 26 determining gain or loss on the sale or other disposition of property,  
 27 or for determining depreciation, shall be reduced to the extent the

1 property was acquired with a grant or other amount ~~that~~ *where the*  
2 *grant or other amount* was provided to a person by the State Air  
3 Resources Board, an air pollution control district, or an air quality  
4 management district for the purpose of air pollution reduction *and*  
5 *is excluded from gross income pursuant to Section 17158.*

6 (b) *For purposes of this section, the following definitions apply:*

7 (1) *“Air pollution control district” means any district created*  
8 *or continued in existence pursuant to the provisions of Part 3*  
9 *(commencing with Section 40000) of Division 26 of the Health*  
10 *and Safety Code.*

11 (2) *“Air quality management district” means any district created*  
12 *or continued in existence pursuant to the provisions of Part 3*  
13 *(commencing with Section 40000) of Division 26 of the Health*  
14 *and Safety Code.*

15 (c) (1) *The State Air Resources Board, an air pollution control*  
16 *district, or an air quality management district shall certify to the*  
17 *taxpayer the amount provided to the taxpayer for the purpose of*  
18 *air pollution reduction.*

19 (2) *The taxpayer shall, upon request, provide a copy of the*  
20 *certification to the Franchise Tax Board.*

21 SEC. 3. Section 24316 is added to the Revenue and Taxation  
22 Code, to read:

23 24316. (a) *Gross income shall not include any amount*  
24 *provided by the State Air Resources Board, air pollution control*  
25 *districts, and air quality management districts to any person for*  
26 *the purpose of air pollution reduction.*

27 (b) *For purposes of this section, the following definitions apply:*

28 (1) *“Air pollution control district” means any district created*  
29 *or continued in existence pursuant to the provisions of Part 3*  
30 *(commencing with Section 40000) of Division 26 of the Health*  
31 *and Safety Code.*

32 (2) *“Air quality management district” means any district created*  
33 *or continued in existence pursuant to the provisions of Part 3*  
34 *(commencing with Section 40000) of Division 26 of the Health*  
35 *and Safety Code.*

36 (c) (1) *The State Air Resources Board, an air pollution control*  
37 *district, or an air quality management district shall certify to the*  
38 *taxpayer the amount provided to the taxpayer for the purpose of*  
39 *air pollution reduction.*

1 (2) *The taxpayer shall, upon request, provide a copy of the*  
2 *certification to the Franchise Tax Board.*

3 SEC. 4. Section 24916.1 is added to the Revenue and Taxation  
4 Code, to read:

5 24916.1. Notwithstanding any other provision to the contrary,  
6 for purposes of this part, the basis of property for determining gain  
7 or loss on the sale or other disposition of property, or for  
8 determining depreciation, shall be reduced to the extent the  
9 property was acquired with a grant or other amount ~~that~~ *where the*  
10 *grant or other amount* was provided to a person by the State Air  
11 Resources Board, an air pollution control district, or an air quality  
12 management district for the purpose of air pollution reduction *and*  
13 *is excluded from gross income pursuant to Section 24316.*

14 (b) *For purposes of this section, the following definitions apply:*

15 (1) *“Air pollution control district” means any district created*  
16 *or continued in existence pursuant to the provisions of Part 3*  
17 *(commencing with Section 40000) of Division 26 of the Health*  
18 *and Safety Code.*

19 (2) *“Air quality management district” means any district created*  
20 *or continued in existence pursuant to the provisions of Part 3*  
21 *(commencing with Section 40000) of Division 26 of the Health*  
22 *and Safety Code.*

23 (c) (1) *The State Air Resources Board, an air pollution control*  
24 *district, or an air quality management district shall certify to the*  
25 *taxpayer the amount provided to the taxpayer for the purpose of*  
26 *air pollution reduction.*

27 (2) *The taxpayer shall, upon request, provide a copy of the*  
28 *certification to the Franchise Tax Board.*

29 SEC. 5. *The State Air Resources Board, air pollution control*  
30 *districts, and air quality districts shall provide the Franchise Tax*  
31 *Board annually with a list of taxpayers and amounts granted for*  
32 *the purpose of air pollution reduction to each taxpayer by each*  
33 *entity.*

34 ~~SEC. 5.~~

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