

ASSEMBLY BILL

No. 458

Introduced by Assembly Member Wieckowski

February 19, 2013

An act to add Sections 17226 and 24343.4 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 458, as introduced, Wieckowski. Income taxes: deductions: punitive damages.

The Personal Income Tax Law and the Corporation Tax Law allow various deductions in computing the income that is subject to the taxes imposed by those laws. Both laws allow a deduction for ordinary and necessary business expenses, including a deduction for amounts paid or incurred for specified types of punitive damages.

This bill, for taxable years beginning on or after January 1, 2014, would disallow, under both laws, a deduction for amounts paid or incurred for punitive damages, as provided.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: $\frac{2}{3}$. 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 17226 is added to the Revenue and
2 Taxation Code, to read:
3 17226. For taxable years beginning on or after January 1, 2014,
4 a deduction shall not be allowed for any amount paid or incurred
5 for punitive damages in connection with any judgment in, or
6 settlement of, any action.
7 SEC. 2. Section 24343.4 is added to the Revenue and Taxation
8 Code, to read:
9 24343.4. For taxable years beginning on or after January 1,
10 2014, a deduction shall not be allowed for any amount paid or
11 incurred for punitive damages in connection with any judgment
12 in, or settlement of, any action.
13 SEC. 3. This act provides for a tax levy within the meaning
14 of Article IV of the Constitution and shall go into immediate effect.