

AMENDED IN SENATE MAY 20, 2014

AMENDED IN SENATE APRIL 7, 2014

AMENDED IN SENATE SEPTEMBER 6, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1393

Introduced by Assembly Member Perea

(Principal coauthors: Senators Cannella and Evans)

**(Coauthors: Assembly Members Cooley, Fox, Muratsuchi, and
Quirk-Silva)**

March 4, 2013

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, ~~making an appropriation therefor~~, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1393, as amended, Perea. Personal income taxes: income exclusion: mortgage debt forgiveness.

The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2014.

This bill would conform to the federal extension and make legislative findings and declarations regarding the public purpose served by the bill. ~~The bill would also make a continuous appropriation from the~~

~~General Fund to the Franchise Tax Board in those amounts necessary to make payments to taxpayers who have included in income and paid tax on qualified principal residence indebtedness that was discharged on and after January 1, 2013, and before January 1, 2014.~~

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: ~~yes~~-no. Fiscal committee: yes.
 State-mandated local program: no.

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

1 SECTION 1. Section 17144.5 of the Revenue and Taxation
 2 Code is amended to read:
 3 17144.5. (a) Section 108(a)(1)(E) of the Internal Revenue
 4 Code, is modified to provide that the amount excluded from gross
 5 income shall not exceed \$500,000 (\$250,000 in the case of a
 6 married individual filing a separate return).
 7 (b) Section 108(h)(2) of the Internal Revenue Code, is modified
 8 by substituting the phrase “(within the meaning of section
 9 163(h)(3)(B), applied by substituting ‘\$800,000 (\$400,000’ for
 10 ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” for the phrase
 11 “(within the meaning of section 163(h)(3)(B), applied by
 12 substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’
 13 in clause (ii) thereof)” contained therein.
 14 (c) This section shall apply to discharges of indebtedness
 15 occurring on or after January 1, 2007, and, notwithstanding any
 16 other law to the contrary, no penalties or interest shall be due with
 17 respect to the discharge of qualified principal residence
 18 indebtedness during the 2007 or 2009 taxable year regardless of
 19 whether or not the taxpayer reports the discharge on his or her
 20 return for the 2007 or 2009 taxable year.
 21 (d) The amendments made by Section 202 of the American
 22 Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108
 23 of the Internal Revenue Code shall apply.
 24 SEC. 2. The amendments made by this act that conform to the
 25 amendments made by Section 202 of the American Taxpayer Relief
 26 Act of 2012 (Public Law 112-240) to Section 108 of the Internal
 27 Revenue Code, apply to qualified principal residence indebtedness
 28 that is discharged on and after January 1, 2013, and before January
 29 1, 2014. The Legislature finds and declares that the amendments

1 made by this act and the retroactive application contained in the
2 preceding sentence are necessary for the public purpose of
3 conforming state law to the amendments to the Internal Revenue
4 Code as made by the American Taxpayer Relief Act of 2012
5 (Public Law 112-240), thereby preventing undue hardship to
6 taxpayers whose qualified principal residence indebtedness was
7 discharged on and after January 1, 2013, and before January 1,
8 2014, and do not constitute a gift of public funds within the
9 meaning of Section 6 of Article XVI of the California Constitution.

10 ~~SEC. 3. Notwithstanding Section 13340 of the Government~~
11 ~~Code, and without regard to fiscal year, there is hereby~~
12 ~~continuously appropriated from the General Fund to the Franchise~~
13 ~~Tax Board those amounts necessary to make the payments required~~
14 ~~by this act to taxpayers who have included amounts in gross income~~
15 ~~by reason of the discharge of principal residence indebtedness that~~
16 ~~was discharged on and after January 1, 2013, and before January~~
17 ~~1, 2014.~~

18 ~~SEC. 4.~~

19 *SEC. 3.* This act is an urgency statute necessary for the
20 immediate preservation of the public peace, health, or safety within
21 the meaning of Article IV of the Constitution and shall go into
22 immediate effect. The facts constituting the necessity are:

23 In order to provide tax relief to distressed homeowners at the
24 earliest possible time, it is necessary that this act take effect
25 immediately.