

**Introduced by Senator Calderon  
(Coauthors: Senators Block, Correa, Lieu, and Price)**

December 3, 2012

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An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 30, as introduced, Calderon. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from a taxpayer's income if that debt is discharged after January 1, 2007, and before January 1, 2010, as provided. The federal Emergency Economic Stabilization Act of 2008 extended the operation of those provisions to debt that is discharged before January 1, 2013.

This bill would extend the operation of the exclusion of the discharge of qualified principal residence indebtedness to debt that is discharged before January 1, 2014.

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 17144.5 of the Revenue and Taxation
- 2 Code is amended to read:

1 17144.5. (a) Section 108(a)(1)(E) of the Internal Revenue  
2 Code; is modified to *as follows*:

3 (1) To provide that the amount excluded from gross income  
4 shall not exceed \$500,000 (\$250,000 in the case of a married  
5 individual filing a separate return).

6 (2) By substituting the phrase “January 1, 2014” for the phrase  
7 “January 1, 2013” contained therein.

8 (b) Section 108(h)(2) of the Internal Revenue Code, is modified  
9 by substituting the phrase “(within the meaning of section  
10 163(h)(3)(B), applied by substituting ‘\$800,000 (\$400,000’ for  
11 ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” for the phrase  
12 “(within the meaning of section 163(h)(3)(B), applied by  
13 substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’  
14 in clause (ii) thereof)” contained therein.

15 (c) This section shall apply to discharges of indebtedness  
16 occurring on or after January 1, 2007, and, notwithstanding any  
17 other law to the contrary, no penalties or interest shall be due with  
18 respect to the discharge of qualified principal residence  
19 indebtedness during the 2007 or 2009 taxable year regardless of  
20 whether or not the taxpayer reports the discharge on his or her  
21 return for the 2007 or 2009 taxable year.

22 SEC. 2. This act provides for a tax levy within the meaning of  
23 Article IV of the Constitution and shall go into immediate effect.