

**Introduced by Senator Knight**

February 6, 2013

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An act to amend Section 17041 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 187, as introduced, Knight. Personal income tax.

The Personal Income Tax Law imposes a net tax at specified rates each taxable year on the entire taxable income of every resident of this state.

This bill would make a technical, nonsubstantive change to that provision.

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

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

1 SECTION 1. Section 17041 of the Revenue and Taxation Code  
2 is amended to read:  
3 17041. (a) (1) There shall be imposed for each taxable year  
4 upon the entire taxable income of every resident of this state who  
5 is not a part-year resident, except the head of a ~~household~~  
6 *household*, as defined in Section 17042, taxes in the following  
7 amounts and at the following rates upon the amount of taxable  
8 income computed for the taxable year as if the resident were a  
9 resident of this state for the entire taxable year and for all prior  
10 taxable years for any carryover items, deferred income, suspended  
11 losses, or suspended deductions:

1 If the taxable income is:	The tax is:
2 Not over \$3,650 .....	1% of the taxable income
3 Over \$3,650 but not	
4 over \$8,650 .....	\$36.50 plus 2% of the excess
5	over \$3,650
6 Over \$8,650 but not	
7 over \$13,650 .....	\$136.50 plus 4% of the excess
8	over \$8,650
9 Over \$13,650 but not	
10 over \$18,950 .....	\$336.50 plus 6% of the excess
11	over \$13,650
12 Over \$18,950 but not	
13 over \$23,950 .....	\$654.50 plus 8% of the excess
14	over \$18,950
15 Over \$23,950 .....	\$1,054.50 plus 9.3% of the excess
16	over \$23,950

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 (b) (1) There shall be imposed for each taxable year upon the  
23 taxable income of every nonresident or part-year resident, except  
24 the head of a household as defined in Section 17042, a tax as  
25 calculated in paragraph (2).

26 (2) The tax imposed under paragraph (1) shall be calculated by  
27 multiplying the “taxable income of a nonresident or part-year  
28 resident,” as defined in subdivision (i), by a rate (expressed as a  
29 percentage) equal to the tax computed under subdivision (a) on  
30 the entire taxable income of the nonresident or part-year resident  
31 as if the nonresident or part-year resident were a resident of this  
32 state for the taxable year and as if the nonresident or part-year  
33 resident were a resident of this state for all prior taxable years for  
34 any carryover items, deferred income, suspended losses, or  
35 suspended deductions, divided by the amount of that income.

36 (c) (1) There shall be imposed for each taxable year upon the  
37 entire taxable income of every resident of this state who is not a  
38 part-year resident for that taxable year, when the resident is the  
39 head of a household, as defined in Section 17042, taxes in the  
40 following amounts and at the following rates upon the amount of

1 taxable income computed for the taxable year as if the resident  
2 were a resident of the state for the entire taxable year and for all  
3 prior taxable years for carryover items, deferred income, suspended  
4 losses, or suspended deductions:

5	6	7	8
	If the taxable income is:		The tax is:
7	Not over \$7,300 .....	1%	of the taxable income
8	Over \$7,300 but not		
9	over \$17,300 .....	\$73 plus 2% of the excess	
10			over \$7,300
11	Over \$17,300 but not		
12	over \$22,300 .....	\$273 plus 4% of the excess	
13			over \$17,300
14	Over \$22,300 but not		
15	over \$27,600 .....	\$473 plus 6% of the excess	
16			over \$22,300
17	Over \$27,600 but not		
18	over \$32,600 .....	\$791 plus 8% of the excess	
19			over \$27,600
20	Over \$32,600 .....	\$1,191 plus 9.3% of the excess	
21			over \$32,600

22  
23 (2) For taxable years beginning on or after January 1, 2009, and  
24 before January 1, 2011, the percentages specified in the table in  
25 paragraph (1) shall be increased by adding 0.25 percent to each  
26 percentage.

27 (d) (1) There shall be imposed for each taxable year upon the  
28 taxable income of every nonresident or part-year resident when  
29 the nonresident or part-year resident is the head of a household,  
30 as defined in Section 17042, a tax as calculated in paragraph (2).

31 (2) The tax imposed under paragraph (1) shall be calculated by  
32 multiplying the “taxable income of a nonresident or part-year  
33 resident,” as defined in subdivision (i), by a rate (expressed as a  
34 percentage) equal to the tax computed under subdivision (c) on  
35 the entire taxable income of the nonresident or part-year resident  
36 as if the nonresident or part-year resident were a resident of this  
37 state for the taxable year and as if the nonresident or part-year  
38 resident were a resident of this state for all prior taxable years for  
39 any carryover items, deferred income, suspended losses, or  
40 suspended deductions, divided by the amount of that income.

1 (e) There shall be imposed for each taxable year upon the taxable  
2 income of every estate, trust, or common trust fund taxes equal to  
3 the amount computed under subdivision (a) for an individual  
4 having the same amount of taxable income.

5 (f) The tax imposed by this part is not a surtax.

6 (g) (1) Section 1(g) of the Internal Revenue Code, relating to  
7 certain unearned income of children taxed as if parent's income,  
8 shall apply, except as otherwise provided.

9 (2) Section 1(g)(7)(B)(ii)(II) of the Internal Revenue Code is  
10 modified, for purposes of this part, by substituting "1 percent" for  
11 "10 percent."

12 (h) For each taxable year beginning on or after January 1, 1988,  
13 the Franchise Tax Board shall recompute the income tax brackets  
14 prescribed in subdivisions (a) and (c). That computation shall be  
15 made as follows:

16 (1) The California Department of Industrial Relations shall  
17 transmit annually to the Franchise Tax Board the percentage change  
18 in the California Consumer Price Index for all items from June of  
19 the prior calendar year to June of the current calendar year, no  
20 later than August 1 of the current calendar year.

21 (2) The Franchise Tax Board shall do both of the following:

22 (A) Compute an inflation adjustment factor by adding 100  
23 percent to the percentage change figure that is furnished pursuant  
24 to paragraph (1) and dividing the result by 100.

25 (B) Multiply the preceding taxable year income tax brackets by  
26 the inflation adjustment factor determined in subparagraph (A)  
27 and round off the resulting products to the nearest one dollar (\$1).

28 (i) (1) For purposes of this part, the term "taxable income of a  
29 nonresident or part-year resident" includes each of the following:

30 (A) For any part of the taxable year during which the taxpayer  
31 was a resident of this state (as defined by Section 17014), all items  
32 of gross income and all deductions, regardless of source.

33 (B) For any part of the taxable year during which the taxpayer  
34 was not a resident of this state, gross income and deductions  
35 derived from sources within this state, determined in accordance  
36 with Article 9 of Chapter 3 (commencing with Section 17301) and  
37 Chapter 11 (commencing with Section 17951).

38 (2) For purposes of computing "taxable income of a nonresident  
39 or part-year resident" under paragraph (1), the amount of any net  
40 operating loss sustained in any taxable year during any part of

1 which the taxpayer was not a resident of this state shall be limited  
2 to the sum of the following:

3 (A) The amount of the loss attributable to the part of the taxable  
4 year in which the taxpayer was a resident.

5 (B) The amount of the loss which, during the part of the taxable  
6 year the taxpayer is not a resident, is attributable to California  
7 source income and deductions allowable in arriving at taxable  
8 income of a nonresident or part-year resident.

9 (3) For purposes of computing “taxable income of a nonresident  
10 or part-year resident” under paragraph (1), any carryover items,  
11 deferred income, suspended losses, or suspended deductions shall  
12 only be includable or allowable to the extent that the carryover  
13 item, deferred income, suspended loss, or suspended deduction  
14 was derived from sources within this state, calculated as if the  
15 nonresident or part-year resident, for the portion of the year he or  
16 she was a nonresident, had been a nonresident for all prior years.