

AMENDED IN ASSEMBLY FEBRUARY 18, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 99

Introduced by Assembly Member Perea

January 8, 2015

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

LEGISLATIVE COUNSEL'S DIGEST

AB 99, 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, 2014, as provided. *The federal Tax Increase Prevention Act of 2014 extended the operation of those provisions to debt that is discharged before January 1, 2015.*

~~This bill would extend the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2015, thereby no longer conforming to federal income tax law. The bill would also discharge indebtedness for related penalties and interest and would make legislative findings and declarations regarding the public purpose served by the bill.~~

This bill would conform to the federal extension, discharge indebtedness for related penalties and interest, and make legislative findings and declarations regarding the public purpose served by the bill.

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

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 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 as follows:

5 ~~(1) By providing to provide~~ that the amount excluded from gross
6 income shall not exceed \$500,000 (\$250,000 in the case of a
7 married individual filing a separate return).

8 ~~(2) By substituting "January 1, 2014" for "January 1, 2015."~~

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

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

23 (d) (1) The amendments made by Section 202 of the American
24 Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108
25 of the Internal Revenue Code shall apply.

26 (e)

27 (2) The changes made to this section by Chapter 152 of the
28 Statutes of 2014 shall apply to discharges of indebtedness that
29 occur on or after January 1, 2013, and before January 1, 2014, and,
30 notwithstanding any other law, no penalties or interest shall be
31 due with respect to the discharge of qualified principal residence
32 indebtedness during the 2013 taxable year, regardless of whether

1 the taxpayer reports the discharge on his or her income tax return
2 for the 2013 taxable year.

3 (e) (1) *The amendments made by Section 102 of the Tax*
4 *Increase Prevention Act of 2014 (Public Law 113-295) to Section*
5 *108 of the Internal Revenue Code shall apply.*

6 (f)

7 (2) The changes made to this section by the act adding this
8 ~~subdivision-paragraph~~ shall apply to discharges of indebtedness
9 that occur on or after January 1, 2014, and before January 1, 2015,
10 and, notwithstanding any other law, no penalties or interest shall
11 be due with respect to the discharge of qualified principal residence
12 indebtedness during the 2014 taxable year, regardless of whether
13 the taxpayer reports the discharge on his or her income tax return
14 for the 2014 taxable year.

15 SEC. 2. The amendments made by this act that ~~extend the~~
16 ~~operation of~~ conform to the amendments made by ~~Section 202 of~~
17 ~~the American Taxpayer Relief Act of 2012 (Public Law 112-240)~~
18 *Section 102 of the Tax Increase Prevention Act of 2014 (Public*
19 *Law 113-295) to Section 108 of the Internal Revenue Code, apply*
20 *to qualified principal residence indebtedness that is discharged on*
21 *and after January 1, 2014, and before January 1, 2015. The*
22 *Legislature finds and declares that the amendments made by this*
23 *act and the retroactive application contained in the preceding*
24 *sentence are necessary for the public purpose of extending for an*
25 ~~additional year, conforming state law to the amendments to the~~
26 ~~Internal Revenue Code as made by the American Taxpayer Relief~~
27 ~~Act of 2012 (Public Law 112-240), Tax Increase Prevention Act~~
28 *of 2014 (Public Law 113-295) thereby preventing undue hardship*
29 *to taxpayers whose qualified principal residence indebtedness was*
30 *discharged on and after January 1, 2014, and before January 1,*
31 *2015, and do not constitute a gift of public funds within the*
32 *meaning of Section 6 of Article XVI of the California Constitution.*

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

- 1 In order to provide tax relief to distressed homeowners at the
- 2 earliest possible time, it is necessary that this act take effect
- 3 immediately.

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