

AMENDED IN ASSEMBLY MAY 20, 2015  
AMENDED IN ASSEMBLY FEBRUARY 18, 2015  
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

## ASSEMBLY BILL

**No. 99**

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**Introduced by Assembly Member Perea**  
*(Coauthor: Senator Cannella)*

January 8, 2015

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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 conform to ~~the~~ *that* 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 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) (1) 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    (2) The changes made to this section by Chapter 152 of the  
25    Statutes of 2014 shall apply to discharges of indebtedness that  
26    occur on or after January 1, 2013, and before January 1, 2014, and,  
27    notwithstanding any other law, no penalties or interest shall be  
28    due with respect to the discharge of qualified principal residence  
29    indebtedness during the 2013 taxable year, regardless of whether  
30    the taxpayer reports the discharge on his or her income tax return  
31    for the 2013 taxable year.  
32    (e) (1) The amendments made by Section 102 of the Tax  
33    Increase Prevention Act of 2014 (Public Law 113-295) to Section  
34    108 of the Internal Revenue Code shall apply.

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

9 SEC. 2. The amendments made by this act that conform to the  
10 amendments made by Section 102 of the Tax Increase Prevention  
11 Act of 2014 (Public Law 113-295) to Section 108 of the Internal  
12 Revenue Code, apply to qualified principal residence indebtedness  
13 that is discharged on and after January 1, 2014, and before January  
14 1, 2015. The Legislature finds and declares that the amendments  
15 made by this act and the retroactive application contained in the  
16 preceding sentence are necessary for the public purpose of  
17 conforming state law to the amendments to the Internal Revenue  
18 Code as made by the Tax Increase Prevention Act of 2014 (Public  
19 Law ~~113-295~~ 113-295), thereby preventing undue hardship to  
20 taxpayers whose qualified principal residence indebtedness was  
21 discharged on and after January 1, 2014, and before January 1,  
22 2015, and do not constitute a gift of public funds within the  
23 meaning of Section 6 of Article XVI of the California Constitution.

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

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