

AMENDED IN ASSEMBLY MARCH 26, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 154**

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**Introduced by Assembly Member Ting**

January 16, 2015

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~~An act to amend Section 23037 of the Revenue and Taxation Code, relating to taxation.~~ *An act to amend Sections 17024.5, 17088, 17144, 17215, 18155, 19141.5, 19164, 19167, 19172, 19172.5, 19183, 19772, 23701i, 24307, 24427, 24439, 24870, 24871, and 24990.5 of, to add Sections 17240, 17241, 17323, 19131.5, 24454, and 24459 to, and to repeal Sections 17131.7, 17131.12, 17131.14, 17134.1, 17201.1, 17280.1, 17322.1, 24452.1, and 24871.1 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

LEGISLATIVE COUNSEL'S DIGEST

AB 154, as amended, Ting. ~~Corporation Tax Law.~~ *Taxation: federal conformity.*

*Under the Personal Income Tax Law and the Corporation Tax Law, various provisions of the federal Internal Revenue Code, as enacted as of a specified date, are referenced in various sections of the Revenue and Taxation Code. Those laws provide that for taxable years beginning on or after January 1, 2010, the specified date of those referenced Internal Revenue Code sections is January 1, 2009, unless otherwise specifically provided. Existing law requires, for any introduced bill that proposes changes in any of those dates, that the Franchise Tax Board prepare a complete analysis of the bill that describes all changes to state law that will automatically occur by reference to federal law as of the changed date. It further requires the Franchise Tax Board to immediately update and supplement that analysis upon any amendment*

to the bill, and requires that analysis be made available to the public and be submitted to the Legislature for publication in the daily journal of each house of the Legislature.

This bill would change the specified date of those referenced Internal Revenue Code sections to January 1, 2015, for taxable years beginning on or after January 1, 2015, and thereby would make numerous substantive changes to both the Personal Income Tax Law and the Corporation Tax Law with respect to those areas of preexisting conformity that are subject to changes under federal laws enacted after January 1, 2009, and that have not been, or are not being, excepted or modified. This bill would make certain other changes in federal income tax laws applicable, with specified exceptions and modifications, and make specified supplemental, technical, or clarifying changes for purposes of the Personal Income Tax Law or the Corporation Tax Law, or both, or the administration of those laws, with respect to, among other things, tax credits, tax on specified distributions from Archer MSAs, income exclusions, reporting requirements, qualified tuition program investment direction, disclosure of information with respect to foreign financial assets, redemptions by foreign subsidiaries, listed property, and penalty amounts related to the failure to file specified returns or include specified information on returns.

This bill would also specify various dates on which specified provisions apply and repeal obsolete provisions.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of <sup>2</sup>/<sub>3</sub> of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

~~The Corporation Tax Law defines a taxpayer as any person that is subject to the corporation franchise tax, alternative minimum tax, or corporation income tax.~~

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

Vote: ~~majority~~<sup>2</sup>/<sub>3</sub>. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 17024.5 of the Revenue and Taxation
- 2 Code is amended to read:

1 17024.5. (a) (1) Unless otherwise specifically provided, the  
 2 terms “Internal Revenue Code,” “Internal Revenue Code of 1954,”  
 3 or “Internal Revenue Code of 1986,” for purposes of this part,  
 4 mean Title 26 of the United States Code, including all amendments  
 5 thereto as enacted on the specified date for the applicable taxable  
 6 year as follows:

	Taxable Year	Specified Date of Internal Revenue Code Sections
12	(A) For taxable years beginning on or after	
13	January 1, 1983, and on or before December	
14	31, 1983.....	January 15, 1983
15	(B) For taxable years beginning on or after	
16	January 1, 1984, and on or before December	
17	31, 1984.....	January 1, 1984
18	(C) For taxable years beginning on or after	
19	January 1, 1985, and on or before December	
20	31, 1985.....	January 1, 1985
21	(D) For taxable years beginning on or after	
22	January 1, 1986, and on or before December	
23	31, 1986.....	January 1, 1986
24	(E) For taxable years beginning on or after	
25	January 1, 1987, and on or before December	
26	31, 1988.....	January 1, 1987
27	(F) For taxable years beginning on or after	
28	January 1, 1989, and on or before December	
29	31, 1989.....	January 1, 1989
30	(G) For taxable years beginning on or after	
31	January 1, 1990, and on or before December	
32	31, 1990.....	January 1, 1990
33	(H) For taxable years beginning on or after	
34	January 1, 1991, and on or before December	
35	31, 1991.....	January 1, 1991
36	(I) For taxable years beginning on or after	
37	January 1, 1992, and on or before December	
38	31, 1992.....	January 1, 1992
39	(J) For taxable years beginning on or after	
40	January 1, 1993, and on or before December	

1 31, 1996..... January 1, 1993  
2 (K) For taxable years beginning on or after  
3 January 1, 1997, and on or before December  
4 31, 1997..... January 1, 1997  
5 (L) For taxable years beginning on or after  
6 January 1, 1998, and on or before December  
7 31, 2001..... January 1, 1998  
8 (M) For taxable years beginning on or after  
9 January 1, 2002, and on or before December  
10 31, 2004..... January 1, 2001  
11 (N) For taxable years beginning on or after  
12 January 1, 2005, and on or before December  
13 31, 2009..... January 1, 2005  
14 (O) For taxable years beginning on or after  
15 January 1, 2010, and on or before December  
16 31, 2014..... January 1, 2009  
17 (P) For taxable years beginning on or after  
18 January 1, 2015..... January 1, 2015  
19

20 (2) (A) Unless otherwise specifically provided, for federal laws  
21 enacted on or after January 1, 1987, and on or before the specified  
22 date for the taxable year, uncodified provisions that relate to  
23 provisions of the Internal Revenue Code that are incorporated for  
24 purposes of this part shall be applicable to the same taxable years  
25 as the incorporated provisions.

26 (B) In the case where Section 901 of the Economic Growth and  
27 Tax Relief Act of 2001 (Public Law 107-16) applies to any  
28 provision of the Internal Revenue Code that is incorporated for  
29 purposes of this part, Section 901 of the Economic Growth and  
30 Tax Relief Act of 2001 shall apply for purposes of this part in the  
31 same manner and to the same taxable years as it applies for federal  
32 income tax purposes.

33 (3) Subtitle G (Tax Technical Corrections) and Part I of Subtitle  
34 H (Repeal of Expired or Obsolete Provisions) of the Revenue  
35 Reconciliation Act of 1990 (Public Law 101-508) modified  
36 numerous provisions of the Internal Revenue Code and provisions  
37 of prior federal acts, some of which are incorporated by reference  
38 into this part. Unless otherwise provided, the provisions described  
39 in the preceding sentence, to the extent that they modify provisions  
40 that are incorporated into this part, are declaratory of existing law

1 and shall be applied in the same manner and for the same periods  
2 as specified in the Revenue Reconciliation Act of 1990.

3 (b) Unless otherwise specifically provided, when applying any  
4 provision of the Internal Revenue Code for purposes of this part,  
5 a reference to any of the following is not applicable for purposes  
6 of this part:

7 (1) Except as provided in Chapter 4.5 (commencing with Section  
8 23800) of Part 11 of Division 2, an electing small business  
9 corporation, as defined in Section 1361(b) of the Internal Revenue  
10 Code.

11 (2) Domestic international sales corporations (DISC), as defined  
12 in Section 992(a) of the Internal Revenue Code.

13 (3) A personal holding company, as defined in Section 542 of  
14 the Internal Revenue Code.

15 (4) A foreign personal holding company, as defined in Section  
16 552 of the Internal Revenue Code.

17 (5) A foreign investment company, as defined in Section 1246(b)  
18 of the Internal Revenue Code.

19 (6) A foreign trust, as defined in Section 679 of the Internal  
20 Revenue Code.

21 (7) Foreign income taxes and foreign income tax credits.

22 (8) Section 911 of the Internal Revenue Code, relating to citizens  
23 or residents of the United States living abroad.

24 (9) A foreign corporation, except that Section 367 of the Internal  
25 Revenue Code shall be applicable.

26 (10) Federal tax credits and carryovers of federal tax credits.

27 (11) Nonresident aliens.

28 (12) Deduction for personal exemptions, as provided in Section  
29 151 of the Internal Revenue Code.

30 (13) The tax on generation-skipping transfers imposed by  
31 Section 2601 of the Internal Revenue Code.

32 (14) The tax, relating to estates, imposed by Section 2001 or  
33 2101 of the Internal Revenue Code.

34 (c) (1) The provisions contained in Sections 41 to 44, inclusive,  
35 and Section 172 of the Tax Reform Act of 1984 (Public Law  
36 98-369), relating to treatment of debt instruments, is not applicable  
37 for taxable years beginning before January 1, 1987.

38 (2) The provisions contained in Public Law 99-121, relating to  
39 the treatment of debt instruments, is not applicable for taxable  
40 years beginning before January 1, 1987.

1 (3) For each taxable year beginning on or after January 1, 1987,  
2 the provisions referred to by paragraphs (1) and (2) shall be  
3 applicable for purposes of this part in the same manner and with  
4 respect to the same obligations as the federal provisions, except  
5 as otherwise provided in this part.

6 (d) When applying the Internal Revenue Code for purposes of  
7 this part, regulations promulgated in final form or issued as  
8 temporary regulations by “the secretary” shall be applicable as  
9 regulations under this part to the extent that they do not conflict  
10 with this part or with regulations issued by the Franchise Tax  
11 Board.

12 (e) Whenever this part allows a taxpayer to make an election,  
13 the following rules shall apply:

14 (1) A proper election filed with the Internal Revenue Service  
15 in accordance with the Internal Revenue Code or regulations issued  
16 by “the secretary” shall be deemed to be a proper election for  
17 purposes of this part, unless otherwise provided in this part or in  
18 regulations issued by the Franchise Tax Board.

19 (2) A copy of that election shall be furnished to the Franchise  
20 Tax Board upon request.

21 (3) (A) Except as provided in subparagraph (B), in order to  
22 obtain treatment other than that elected for federal purposes, a  
23 separate election shall be filed at the time and in the manner  
24 required by the Franchise Tax Board.

25 (B) (i) If a taxpayer makes a proper election for federal income  
26 tax purposes prior to the time that taxpayer becomes subject to the  
27 tax imposed under this part or Part 11 (commencing with Section  
28 23001), that taxpayer is deemed to have made the same election  
29 for purposes of the tax imposed by this part, Part 10.2 (commencing  
30 with Section 18401), and Part 11 (commencing with Section  
31 23001), as applicable, and that taxpayer may not make a separate  
32 election for California tax purposes unless that separate election  
33 is expressly authorized by this part, Part 10.2 (commencing with  
34 Section 18401), or Part 11 (commencing with Section 23001), or  
35 by regulations issued by the Franchise Tax Board.

36 (ii) If a taxpayer has not made a proper election for federal  
37 income tax purposes prior to the time that taxpayer becomes subject  
38 to tax under this part or Part 11 (commencing with Section 23001),  
39 that taxpayer may not make a separate California election for  
40 purposes of this part, Part 10.2 (commencing with Section 18401),

1 or Part 11 (commencing with Section 23001), unless that separate  
2 election is expressly authorized by this part, Part 10.2 (commencing  
3 with Section 18401), or Part 11 (commencing with Section 23001),  
4 or by regulations issued by the Franchise Tax Board.

5 (iii) This subparagraph applies only to the extent that the  
6 provisions of the Internal Revenue Code or the regulation issued  
7 by “the secretary” authorizing an election for federal income tax  
8 purposes apply for purposes of this part, Part 10.2 (commencing  
9 with Section 18401) or Part 11 (commencing with Section 23001).

10 (f) Whenever this part allows or requires a taxpayer to file an  
11 application or seek consent, the rules set forth in subdivision (e)  
12 shall be applicable with respect to that application or consent.

13 (g) When applying the Internal Revenue Code for purposes of  
14 determining the statute of limitations under this part, any reference  
15 to a period of three years shall be modified to read four years for  
16 purposes of this part.

17 (h) When applying, for purposes of this part, any section of the  
18 Internal Revenue Code or any applicable regulation thereunder,  
19 all of the following shall apply:

20 (1) References to “adjusted gross income” shall mean the  
21 amount computed in accordance with Section 17072, except as  
22 provided in paragraph (2).

23 (2) (A) Except as provided in subparagraph (B), references to  
24 “adjusted gross income” for purposes of computing limitations  
25 based upon adjusted gross income, shall mean the amount required  
26 to be shown as adjusted gross income on the federal tax return for  
27 the same taxable year.

28 (B) In the case of registered domestic partners and former  
29 registered domestic partners, adjusted gross income, for the  
30 purposes of computing limitations based upon adjusted gross  
31 income, shall mean the adjusted gross income on a federal tax  
32 return computed as if the registered domestic partner or former  
33 registered domestic partner was treated as a spouse or former  
34 spouse, respectively, for federal income tax purposes, and used  
35 the same filing status that was used on the state tax return for the  
36 same taxable year.

37 (3) Any reference to “subtitle” or “chapter” shall mean this part.

38 (4) The provisions of Section 7806 of the Internal Revenue  
39 Code, relating to construction of title, shall apply.

1 (5) Any provision of the Internal Revenue Code that becomes  
2 operative on or after the specified date for that taxable year shall  
3 become operative on the same date for purposes of this part.

4 (6) Any provision of the Internal Revenue Code that becomes  
5 inoperative on or after the specified date for that taxable year shall  
6 become inoperative on the same date for purposes of this part.

7 (7) Due account shall be made for differences in federal and  
8 state terminology, effective dates, substitution of “Franchise Tax  
9 Board” for “secretary” when appropriate, and other obvious  
10 differences.

11 (8) Except as otherwise provided, any reference to Section 501  
12 of the Internal Revenue Code shall be interpreted to also refer to  
13 Section 23701.

14 (i) Any reference to a specific provision of the Internal Revenue  
15 Code shall include modifications of that provision, if any, in this  
16 part.

17 *SEC. 2. Section 17088 of the Revenue and Taxation Code is*  
18 *amended to read:*

19 17088. (a) ~~(1)~~ Subchapter M of Chapter 1 of Subtitle A of the  
20 Internal Revenue Code, relating to regulated investment companies  
21 and real estate investment trusts, shall apply, except as otherwise  
22 provided.

23 ~~(2) Part 1 of Subchapter M of Chapter 1 of Subtitle A of the~~  
24 ~~Internal Revenue Code, relating to regulated investment companies,~~  
25 ~~as amended by the Regulated Investment Company Modernization~~  
26 ~~Act of 2010 (Public Law 111-325), shall apply, except as otherwise~~  
27 ~~provided.~~

28 (b) Section 17145 shall apply in lieu of Section 852(b)(5) of the  
29 Internal Revenue Code, relating to exempt-interest dividends.

30 (c) (1) Section 852(b)(3)(D) of the Internal Revenue Code,  
31 relating to treatment by shareholders of undistributed capital gains,  
32 shall not apply.

33 (2) Section 852(g)(1)(A) of the Internal Revenue Code is  
34 modified by substituting the phrase “subdivision (a) of Section  
35 17145” for the phrase “the first sentence of subsection (b)(5)”  
36 contained therein.

37 ~~(d) (1) Except as provided in paragraph (2), the amendments~~  
38 ~~made to this section by the act adding this paragraph shall apply~~  
39 ~~to taxable years beginning on or after December 23, 2010.~~



1     ~~(2) (A) Section 851 of the Internal Revenue Code, relating to~~  
2 ~~definition of regulated investment company, as amended by Section~~  
3 ~~201 of the Regulated Investment Company Modernization Act of~~  
4 ~~2010 (Public Law 111-325), and Section 852(b)(2)(G) of the~~  
5 ~~Internal Revenue Code, as amended by Section 201 of the~~  
6 ~~Regulated Investment Company Modernization Act of 2010 (Public~~  
7 ~~Law 111-325), shall apply to taxable years with respect to which~~  
8 ~~the due date (determined with regard to any extensions) of the~~  
9 ~~return of tax for such taxable year is on or after December 23,~~  
10 ~~2010.~~

11     ~~(B) Section 852(b)(4) of the Internal Revenue Code, relating to~~  
12 ~~loss on sale or exchange of stock held six months or less, as~~  
13 ~~amended by Section 309 of the Regulated Investment Company~~  
14 ~~Modernization Act of 2010 (Public Law 111-325), shall apply to~~  
15 ~~losses incurred on shares of stock for which the taxpayer's holding~~  
16 ~~period begins on or after December 23, 2010.~~

17     ~~(C) Section 852(f)(1)(C) of the Internal Revenue Code, as~~  
18 ~~amended by Section 502 of the Regulated Investment Company~~  
19 ~~Modernization Act of 2010 (Public Law 111-325), shall apply to~~  
20 ~~charges incurred in taxable years beginning on or after December~~  
21 ~~23, 2010.~~

22     ~~(D) Section 855(a) of the Internal Revenue Code, relating to~~  
23 ~~general rule, as amended by Section 304 of the Regulated~~  
24 ~~Investment Company Modernization Act of 2010 (Public Law~~  
25 ~~111-325), shall apply to distributions in taxable years beginning~~  
26 ~~on or after December 23, 2010.~~

27     ~~SEC. 3. Section 17131.7 of the Revenue and Taxation Code is~~  
28 ~~repealed.~~

29     ~~17131.7. (a) Section 105(b) of the Internal Revenue Code,~~  
30 ~~relating to amounts expended for medical care, as amended by~~  
31 ~~Section 1004(d)(1) of the Health Care and Education Reconciliation~~  
32 ~~Act of 2010 (Public Law 111-152), shall apply, except as otherwise~~  
33 ~~provided.~~

34     ~~(b) This section shall apply in the same manner and to the same~~  
35 ~~periods as the federal amendments referred to in subdivision (a)~~  
36 ~~apply for federal purposes, except as otherwise provided.~~

37     ~~SEC. 4. Section 17131.12 of the Revenue and Taxation Code~~  
38 ~~is repealed.~~

39     ~~17131.12. (a) Section 139D of the Internal Revenue Code,~~  
40 ~~relating to Indian health care benefits, as added by Section 9021~~

1 of the Patient Protection and Affordable Care Act (Public Law  
2 111-148), shall apply, except as otherwise provided.

3 (b) This section shall apply to benefits and coverage provided  
4 after March 23, 2010.

5 (c) This section shall not be construed to create an inference  
6 with respect to the exclusion from gross income of either of the  
7 following:

8 (1) Benefits provided by an Indian tribe or tribal organization  
9 that are not within the scope of this section.

10 (2) Benefits provided prior to the effective date of the act adding  
11 this section.

12 *SEC. 5. Section 17131.14 of the Revenue and Taxation Code*  
13 *is repealed.*

14 17131.14. (a) For taxable years beginning on or after January  
15 1, 2011, Section 125(j) of the Internal Revenue Code, relating to  
16 simple cafeteria plans for small businesses, as added by Section  
17 9022 of the federal Patient Protection and Affordable Care Act  
18 (P.L. 111-148), shall apply, except as otherwise provided.

19 (b) For taxable years beginning on or after January 1, 2014,  
20 Section 125(f) of the Internal Revenue Code, relating to qualified  
21 benefits defined, as amended by Section 1515 of the federal Patient  
22 Protection and Affordable Care Act (P.L. 111-148), shall apply,  
23 except as otherwise provided.

24 *SEC. 6. Section 17134.1 of the Revenue and Taxation Code is*  
25 *repealed.*

26 17134.1. For taxable years beginning on or after January 1,  
27 2010, Section 108(f)(4) of the Internal Revenue Code, relating to  
28 payments under the National Health Service Corps loan repayment  
29 program and certain state loan repayment programs, as amended  
30 by Section 10908 of the Patient Protection and Affordable Care  
31 Act (Public Law 111-148), shall apply, except as otherwise  
32 provided.

33 *SEC. 7. Section 17144 of the Revenue and Taxation Code is*  
34 *amended to read:*

35 17144. (a) Section 108(b)(2)(B) of the Internal Revenue Code,  
36 relating to general business credit, is modified by substituting “this  
37 part” in lieu of “Section 38 (relating to general business credit).”

38 (b) Section 108(b)(2)(G) of the Internal Revenue Code, relating  
39 to foreign tax credit carryovers, shall not apply.

1 (c) Section 108(b)(3)(B) of the Internal Revenue Code, relating  
2 to credit carryover reduction, is modified by substituting “11.1  
3 cents” in lieu of “33 ⅓ cents” in each place in which it appears. In  
4 the case where more than one credit is allowable under this part,  
5 the credits shall be reduced on a pro rata basis.

6 (d) Section 108(g)(3)(B) of the Internal Revenue Code, relating  
7 to adjusted tax attributes, is modified by substituting “(\$9)” in lieu  
8 of “(\$3).”

9 (e) (1) If a taxpayer makes an election for federal income tax  
10 purposes under Section 108(c) of the Internal Revenue Code,  
11 relating to treatment of discharge of qualified real property business  
12 indebtedness, a separate election shall not be allowed under  
13 paragraph (3) of subdivision (e) of Section 17024.5 and the federal  
14 election shall be binding for purposes of this part.

15 (2) If a taxpayer has not made an election for federal income  
16 tax purposes under Section 108(c) of the Internal Revenue Code,  
17 relating to treatment of discharge of qualified real property business  
18 indebtedness, then the taxpayer shall not be allowed to make that  
19 election for purposes of this part.

20 (f) *Section 108(i) of the Internal Revenue Code, relating to*  
21 *deferral and ratable inclusion of income arising from business*  
22 *indebtedness discharged by the reacquisition of a debt instrument,*  
23 *shall not apply.*

24 *SEC. 8. Section 17201.1 of the Revenue and Taxation Code is*  
25 *repealed.*

26 ~~17201.1. (a) Section 162(l)(1) of the Internal Revenue Code,~~  
27 ~~relating to allowance of deduction, as amended by Section~~  
28 ~~1004(d)(2) of the Health Care and Education Reconciliation Act~~  
29 ~~of 2010 (Public Law 111-152), shall apply, except as otherwise~~  
30 ~~provided.~~

31 ~~(b) Section 162(l)(2)(B) of the Internal Revenue Code, relating~~  
32 ~~to other coverage, as amended by Section 1004(d)(3) of the Health~~  
33 ~~Care and Education Reconciliation Act of 2010 (Public Law~~  
34 ~~111-152), shall apply, except as otherwise provided.~~

35 ~~(e) This section shall apply in the same manner and to the same~~  
36 ~~periods as the federal amendments referred to in subdivision (a)~~  
37 ~~or subdivision (b), respectively, apply for federal purposes, except~~  
38 ~~as otherwise provided.~~

39 *SEC. 9. Section 17215 of the Revenue and Taxation Code is*  
40 *amended to read:*

1 17215. (a) Section 220(a) of the Internal Revenue Code,  
2 relating to deduction allowed, is modified to provide that the  
3 amount allowed as a deduction shall be an amount equal to the  
4 amount allowed to that individual as a deduction under Section  
5 220 of the Internal Revenue Code, relating to medical savings  
6 accounts, on the federal income tax return filed for the same taxable  
7 year by that individual.

8 (b) Section 220(f)(4) of the Internal Revenue Code, relating to  
9 additional tax on distributions not used for qualified medical  
10 expenses, is modified by substituting—~~10~~ “12.5 percent” in lieu  
11 of—~~“15 percent.”~~ “20 percent.”

12 (c) *The amendments made to this section by the act adding this*  
13 *subdivision shall apply to disbursements made during taxable*  
14 *years beginning on or after January 1, 2016.*

15 *SEC. 10. Section 17240 is added to the Revenue and Taxation*  
16 *Code, to read:*

17 17240. *The fee imposed by Section 9008 of the Patient*  
18 *Protection and Affordable Care Act (Public Law 111-148), shall*  
19 *not be considered a tax described in Section 275(a)(6) of the*  
20 *Internal Revenue Code.*

21 *SEC. 11. Section 17241 is added to the Revenue and Taxation*  
22 *Code, to read:*

23 17241. (a) *Section 213(a) of the Internal Revenue Code,*  
24 *relating to allowance of deduction, is modified by substituting “7.5*  
25 *percent” for “10 percent.”*

26 (b) *Section 213(f) of the Internal Revenue Code, relating to*  
27 *special rule for 2013, 2014, 2015, and 2016, shall not apply.*

28 *SEC. 12. Section 17280.1 of the Revenue and Taxation Code*  
29 *is repealed.*

30 ~~17280.1. (a) Section 267(f)(3) of the Internal Revenue Code,~~  
31 ~~relating to loss deferral rules not to apply in certain cases, as~~  
32 ~~amended by Section 306 of the Regulated Investment Company~~  
33 ~~Modernization Act of 2010 (Public Law 111-325), shall apply,~~  
34 ~~except as otherwise provided.~~

35 ~~(b) This section shall apply to distributions on or after December~~  
36 ~~23, 2010.~~

37 *SEC. 13. Section 17322.1 of the Revenue and Taxation Code*  
38 *is repealed.*

39 ~~17322.1. (a) Section 302 of the Internal Revenue Code, relating~~  
40 ~~to distributions in redemption of stock, as amended by Section 306~~

1 of the Regulated Investment Company Modernization Act of 2010  
2 (Public Law 111-325), shall apply, except as otherwise provided.

3 (b) Section 316 of the Internal Revenue Code, relating to  
4 dividend defined, as amended by Section 305 of the Regulated  
5 Investment Company Modernization Act of 2010 (Public Law  
6 111-325), shall apply, except as otherwise provided.

7 (e) (1) Subdivision (a) shall apply to distributions on or after  
8 December 23, 2010.

9 (2) Subdivision (b) shall apply to distributions made in taxable  
10 years beginning on or after December 23, 2010.

11 *SEC. 14. Section 17323 is added to the Revenue and Taxation*  
12 *Code, to read:*

13 *17323. Section 382(n) of the Internal Revenue Code, relating*  
14 *to special rule for certain ownership changes, shall not apply.*

15 *SEC. 15. Section 18155 of the Revenue and Taxation Code is*  
16 *amended to read:*

17 18155. (a) A deduction shall not be allowed for capital loss  
18 carrybacks provided by Section 1212 of the Internal Revenue Code,  
19 relating to capital loss carrybacks and carryovers.

20 (b) Section 1212(a)(1)(C) of the Internal Revenue Code, as  
21 amended by Section 101 of the Regulated Investment Company  
22 Modernization Act of 2010 (Public Law 111-325), shall apply,  
23 except as otherwise provided.

24 (c) Section 1212(a)(3) of the Internal Revenue Code, relating  
25 to regulated investment companies, as amended by Section 101  
26 of the Regulated Investment Company Modernization Act of 2010  
27 (Public Law 111-325), shall apply, except as otherwise provided.

28 (d) Section 1222(10) of the Internal Revenue Code, relating to  
29 net capital loss, as amended by Section 101 of the Regulated  
30 Investment Company Modernization Act of 2010 (Public Law  
31 111-325), shall apply, except as otherwise provided.

32 (e) (1) Except as provided in paragraph (2), the amendments  
33 made to this section by the act adding this paragraph shall apply  
34 to net capital losses for taxable years beginning on or after  
35 December 23, 2010.

36 (2) Section 1212(a)(3)(B) of the Internal Revenue Code, relating  
37 to coordination with general rule, as added by Section 101 of the  
38 Regulated Investment Company Modernization Act of 2010 (Public  
39 Law 111-325), shall apply to taxable years beginning on or after  
40 December 23, 2010.

1     *SEC. 16. Section 19131.5 is added to the Revenue and Taxation*  
2     *Code, to read:*

3     19131.5. (a) Section 6164 of the Internal Revenue Code,  
4     relating to extension of time for payment of taxes by corporations  
5     expecting carrybacks, shall apply, except as otherwise provided.

6     (b) (1) Section 6164 of the Internal Revenue Code is modified  
7     by substituting the phrase “Secretary or the Franchise Tax Board”  
8     for the word “Secretary” in each place it appears.

9     (2) Section 6164(a) of the Internal Revenue Code is modified  
10    by substituting the phrase “Part 11 (commencing with Section  
11    23001)” in lieu of the phrase “subtitle A.”

12    (3) Section 6164(b) of the Internal Revenue Code, relating to  
13    contents of statement, is modified by substituting the phrase  
14    “Section 24416.20” in lieu of the phrase “Section 172(b).”

15    (4) Section 6164(d)(2) of the Internal Revenue Code is modified  
16    by substituting the phrase “Section 19307.5” in lieu of the phrase  
17    “Section 6411.”

18    (5) Section 6164(h) of the Internal Revenue Code, relating to  
19    jeopardy, is modified as follows:

20    (A) By substituting the phrase “he or the Franchise Tax Board”  
21    for the word “he” in each place it appears.

22    (B) By substituting the phrase “him or the Franchise Tax  
23    Board” for the word “him” in each place it appears.

24    (6) Section 6164(i) of the Internal Revenue Code, relating to  
25    consolidated returns, is modified by substituting the phrase  
26    “combined report” in lieu of the phrase “consolidated return” in  
27    each place it appears.

28    *SEC. 17. Section 19141.5 of the Revenue and Taxation Code*  
29    *is amended to read:*

30    19141.5. (a) (1) Section 6038A of the Internal Revenue Code,  
31    relating to information with respect to certain foreign-owned  
32    corporations, shall apply.

33    (2) A penalty shall be imposed under this part for failure to  
34    furnish information or maintain records and that penalty shall be  
35    determined in accordance with Section 6038A of the Internal  
36    Revenue Code.

37    (3) Section 11314 of Public Law 101-508, relating to application  
38    of amendments made by Section 7403 of the Revenue  
39    Reconciliation Act of 1989 to taxable years beginning on or before  
40    July 10, 1989, shall apply.

1 (4) Section 6038A(e) of the Internal Revenue Code, relating to  
2 enforcement of requests for certain records, is modified as follows:

3 (A) Each reference to Section 7602, 7603, or 7604 of the Internal  
4 Revenue Code shall instead refer to Section 19504.

5 (B) Each reference to “summons” shall instead refer to  
6 “subpoena duces tecum.”

7 (C) Section 6038A(e)(4)(C) of the Internal Revenue Code shall  
8 refer to “superior courts of the State of California for the Counties  
9 of Los Angeles, Sacramento, and San Diego, and for the City and  
10 County of San Francisco,” instead of “United States district court  
11 for the district in which the person (to whom the summons is  
12 issued) resides or is found.”

13 (b) In the case of a corporation, each of the following shall  
14 apply:

15 (1) Section 6038B of the Internal Revenue Code, relating to  
16 notice of certain transfers to foreign persons, shall apply, except  
17 as otherwise provided.

18 (2) The information required to be filed with the Franchise Tax  
19 Board under this subdivision shall be a copy of the information  
20 required to be filed with the Internal Revenue Service.

21 (3) (A) A penalty shall be imposed under this part for failure  
22 to furnish information and that penalty shall be determined in  
23 accordance with Section 6038B of the Internal Revenue Code,  
24 except as otherwise provided.

25 (B) Subparagraph (A) shall not apply to any transfer described  
26 in Section 6038B(a)(1)(B) of the Internal Revenue Code.

27 (c) (1) Section 6038C of the Internal Revenue Code, relating  
28 to information with respect to foreign corporations engaged in  
29 United States business, shall apply.

30 (2) A penalty shall be imposed under this part for failure to  
31 furnish information or maintain records and that penalty shall be  
32 determined in accordance with Section 6038C of the Internal  
33 Revenue Code.

34 (3) Section 6038C(d) of the Internal Revenue Code, relating to  
35 enforcement of requests for certain records, is modified as follows:

36 (A) Each reference to Section 7602, 7603, or 7604 of the Internal  
37 Revenue Code shall instead refer to Section 19504.

38 (B) Each reference to “summons” shall instead refer to  
39 “subpoena duces tecum.”

1 (d) (1) Section 6038D of the Internal Revenue Code, relating  
 2 to information with respect to foreign financial assets, shall apply.

3 (2) A penalty shall be imposed under this part for failure to  
 4 furnish information and that penalty shall be determined in  
 5 accordance with Section 6038D of the Internal Revenue Code.

6 ~~(e)~~

7 (e) For purposes of this part, the information required to be filed  
 8 with the Franchise Tax Board pursuant to this section shall be a  
 9 copy of the information filed with the Internal Revenue Service.

10 ~~(e)~~

11 (f) For purposes of this section, each of the following shall apply:

12 (1) Section 7701(a)(4) of the Internal Revenue Code, relating  
 13 to the term “domestic,” shall apply.

14 (2) Section 7701(a)(5) of the Internal Revenue Code, relating  
 15 to the term “foreign,” shall apply.

16 (3) Section 7701(a)(30) of the Internal Revenue Code, relating  
 17 to the term “United States person,” shall apply. However, the term  
 18 “United States person” shall not include any corporation that is  
 19 not subject to the tax imposed under Chapter 2 (commencing with  
 20 Section 23101), Chapter 2.5 (commencing with Section 23400),  
 21 or Chapter 3 (commencing with Section 23501), of Part 11.

22 (g) *The amendments made to this section by the act adding this*  
 23 *subdivision shall apply to taxable years beginning on or after*  
 24 *January 1, 2016.*

25 *SEC. 18. Section 19164 of the Revenue and Taxation Code is*  
 26 *amended to read:*

27 19164. (a) (1) (A) An accuracy-related penalty shall be  
 28 imposed under this part and shall be determined in accordance  
 29 with Section 6662 of the Internal Revenue Code, relating to  
 30 imposition of accuracy-related penalty on underpayments, ~~as~~  
 31 ~~amended by Section 1409(b) of the Health Care and Education~~  
 32 ~~Reconciliation Act of 2010 (Public Law 111-152);~~ except as  
 33 otherwise provided.

34 (B) (i) Except for understatements relating to reportable  
 35 transactions to which Section 19164.5 applies, in the case of any  
 36 proposed deficiency assessment issued after the last date of the  
 37 amnesty period specified in Chapter 9.1 (commencing with Section  
 38 19730) for any taxable year beginning prior to January 1, 2003,  
 39 the penalty specified in Section 6662(a) of the Internal Revenue



1 Code shall be computed by substituting “40 percent” for “20  
2 percent.”

3 (ii) Clause (i) shall not apply to any taxable year of a taxpayer  
4 beginning prior to January 1, 2003, if, as of the start date of the  
5 amnesty program period specified in Section 19731, the taxpayer  
6 is then under audit by the Franchise Tax Board, or the taxpayer  
7 has filed a protest under Section 19041, or the taxpayer has filed  
8 an appeal under Section 19045, or the taxpayer is engaged in  
9 settlement negotiations under Section 19442, or the taxpayer has  
10 a pending judicial proceeding in any court of this state or in any  
11 federal court relating to the tax liability of the taxpayer for that  
12 taxable year.

13 (2) With respect to corporations, this subdivision ~~applies~~ shall  
14 apply to all of the following:

15 (A) All taxable years beginning on or after January 1, 1990.

16 (B) Any other taxable year for which an assessment is made  
17 after July 16, 1991.

18 (C) For purposes of this section, references in Section 6662(e)  
19 of the Internal Revenue Code and the regulations thereunder,  
20 relating to treatment of an affiliated group that files a consolidated  
21 federal return, are modified to apply to those entities required to  
22 be included in a combined report under Section 25101 or 25110.  
23 For these purposes, entities included in a combined report pursuant  
24 to paragraph (4) or (6) of subdivision (a) of Section 25110 shall  
25 be considered only to the extent required to be included in the  
26 combined report.

27 (3) Section 6662(d)(1)(B) of the Internal Revenue Code is  
28 modified to provide that in the case of a corporation, other than  
29 an “S” corporation, there is a substantial understatement of tax for  
30 any taxable year if the amount of the understatement for the taxable  
31 year exceeds the lesser of:

32 (A) Ten percent of the tax required to be shown on the return  
33 for the taxable year (or, if greater, two thousand five hundred  
34 dollars (\$2,500)).

35 (B) Five million dollars (\$5,000,000).

36 (4) Section 6662(d)(2)(A) of the Internal Revenue Code is  
37 modified to additionally provide that the excess determined under  
38 Section 6662(d)(2)(A) of the Internal Revenue Code shall be  
39 determined without regard to items to which Section 19164.5

1 applies and without regard to items with respect to which a penalty  
2 is imposed by Section 19774.

3 (5) The provisions of Sections 6662(e)(1) and 6662(h)(2) of the  
4 Internal Revenue Code shall apply to returns filed on or after  
5 January 1, 2010.

6 (b) For purposes of Section 6662(d) of the Internal Revenue  
7 Code, Section 6664 of the Internal Revenue Code, Section  
8 6694(a)(1) of the Internal Revenue Code, and this part, the  
9 Franchise Tax Board may prescribe a list of positions for which  
10 the Franchise Tax Board believes there is not substantial authority  
11 or there is no reasonable belief that the tax treatment is more likely  
12 than not the proper tax treatment. That list (and any revisions  
13 thereof) shall be published through the use of Franchise Tax Board  
14 Notices or other published positions. In addition, the “listed  
15 transactions” identified and published pursuant to the preceding  
16 sentence shall be published on the ~~Internet~~ Web site of the  
17 Franchise Tax Board.

18 (c) A fraud penalty shall be imposed under this part and shall  
19 be determined in accordance with Section 6663 of the Internal  
20 Revenue Code, relating to imposition of fraud penalty, except as  
21 otherwise provided.

22 (d) (1) Section 6664 of the Internal Revenue Code, relating to  
23 definitions and special rules, ~~applies~~, *shall apply*, except as  
24 otherwise provided.

25 (2) Section ~~6664(e)(2)~~ 6664(c)(3) of the Internal Revenue Code  
26 ~~applies~~ *shall apply* to returns filed on or after January 1, 2010.

27 (3) Section ~~6664(e)(3)~~ 6664(c)(4) of the Internal Revenue Code  
28 ~~applies~~ *shall apply* to appraisals prepared with respect to returns  
29 or submissions filed on or after January 1, 2010.

30 (e) Except for purposes of subdivision (e) of Section 19774,  
31 Section 6662(b)(6) of the Internal Revenue Code ~~does~~ *shall* not  
32 apply.

33 (f) Except for purposes of subdivision (e) of Section 19774,  
34 Section 6662(i) of the Internal Revenue Code, relating to increase  
35 in penalty in case of nondisclosed noneconomic substance  
36 transactions, ~~does~~ *shall* not apply.

37 (g) Section 6665 of the Internal Revenue Code, relating to  
38 applicable rules, shall apply, except as otherwise provided.

1 (h) The amendments made to this section by the act adding this  
2 subdivision Chapter 14 of the Statutes of 2011 shall apply to  
3 notices mailed on or after January 1, 2012.

4 SEC. 19. Section 19167 of the Revenue and Taxation Code is  
5 amended to read:

6 19167. A penalty shall be imposed under this section for any  
7 of the following:

8 (a) In accordance with Section 6695(a) of the Internal Revenue  
9 Code, ~~for relating to~~ failure to furnish a copy of the return to the  
10 taxpayer, as required by Section 18625, *except as otherwise*  
11 *provided.*

12 (b) In accordance with Section 6695(c) of the Internal Revenue  
13 Code, ~~for relating to~~ failure to furnish an identifying number, as  
14 required by Section 18624, *except as otherwise provided.*

15 (c) In accordance with Section 6695(d) of the Internal Revenue  
16 Code, ~~for relating to~~ failure to retain a copy or list, as required by  
17 Section 18625 or for failure to retain an electronic filing  
18 declaration, as required by Section 18621.5, *except as otherwise*  
19 *provided.*

20 (d) Section 6695(h) of the Internal Revenue Code, relating to  
21 adjustment for inflation, shall not apply.

22 ~~(d)~~

23 (e) Failure to register as a tax preparer with the California Tax  
24 Education Council, as required by Section 22253 of the Business  
25 and Professions Code, unless it is shown that the failure was due  
26 to reasonable cause and not due to willful neglect.

27 (1) The amount of the penalty under this subdivision for the  
28 first failure to register is two thousand five hundred dollars  
29 (\$2,500). This penalty shall be waived if proof of registration is  
30 provided to the Franchise Tax Board within 90 days from the date  
31 notice of the penalty is mailed to the tax preparer.

32 (2) The amount of the penalty under this subdivision for a failure  
33 to register, other than the first failure to register, is five thousand  
34 dollars (\$5,000).

35 ~~(e)~~

36 (f) The Franchise Tax Board shall not impose the penalties  
37 authorized by subdivision ~~(d)~~ (e) until either one of the following  
38 has occurred:

39 (1) Commencing January 1, 2006, and continuing each year  
40 thereafter, there is an appropriation in the Franchise Tax Board's

1 annual budget to fund the costs associated with the penalty  
 2 authorized by subdivision ~~(d)~~ (e).

3 (2) (A) An agreement has been executed between the California  
 4 Tax Education Council and the Franchise Tax Board that provides  
 5 that an amount equal to all first year costs associated with the  
 6 penalty authorized by subdivision ~~(d)~~ (e) shall be received by the  
 7 Franchise Tax Board. For purposes of this subparagraph, first year  
 8 costs include, but are not limited to, costs associated with the  
 9 development of processes or systems changes, if necessary, and  
 10 labor.

11 (B) An agreement has been executed between the California  
 12 Tax Education Council and the Franchise Tax Board that provides  
 13 that the annual costs incurred by the Franchise Tax Board  
 14 associated with the penalty authorized by subdivision ~~(d)~~ (e) shall  
 15 be reimbursed by the California Tax Education Council to the  
 16 Franchise Tax Board.

17 (C) Pursuant to the agreement described in subparagraph (A),  
 18 the Franchise Tax Board has received an amount equal to the first  
 19 year costs described in that subparagraph.

20 *SEC. 20. Section 19172 of the Revenue and Taxation Code is*  
 21 *amended to read:*

22 19172. (a) In addition to the penalty imposed by Section 19706  
 23 (relating to willful failure to file return, supply information, or pay  
 24 tax), if any partnership required to file a return under Section 18633  
 25 or 18633.5 for any taxable year does either of the following:

26 (1) Fails to file the return at the time prescribed therefor  
 27 (determined with regard to any extension of time for filing).

28 (2) Files a return which fails to show the information required  
 29 under Section 18633 or 18633.5, that partnership shall be liable  
 30 for a penalty determined under subdivision (b) for each month (or  
 31 fraction thereof) during which that failure continues (but not to  
 32 exceed 12 months), unless it is shown that the failure is due to  
 33 reasonable cause.

34 (b) For purposes of subdivision (a), the amount determined  
 35 under this subdivision for any month is the product of the  
 36 following:

37 (1) ~~Eighteen dollars (\$18);~~ *Thirty-nine dollars (\$39)*, multiplied  
 38 by

39 (2) The number of persons who were partners in the partnership  
 40 during any part of the taxable year.

1 (c) The penalty imposed by subdivision (a) shall be assessed  
2 against the partnership.

3 (d) Article 3 (commencing with Section 19031) of this chapter  
4 (relating to deficiency assessments) shall not apply with respect  
5 to the assessment or collection of any penalty imposed by  
6 subdivision (a).

7 (e) The amendments made to this section by ~~the act adding this~~  
8 ~~subdivision Chapter 14 of the Statutes of 2010~~ shall apply to returns  
9 required to be filed after ~~the effective date of the act adding this~~  
10 ~~subdivision January 1, 2011~~.

11 (f) *The amendments made to this section by the act adding this*  
12 *subdivision shall apply for taxable years beginning on or after*  
13 *January 1, 2016.*

14 *SEC. 21. Section 19172.5 of the Revenue and Taxation Code*  
15 *is amended to read:*

16 19172.5. (a) In addition to the penalty imposed by Section  
17 19706, if any "S" corporation required to file a return under Section  
18 18601 for any taxable year fails to file the return at the time  
19 prescribed therefor (determined with regard to any extension of  
20 time for filing), or files a return that fails to show the information  
21 required under Section 18601, then that "S" corporation shall be  
22 liable for a penalty determined under subdivision (b) for each  
23 month (or fraction thereof) during which that failure continues  
24 (but not to exceed 12 months), unless that failure is due to  
25 reasonable cause.

26 (b) (1) For purposes of subdivision (a), the amount determined  
27 under this subdivision for any month is the product of the  
28 following:

29 (2) ~~Eighteen~~ *Thirty-nine* dollars ~~(\$18)~~, (\$39), multiplied by the  
30 number of persons who were shareholders in the "S" corporation  
31 during any part of the taxable year.

32 (c) The penalty imposed by subdivision (a) shall be assessed  
33 against the "S" corporation.

34 (d) Article 3 (commencing with Section 19031), relating to  
35 deficiency assessments, shall not apply with respect to the  
36 assessment or collection of any penalty imposed by subdivision  
37 (a).

38 (e) This section shall apply to returns required to be filed after  
39 ~~the effective date of the act adding this section.~~ *January 1, 2011.*

1 (f) *The amendments made to this section by the act adding this*  
2 *subdivision shall apply to returns for taxable years beginning on*  
3 *or after January 1, 2016.*

4 SEC. 22. *Section 19183 of the Revenue and Taxation Code is*  
5 *amended to read:*

6 19183. (a) (1) A penalty shall be imposed for failure to file  
7 correct information returns, as required by this part, and that  
8 penalty shall be determined in accordance with Section 6721 of  
9 the Internal Revenue-~~Code~~. *Code, relating to failure to file correct*  
10 *information returns.*

11 (2) Section 6721(e) of the Internal Revenue-~~Code~~ *Code, relating*  
12 *to penalty in case of intentional disregard*, is modified to the extent  
13 that the reference to Section 6041A(b) of the Internal Revenue  
14 ~~Code~~ *Code, relating to direct sales of \$5,000 or more*, shall not  
15 apply.

16 (3) *Section 6721(f)(1) of the Internal Revenue Code is modified*  
17 *to substitute the phrase “For each fifth calendar year beginning*  
18 *after 2014” for the phrase “In the case of any failure relating to*  
19 *a return required to be filed in a calendar year beginning after*  
20 *2014.”*

21 (b) (1) A penalty shall be imposed for failure to furnish correct  
22 payee statements as required by this part, and that penalty shall be  
23 determined in accordance with Section 6722 of the Internal  
24 Revenue-~~Code~~. *Code, relating to failure to furnish correct payee*  
25 *statements.*

26 (2) Section 6722(c) of the Internal Revenue-~~Code~~ *Code, relating*  
27 *to exception for de minimus failures*, is modified to the extent that  
28 the references to Sections 6041A(b) and 6041A(e) of the Internal  
29 Revenue-~~Code~~ *Code, relating to direct sales of \$5,000 or more,*  
30 *and statements to be furnished to persons with respect to whom*  
31 *information is required to be furnished*, shall not apply.

32 (3) *Section 6722(f)(1) of the Internal Revenue Code is modified*  
33 *to substitute the phrase “For each fifth calendar year beginning*  
34 *after 2014” for the phrase “In the case of any failure relating to*  
35 *a return required to be filed in a calendar year beginning after*  
36 *2014.”*

37 (c) A penalty shall be imposed for failure to comply with other  
38 information reporting requirements under this part, and that penalty  
39 shall be determined in accordance with Section 6723 of the Internal

1 ~~Revenue Code~~. *Code, relating to failure to comply with other*  
2 *information reporting requirements.*

3 (d) (1) The provisions of Section 6724 of the Internal Revenue  
4 ~~Code~~ *Code, relating to waiver, waiver; definitions, and special*  
5 rules, shall apply, except as otherwise provided.

6 (2) Section 6724(d)(1) of the Internal Revenue ~~Code~~ *Code,*  
7 *relating to information return, is modified as follows:*

8 (A) The following references are substituted:

9 (i) Subdivision (a) of Section 18640, in lieu of Section  
10 6044(a)(1) of the Internal Revenue Code.

11 (ii) Subdivision (a) of Section 18644, in lieu of Section 6050A(a)  
12 of the Internal Revenue ~~Code~~. *Code, relating to reports.*

13 (B) References to Sections ~~4093(e)(4), 4093(e),~~ 4101(d),  
14 6041(b), 6041A(b), 6045(d), 6051(d), and 6053(c)(1) of the Internal  
15 Revenue Code shall not apply.

16 (C) The term “information return” shall also include both of the  
17 following:

18 (i) The return required by paragraph (1) of subdivision (i) of  
19 Section 18662.

20 (ii) The return required by subdivision (a) of Section 18631.7.

21 (3) Section 6724(d)(2) of the Internal Revenue ~~Code~~ *Code,*  
22 *relating to payee statement, is modified as follows:*

23 (A) The following references are substituted:

24 (i) Subdivision (b) of Section 18640, in lieu of Section 6044(e)  
25 of the Internal Revenue ~~Code~~. *Code, relating to statements to be*  
26 *furnished to persons with respect to whom information is required.*

27 (ii) Subdivision (b) of Section 18644, in lieu of Section  
28 6050A(b) of the Internal Revenue ~~Code~~. *Code, relating to written*  
29 *statement.*

30 (B) References to Sections ~~4093(e)(4)(B),~~ 6031(b), 6037(b),  
31 6041A(e), 6045(d), 6051(d), 6053(b), and 6053(c) of the Internal  
32 Revenue Code shall not apply.

33 (C) The term “payee statement” shall also include the statement  
34 required by paragraph (2) of subdivision (i) of Section 18662.

35 (e) In the case of each failure to provide a written explanation  
36 as required by Section 402(f) of the Internal Revenue Code,  
37 *relating to written explanation to recipients of distributions eligible*  
38 *for rollover treatment, at the time prescribed therefor, unless it is*  
39 shown that the failure is due to reasonable cause and not to willful  
40 neglect, there shall be paid, on notice and demand of the Franchise

1 Tax Board and in the same manner as tax, by the person failing to  
2 provide that written explanation, an amount equal to ten dollars  
3 (\$10) for each failure, but the total amount imposed on that person  
4 for all those failures during any calendar year shall not exceed five  
5 thousand dollars (\$5,000).

6 (f) Any penalty imposed by this part shall be paid on notice and  
7 demand by the Franchise Tax Board and in the same manner as  
8 tax.

9 (g) *The amendments made to this section by the act adding this*  
10 *subdivision shall apply to information returns required to be filed*  
11 *on or after January 1, 2016.*

12 *SEC. 23. Section 19772 of the Revenue and Taxation Code is*  
13 *amended to read:*

14 19772. (a) Section 6707A of the Internal Revenue Code,  
15 relating to penalty for failure to include reportable transactions  
16 information with a return, shall apply, except as otherwise  
17 provided.

18 ~~(b) The penalty amounts in Section 6707A(b) of the Internal~~  
19 ~~Revenue Code shall not apply, and in lieu thereof, the following~~  
20 ~~shall apply:~~

21 ~~(1) Except as provided in paragraph (2), the amount of the~~  
22 ~~penalty shall be fifteen thousand dollars (\$15,000).~~

23 ~~(2) The amount of the penalty with respect to a listed transaction~~  
24 ~~shall be thirty thousand dollars (\$30,000).~~

25 (b) (1) *Section 6707A(b)(1) of the Internal Revenue Code*  
26 *relating to amount of penalty is modified by substituting the phrase*  
27 *“or which would have resulted from such transaction if such*  
28 *transaction were respected for state tax purposes” for the phrase*  
29 *“or which would have resulted from such transaction if such*  
30 *transaction were respected for Federal tax purposes.”*

31 (2) *The penalty amounts in Section 6707A(b)(2)(A) of the*  
32 *Internal Revenue Code are modified by substituting “\$30,000*  
33 *(\$15,000” for “\$200,000 (\$100,000.”*

34 (3) *The penalty amounts in Section 6707A(b)(2)(B) of the*  
35 *Internal Revenue Code are modified by substituting “\$15,000*  
36 *(\$5,000” for “\$50,000 (\$10,000.”*

37 (4) *The penalty amounts in Section 6707A(b)(3) of the Internal*  
38 *Revenue Code relating to minimum penalty are modified by*  
39 *substituting “\$2,500 (\$1,250” for “\$10,000 (\$5,000.”*



1 (c) (1) Section 6707A(c)(1) of the Internal Revenue Code  
2 *relating to reportable transaction* is modified to include reportable  
3 transactions within the meaning of paragraph (3) of subdivision  
4 (a) of Section 18407.

5 (2) Section 6707A(c)(2) of the Internal Revenue Code *relating*  
6 *to listed transaction* is modified to include listed transactions within  
7 the meaning of paragraph (4) of subdivision (a) of Section 18407.

8 (d) The penalty under this section only applies to taxpayers with  
9 taxable income greater than two hundred thousand dollars  
10 (\$200,000).

11 (e) Section 6707A(e) of the Internal Revenue Code, relating to  
12 a penalty reported to the Securities and Exchange Commission,  
13 shall not apply.

14 (f) Section 6707A(d) of the Internal Revenue Code, relating to  
15 ~~the~~ authority to rescind a penalty, shall not apply, and in lieu  
16 thereof, the following shall apply:

17 (1) The Chief Counsel of the Franchise Tax Board may rescind  
18 all or any portion of any penalty imposed by this section with  
19 respect to any violation if all of the following apply:

20 (A) The violation is with respect to a reportable transaction  
21 other than a listed transaction.

22 (B) The person on whom the penalty is imposed has a history  
23 of complying with the requirements of this part and Part 10  
24 (commencing with Section 17001) or Part 11 (commencing with  
25 Section 23001).

26 (C) It is shown that the violation is due to an unintentional  
27 mistake of fact.

28 (D) Imposing the penalty would be against equity and good  
29 conscience.

30 (E) Rescinding the penalty would promote compliance with the  
31 requirements of this part and Part 10 (commencing with Section  
32 17001) or Part 11 (commencing with Section 23001) and effective  
33 tax administration.

34 (2) The exercise of authority under paragraph (1) shall be at the  
35 sole discretion of the Chief Counsel of the Franchise Tax Board  
36 and may not be delegated.

37 (3) Notwithstanding any other law or rule of law, any  
38 determination under this subdivision may not be reviewed in any  
39 administrative or judicial proceeding.

1 (g) Article 3 (commencing with Section 19031) of Chapter 4  
 2 (relating to deficiency assessments) shall not apply with respect  
 3 to the assessment or collection of any penalty imposed under this  
 4 section.

5 (h) The penalty imposed by this section is in addition to any  
 6 penalty imposed under Part 10 (commencing with Section 17001),  
 7 Part 11 (commencing with Section 23001), or this part.

8 (i) *The amendments made to this section by the act adding this*  
 9 *subdivision shall apply to penalties assessed on or after January*  
 10 *1, 2016.*

11 *SEC. 24. Section 23701i of the Revenue and Taxation Code is*  
 12 *amended to read:*

13 23701i. ~~(a)~~—A voluntary employees’ beneficiary association  
 14 described in Section 501(c)(9) of the Internal Revenue Code, as  
 15 amended by Section 1004(d)(4) of the Health Care and Education  
 16 Reconciliation Act of 2010 (Public Law 111-152). *Code.*

17 ~~(b)~~—~~The amendments made to this section by the act adding this~~  
 18 ~~subdivision shall apply in the same manner and to the same periods~~  
 19 ~~as the federal amendments referred to in subdivision (a) apply for~~  
 20 ~~federal purposes.~~

21 *SEC. 25. Section 24307 of the Revenue and Taxation Code is*  
 22 *amended to read:*

23 24307. (a) Section 108 of the Internal Revenue Code, relating  
 24 to income from discharge of indebtedness, shall apply, except as  
 25 otherwise provided.

26 (b) Section 108(b)(2)(B) of the Internal Revenue Code, relating  
 27 to general business credit, is modified by substituting “this part”  
 28 in lieu of “Section 38 (relating to general business credit).”

29 (c) Section 108(b)(2)(G) of the Internal Revenue Code, relating  
 30 to foreign tax credit carryovers, shall not apply.

31 (d) Section 108(b)(3)(B) of the Internal Revenue Code, relating  
 32 to credit carryover reduction, is modified by substituting “11.1  
 33 cents” in lieu of “33 1/3 cents” in each place in which it appears. In  
 34 the case where more than one credit is allowable under this part,  
 35 the credits shall be reduced on a pro rata basis.

36 (e) Section 108(g)(3)(B) of the Internal Revenue Code, relating  
 37 to adjusted tax attributes, is modified by substituting “\$9” in lieu  
 38 of “\$3.”

39 (f) (1) The amendments to Section 108 of the Internal Revenue  
 40 Code made by Section 13150 of the Revenue Reconciliation Act

1 of 1993 (Public Law 103-66), relating to exclusion from gross  
2 income for income from discharge of qualified real property  
3 business indebtedness, shall apply to discharges occurring on or  
4 after January 1, 1996, in taxable years beginning on or after January  
5 1, 1996.

6 (2) If a taxpayer makes an election for federal income tax  
7 purposes under Section 108(c) of the Internal Revenue Code,  
8 relating to treatment of discharge of qualified real property business  
9 indebtedness, a separate election shall not be allowed under  
10 paragraph (3) of subdivision (e) of Section 23051.5 and the federal  
11 election shall be binding for purposes of this part.

12 (3) If a taxpayer has not made an election for federal income  
13 tax purposes under Section 108(c) of the Internal Revenue Code,  
14 relating to treatment of discharge of qualified real property business  
15 indebtedness, then the taxpayer shall not be allowed to make that  
16 election for purposes of this part.

17 (g) The amendments to Section 108 of the Internal Revenue  
18 Code made by Section 13226 of the Revenue Reconciliation Act  
19 of 1993 (Public Law 103-66), relating to modifications of discharge  
20 of indebtedness provisions, shall apply to discharges occurring on  
21 or after January 1, 1996, in taxable years beginning on or after  
22 January 1, 1996.

23 (h) The amendments made to Section 108(d)(7)(A) of the  
24 Internal Revenue Code, relating to certain provisions to be applied  
25 at the corporate level by Section 402 of the Job Creation and  
26 Worker Assistance Act of 2002 (Public Law 107-147), shall apply  
27 to discharges of indebtedness after December 31, 2001, in taxable  
28 years ending after that date. This subdivision shall not apply to  
29 any discharge of indebtedness made before March 1, 2002, pursuant  
30 to a plan of reorganization filed with a bankruptcy court on or  
31 before October 11, 2001.

32 (i) *Section 108(i) of the Internal Revenue Code, relating to*  
33 *deferral and ratable inclusion of income arising from business*  
34 *indebtedness discharged by the reacquisition of a debt instrument,*  
35 *shall not apply.*

36 *SEC. 26. Section 24427 of the Revenue and Taxation Code is*  
37 *amended to read:*

38 24427. ~~(a)~~ Section 267 of the Internal Revenue Code, relating  
39 to losses, expenses, and interest with respect to transactions

1 between related taxpayers, shall apply, except as otherwise  
2 provided.

3 ~~(b) Section 267(f)(3) of the Internal Revenue Code, relating to~~  
4 ~~loss deferral rules not to apply in certain cases, as amended by~~  
5 ~~Section 306 of the Regulated Investment Company Modernization~~  
6 ~~Act of 2010 (Public Law 111-325), shall apply, except as otherwise~~  
7 ~~provided.~~

8 ~~(c) The amendments made to this section by the act adding this~~  
9 ~~subdivision shall apply to distributions on or after December 23,~~  
10 ~~2010.~~

11 *SEC. 27. Section 24439 of the Revenue and Taxation Code is*  
12 *amended to read:*

13 24439. (a) No deduction shall be allowed to the issuing  
14 corporation for any premium paid or incurred upon the repurchase  
15 of a bond, debenture, note, or certificate or other evidence of  
16 indebtedness which is convertible into the stock of the issuing  
17 corporation, or a corporation in ~~control of, or the same~~  
18 ~~parent-subsidary controlled by, group, within the meaning of~~  
19 ~~Section 1563(a)(1) of the Internal Revenue Code, relating to~~  
20 ~~parent-subsidary controlled group, as the issuing corporation, to~~  
21 ~~the extent the repurchase price exceeds an amount equal to the~~  
22 ~~adjusted issue price plus a normal call premium on bonds or other~~  
23 ~~evidences of indebtedness which are not convertible. The preceding~~  
24 ~~sentence shall not apply to the extent that the corporation can~~  
25 ~~demonstrate to the satisfaction of the Franchise Tax Board that~~  
26 ~~such excess is attributable to the cost of borrowing and is not~~  
27 ~~attributable to the conversion feature.~~

28 ~~(b) (1) The~~

29 ~~(b) For purposes of subdivision (a), the adjusted issue price is~~  
30 ~~the issue price (as price, as defined in Sections 1273(b) and 1274~~  
31 ~~of the Internal Revenue Code) Code, increased by any amount of~~  
32 ~~discount deducted before repurchase, or, in the case of bonds or~~  
33 ~~other evidences of indebtedness issued after February 28, 1913,~~  
34 ~~decreased by any amount of premium included in gross income~~  
35 ~~before repurchase by the issuing corporation.~~

36 ~~(2) The term "control" has the meaning assigned to such term~~  
37 ~~by Section 24564.~~

38 (c) The provisions of this section shall not apply to a convertible  
39 bond or other convertible evidence of indebtedness repurchased  
40 pursuant to a binding obligation incurred on or before April 22,

1 1969, to repurchase such bond or other evidence of indebtedness  
2 at a specified call premium, but no inference shall be drawn from  
3 the fact that this section does not apply to the repurchase of such  
4 convertible bond or other convertible evidence of indebtedness.

5 *(d) The amendments made to this section by the act adding this*  
6 *subdivision shall apply to repurchases on or after January 1, 2015.*

7 *SEC. 28. Section 24452.1 of the Revenue and Taxation Code*  
8 *is repealed.*

9 ~~24452.1. (a) Section 302 of the Internal Revenue Code, relating~~  
10 ~~to distributions in redemption of stock, as amended by Section 306~~  
11 ~~of the Regulated Investment Company Modernization Act of 2010~~  
12 ~~(Public Law 111-325), shall apply, except as otherwise provided.~~

13 ~~(b) Section 316 of the Internal Revenue Code, relating to~~  
14 ~~dividend defined, as amended by Section 305 of the Regulated~~  
15 ~~Investment Company Modernization Act of 2010 (Public Law~~  
16 ~~111-325), shall apply, except as otherwise provided.~~

17 ~~(e) (1) Subdivision (a) shall apply to distributions on or after~~  
18 ~~December 23, 2010.~~

19 ~~(2) Subdivision (b) shall apply to distributions made in taxable~~  
20 ~~years beginning on or after December 23, 2010.~~

21 *SEC. 29. Section 24454 is added to the Revenue and Taxation*  
22 *Code, to read:*

23 *24454. Section 304(b)(5)(B) of the Internal Revenue Code,*  
24 *relating to special rule in case of foreign acquiring corporation,*  
25 *shall apply to acquisitions on or after January 1, 2015.*

26 *SEC. 30. Section 24459 is added to the Revenue and Taxation*  
27 *Code, to read:*

28 *24459. Section 382(n) of the Internal Revenue Code, relating*  
29 *to special rule for certain ownership changes, shall not apply.*

30 *SEC. 31. Section 24870 of the Revenue and Taxation Code is*  
31 *amended to read:*

32 ~~24870. (a) (1) Subchapter M of Chapter 1 of Subtitle A of the~~  
33 ~~Internal Revenue Code, relating to regulated investment companies~~  
34 ~~and real estate investment trusts, shall apply, except as otherwise~~  
35 ~~provided in this part.~~

36 ~~(2) Part 1 of Subchapter M of Chapter 1 of Subtitle A of the~~  
37 ~~Internal Revenue Code, relating to regulated investment companies,~~  
38 ~~as amended by the Regulated Investment Company Modernization~~  
39 ~~Act of 2010 (Public Law 111-325), shall apply, except as otherwise~~  
40 ~~provided.~~

1     ~~(b) (1) Except as provided in paragraph (2), the amendments~~  
2     ~~made to this section by the act adding this paragraph shall apply~~  
3     ~~to taxable years beginning on or after December 23, 2010.~~

4     ~~(2) (A) Section 851 of the Internal Revenue Code, relating to~~  
5     ~~definition of regulated investment company, as amended by Section~~  
6     ~~201 of the Regulated Investment Company Modernization Act of~~  
7     ~~2010 (Public Law 111-325), and Section 852(b)(2)(G) of the~~  
8     ~~Internal Revenue Code, as amended by Section 201 of the~~  
9     ~~Regulated Investment Company Modernization Act of 2010 (Public~~  
10    ~~Law 111-325), shall apply to taxable years with respect to which~~  
11    ~~the due date (determined with regard to any extensions) of the~~  
12    ~~return of tax for such taxable year is on or after December 23,~~  
13    ~~2010.~~

14    ~~(B) Section 852(b)(4) of the Internal Revenue Code, relating to~~  
15    ~~loss on sale or exchange of stock held six months or less, as~~  
16    ~~amended by Section 309 of the Regulated Investment Company~~  
17    ~~Modernization Act of 2010 (Public Law 111-325), shall apply to~~  
18    ~~losses incurred on shares of stock for which the taxpayer's holding~~  
19    ~~period begins on or after December 23, 2010.~~

20    ~~(C) Section 852(f)(1)(C) of the Internal Revenue Code, as~~  
21    ~~amended by Section 502 of the Regulated Investment Company~~  
22    ~~Modernization Act of 2010 (Public Law 111-325), shall apply to~~  
23    ~~charges incurred in taxable years beginning on or after December~~  
24    ~~23, 2010.~~

25    ~~(D) Section 855(a) of the Internal Revenue Code, relating to~~  
26    ~~general rule, as amended by Section 304 of the Regulated~~  
27    ~~Investment Company Modernization Act of 2010 (Public Law~~  
28    ~~111-325), shall apply to distributions in taxable years beginning~~  
29    ~~on or after December 23, 2010.~~

30    ~~SEC. 32. Section 24871 of the Revenue and Taxation Code is~~  
31    ~~amended to read:~~

32    ~~24871. (a) (1) Section 852(b)(1) of the Internal Revenue Code,~~  
33    ~~relating to imposition of tax on regulated investment companies,~~  
34    ~~does shall not apply.~~

35    ~~(2) Every regulated investment company shall be subject to the~~  
36    ~~taxes imposed under Chapter 2 (commencing with Section 23101)~~  
37    ~~and Chapter 3 (commencing with Section 23501), except that its~~  
38    ~~“net income” shall be equal to its “investment company income,”~~  
39    ~~as defined in subdivision (b).~~

1 (3) (A) Section 851(d)(2)(C)(i)(I) of the Internal Revenue Code  
2 is modified by substituting “\$12,500” for “\$50,000.”

3 (B) Section 851(d)(2)(C)(i)(II) of the Internal Revenue Code is  
4 modified by substituting the phrase “the rate of tax specified in  
5 Section 23151” for the phrase “the highest rate of tax specified in  
6 section 11” contained therein.

7 (C) Section 851(d)(2)(C)(iii) of the Internal Revenue Code,  
8 relating to administrative provisions, is modified by substituting  
9 the phrase “Article 3 of Part 10.2 (commencing with Section  
10 19031), a tax imposed by this subparagraph shall be treated as a  
11 tax with respect to which the deficiency procedures of such article  
12 apply” for the phrase “subtitle F, a tax imposed by this  
13 subparagraph shall be treated as an excise tax with respect to which  
14 the deficiency procedures of such subtitle apply” contained therein.

15 (D) Section 851(i)(2) of the Internal Revenue Code, relating to  
16 imposition of tax on failures, shall not apply.

17 (b) “Investment company income” means investment company  
18 taxable income, as defined in Section 852(b)(2) of the Internal  
19 Revenue Code, modified as follows:

20 (1) Section 852(b)(2)(A) of the Internal Revenue Code, relating  
21 to an exclusion for net capital gain, does not apply.

22 (2) Section 852(b)(2)(B) of the Internal Revenue Code, relating  
23 to net operating losses, is modified to deny the deduction allowed  
24 under Sections 24416 and 24416.1, in lieu of denying the deduction  
25 allowed by Section 172 of the Internal Revenue Code.

26 (3) In lieu of the provision of Section 852(b)(2)(C) of the  
27 Internal Revenue Code, relating to special deductions for  
28 corporations, no deduction shall be allowed under Sections 24402,  
29 24406, 24410, and 25106.

30 (4) ~~(A)~~—The deduction for dividends paid, under Section  
31 852(b)(2)(D) of the Internal Revenue Code, is modified to allow  
32 capital gain dividends and exempt interest dividends (to the extent  
33 that interest is included in gross income under this part) to be  
34 included in the computation of the deduction.

35 ~~(B)~~—For purposes of this paragraph, Section 562(e) of the Internal  
36 Revenue Code, relating to preferential dividends, as amended by  
37 Section 307 of the Regulated Investment Company Modernization  
38 Act of 2010 (Public Law 111-325), shall apply.

39 (c) Section 852(b)(3)(A) of the Internal Revenue Code, relating  
40 to capital gains, does *imposition of tax, shall* not apply.

1 (d) (1) Section 852(b)(5) of the Internal Revenue Code, relating  
2 to exempt-interest dividends, is modified by substituting the phrase  
3 “that, when held by an individual, the interest therefrom is exempt  
4 from taxation by this state” for the phrase “described in section  
5 103(a)” contained therein.

6 (2) Section 852(b)(5)(A)(iv)(V) of the Internal Revenue Code,  
7 relating to exempt interest, is modified by substituting the phrase  
8 “on obligations that, if held by an individual, is exempt from  
9 taxation by this state, over the amounts disallowed as deductions  
10 under subdivision (b) of Section 24360 or Section 24425” for the  
11 phrase “excludable from gross income under section 103(a) over  
12 the amounts disallowed as deductions under sections 265 and  
13 171(a)(2)” contained therein.

14 (3) Section 852(b)(5)(B) of the Internal Revenue Code, relating  
15 to treatment of exempt-interest dividends by shareholders, ~~does~~  
16 *shall* not apply.

17 (e) Section 854 of the Internal Revenue Code, relating to  
18 limitations applicable to dividends received from regulated  
19 investment companies, is modified to refer to Sections 24402,  
20 24406, 24410, and 25106, in lieu of Section 243 of the Internal  
21 Revenue Code.

22 (f) Section 852(g)(1)(A) of the Internal Revenue Code is  
23 modified by substituting the phrase “subdivision (a) of Section  
24 17145” for the phrase “the first sentence of subsection (b)(5)”  
25 contained therein.

26 ~~(g) (1) Except as provided in paragraphs (2) and (3), the~~  
27 ~~amendments made to this section by the act adding this subdivision~~  
28 ~~shall apply to taxable years with respect to which the due date~~  
29 ~~(determined with regard to any extensions) of the return of tax for~~  
30 ~~such taxable year is on or after December 23, 2010.~~

31 ~~(2) Subparagraph (B) of paragraph (4) of subdivision (b) shall~~  
32 ~~apply to distributions in taxable years beginning on or after~~  
33 ~~December 23, 2010.~~

34 ~~(3) Subdivision (f) shall apply to taxable years beginning on or~~  
35 ~~after December 23, 2010.~~

36 *SEC. 33. Section 24871.1 of the Revenue and Taxation Code*  
37 *is repealed.*

38 ~~24871.1. (a) Section 860(f)(2)(B) of the Internal Revenue~~  
39 ~~Code, as amended by Section 301 of the Regulated Investment~~



1 Company Modernization Act of 2010 (Public Law 111-325), shall  
2 apply, except as otherwise provided.

3 ~~(b) This section shall apply to taxable years beginning on or~~  
4 ~~after December 23, 2010.~~

5 *SEC. 34. Section 24990.5 of the Revenue and Taxation Code*  
6 *is amended to read:*

7 24990.5. (a) Section 1201 of the Internal Revenue Code,  
8 relating to alternative tax for corporations, shall not be applicable.

9 (b) The provisions of Section 1212 of the Internal Revenue  
10 Code, relating to capital loss carrybacks and carryovers, *are*  
11 *modified* as amended by Section 101 of the Regulated Investment  
12 Company Modernization Act of 2010 (Public Law 111-325), shall  
13 apply, except as otherwise provided. *follows:*

14 (1) Section 1212(a)(1)(A) of the Internal Revenue Code, relating  
15 to capital loss carrybacks, shall not apply.

16 (2) Section 1212(a)(4) of the Internal Revenue Code, relating  
17 to special rules on carrybacks, shall not apply.

18 (3) Sections 1212(b) and 1212(c) of the Internal Revenue Code,  
19 relating to other taxpayers and carryback of losses from Section  
20 1256 contracts to offset prior gains from such contracts,  
21 respectively, shall not apply.

22 ~~(e) Section 1222(10) of the Internal Revenue Code, relating to~~  
23 ~~net capital loss, as amended by Section 101 of the Regulated~~  
24 ~~Investment Company Modernization Act of 2010 (Public Law~~  
25 ~~111-325), shall apply, except as otherwise provided.~~

26 (d) (1) Except as provided in paragraph (2), the amendments  
27 made to this section by the act adding this paragraph shall apply  
28 to net capital losses for taxable years beginning on or after  
29 December 23, 2010.

30 ~~(2) Section 1212(a)(3)(B) of the Internal Revenue Code, relating~~  
31 ~~to coordination with general rule, as added by Section 101 of the~~  
32 ~~Regulated Investment Company Modernization Act of 2010 (Public~~  
33 ~~Law 111-325), shall apply to taxable years beginning on or after~~  
34 ~~December 23, 2010.~~

35 *SEC. 35. (a) Except as otherwise provided, the provisions of*  
36 *this act shall apply to taxable years beginning on or after January*  
37 *1, 2015.*

38 (b) Sections 201 to 221, inclusive, of the Tax Technical  
39 Corrections Act of 2014 (Title II of Division A of Public Law  
40 113-295), enacted numerous technical corrections and

1 clarifications to provisions of the Internal Revenue Code, including  
2 technical corrections and clarifications relating to the American  
3 Taxpayer Relief Act of 2012 (Public Law 112-240), the Middle  
4 Class Tax Relief and Job Creation Act of 2012 (Public Law  
5 112-96), the FAA Modernization and Reform Act of 2012 (Title  
6 IX of Public Law 112-95), the Regulated Investment Company  
7 Modernization Act of 2010 (Public Law 111-325), the Tax Relief,  
8 Unemployment Insurance Reauthorization, and Job Creation Act  
9 of 2010 (Public Law 111-312), the Creating Small Business Jobs  
10 Act of 2010 (Title II of Public Law 111-240), the Hiring Incentives  
11 to Restore Employment Act (Public Law 111-147), the American  
12 Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5),  
13 the Economic Stimulus Act of 2008 (Division A of Public Law  
14 110-343), the Energy Improvement and Extension Act of 2008  
15 (Division B of Public Law 110-343), the Tax Extenders and  
16 Alternative Minimum Tax Relief Act of 2008 (Division C of Public  
17 Law 110-343), the Housing Assistance Tax Act of 2008 (Division  
18 C of Public Law 110-289), the Heroes Earnings Assistance and  
19 Relief Tax Act of 2008 (Public Law 110-245), the Tax Technical  
20 Corrections Act of 2007 (Public Law 110-172), the Tax Relief and  
21 Health Care Act of 2006 (Public Law 109-432), the Safe,  
22 Accountable, Flexible, Efficient Transportation Equity Act of 2005:  
23 A Legacy for Users (Public Law 109-59), the Energy Tax Incentives  
24 Act of 2005 (Title XIII of Public Law 109-58), and the American  
25 Jobs Creation Act of 2004 (Public Law 108-357), some of which  
26 are incorporated by reference into Part 10 (commencing with  
27 Section 17001), Part 10.2 (commencing with Section 18401), and  
28 Part 11 (commencing with Section 23001) of Division 2 of the  
29 Revenue and Taxation Code. Unless otherwise provided, the  
30 technical corrections described in the preceding sentence, to the  
31 extent that they correct provisions that are incorporated by  
32 reference into the Revenue and Taxation Code, are declaratory of  
33 existing law and shall be applied in the same manner and for the  
34 same periods as specified for federal purposes, or if later, the  
35 specified date of incorporation.

36 SEC. 36. It is the intent of the Legislature to confirm the validity  
37 and ongoing effect of Senate Bill No. 401 of the 2009–10 Regular  
38 Session.

39 SEC. 37. This act provides for a tax levy within the meaning  
40 of Article IV of the Constitution and shall go into immediate effect.

1 SECTION 1. ~~Section 23037 of the Revenue and Taxation Code~~  
2 ~~is amended to read:~~  
3 ~~23037. “Taxpayer” means a person subject to the tax imposed~~  
4 ~~under Chapter 2 (commencing with Section 23101), Chapter 2.5~~  
5 ~~(commencing with Section 23400), or Chapter 3 (commencing~~  
6 ~~with Section 23501).~~

O