

ASSEMBLY BILL

No. 406

Introduced by Assembly Member Brough

February 19, 2015

An act to amend Section 24651 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 406, as introduced, Brough. Corporation Tax Law: income: methods of accounting.

The Corporation Tax Law imposes taxes upon, or measured by, income. Existing law requires the taxpayer's income to be computed under a method of accounting on the basis of which the taxpayer regularly computes its income in keeping its books and authorizes the taxpayer to use one of a specified accounting methods.

This bill would make nonsubstantive changes to this 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 24651 of the Revenue and Taxation Code
2 is amended to read:
3 24651. (a) Income shall be computed under the method of
4 accounting on the basis of which the taxpayer regularly computes
5 its income in keeping its books.
6 (b) If no method of accounting has been regularly used by the
7 taxpayer, or if the method used does not clearly reflect income,
8 the computation of income shall be made under such method as,

1 in the opinion of the Franchise Tax Board, does clearly reflect
2 income.

3 (c) Subject to subdivisions (a) and (b) and Section 24654, a
4 taxpayer may compute income under any of the following methods
5 of ~~accounting~~— *accounting*:

- 6 (1) The cash receipts and disbursements ~~method~~; *method*.
- 7 (2) An accrual ~~method~~; *method*.
- 8 (3) Any other method permitted by this ~~part~~; *or part*.
- 9 (4) Any combination of the foregoing methods permitted under
10 regulations prescribed by the Franchise Tax Board.

11 (d) A taxpayer engaged in more than one trade or business may,
12 in computing income, use a different method of accounting for
13 each trade or business.

14 (e) Except as otherwise expressly provided in this part, a
15 taxpayer ~~who~~ *that* changes the method of accounting on the basis
16 of which it regularly computes its income in keeping its books
17 shall, before computing its income under the new method, secure
18 the consent of the Franchise Tax Board.

19 (f) If the taxpayer does not file with the Franchise Tax Board a
20 request to change the method of accounting, the absence of the
21 consent of the Franchise Tax Board to a change in the method of
22 accounting shall not be taken into account for either of the
23 following:

- 24 (1) To prevent the imposition of any penalty, or the addition of
25 any amount to tax, under this part.
- 26 (2) To diminish the amount of that penalty or addition to tax.