

ASSEMBLY BILL

No. 1438

Introduced by Assembly Member Perea

February 27, 2015

An act to amend Section 24943 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1438, as introduced, Perea. Involuntary conversions.

The Corporation Tax Law generally provides that no gain is recognized on the involuntary conversion of property if specified conditions are met.

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 24943 of the Revenue and Taxation Code
2 is amended to read:
3 24943. ~~If property (as~~ *No gain shall be recognized if property,*
4 *as a result of its destruction in whole or in part, theft, seizure, or*
5 ~~requisition or condemnation or requisition, condemnation, threat,~~
6 ~~or imminence thereof) of threat,~~ *is compulsorily or involuntarily*
7 ~~converted—~~ *converted into any of the following:*
8 (a) ~~Into property~~ *Property* similar or related in service or use to
9 the property ~~so converted, no gain shall be recognized that was~~
10 *converted.*

1 (b) ~~Into money,~~ *Money*, and the disposition of the converted
 2 property occurred before January 1, 1953, ~~no gain shall be~~
 3 ~~recognized if such~~ *the* money is forthwith in good faith, under
 4 regulations prescribed by the Franchise Tax Board, expended in
 5 the acquisition of other property similar or related in service or
 6 use to the property ~~so that was~~ converted, or in the acquisition of
 7 control of a corporation owning such other property, or in the
 8 establishment of a replacement fund. If any part of the money is
 9 not so expended, the gain shall be recognized to the extent of the
 10 money ~~which that~~ is not so expended ~~(regardless expended,~~
 11 ~~regardless of whether such the~~ money is received in one or more
 12 taxable years and regardless of whether or not the money ~~which~~
 13 ~~that~~ is not so expended constitutes ~~gain~~ *gain*. For

14 (c) For purposes of this ~~subsection~~ *section* and Section 24944,
 15 the term ~~“disposition following shall apply:~~

16 (1) *“Disposition of the converted property”* means the
 17 destruction, theft, seizure, requisition, or condemnation of the
 18 converted property, or the sale or exchange of ~~such the~~ property
 19 under threat or imminence of requisition or condemnation.

20 For purposes of this section and Section 24944, the term
 21 ~~“control”~~

22 (2) *“Control”* means the ownership of stock possessing at least
 23 80 percent of the total combined voting power of all classes of
 24 stock entitled to vote and at least 80 percent of the total number
 25 of shares of all other classes of stock of the corporation.