

AMENDED IN ASSEMBLY MAY 16, 2016
AMENDED IN ASSEMBLY APRIL 26, 2016
AMENDED IN ASSEMBLY APRIL 11, 2016
AMENDED IN ASSEMBLY MARCH 17, 2016
CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2490

Introduced by Assembly Member Gatto

February 19, 2016

An act to add *and repeal* Section 23714-~~to~~ of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2490, as amended, Gatto. Corporation Tax Law: exemption: regulated investment company.

Existing law, the Corporation Tax Law, generally conforms to the federal income tax laws that apply to a regulated investment company and further provides that for purposes of the Corporation Tax Law, its "net income" is equal to its "investment company income." Existing law exempts from tax under the Corporation Tax Law, various organizations including credit unions, fraternal societies, social welfare organizations, and labor organizations.

This bill would provide that under the Corporation Tax Law, ~~a regulated investment company that is a mutual fund investment management company owned by investors in the mutual funds that it serves~~ *a mutual fund investment management company wholly owned by one or more regulated investment companies and providing management services to the one or more regulated investment companies*

“at cost” is not subject to ~~tax~~ tax, *except as specified*. The bill would authorize the Franchise Tax Board to promulgate regulations as necessary or appropriate to carry out this provision. *The bill would repeal these provisions on January 1, 2022.*

This bill would take effect immediately as a tax levy.

Vote: majority. 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 23714 is added to the Revenue and
2 Taxation Code, to read:

3 23714. (a) Notwithstanding any other law, ~~a regulated~~
4 ~~investment company~~, *a mutual fund investment management*
5 *company wholly owned by one or more regulated investment*
6 *companies*, as defined in Section 851 of the Internal Revenue Code,
7 relating to definition of regulated investment company, ~~that is a~~
8 ~~mutual fund investment management company owned by investors~~
9 ~~in the mutual funds that it serves and providing management~~
10 *services to the one or more regulated investment companies “at*
11 *cost” is exempt from the taxes imposed by this part, except as*
12 *provided in Article 2 (commencing with Section 23731).*

13 (b) The Franchise Tax Board may promulgate regulations as
14 necessary or appropriate to carry out the purposes of this section.

15 (c) *This section shall be repealed on January 1, 2022.*

16 SEC. 2. This act provides for a tax levy within the meaning of
17 Article IV of the *California* Constitution and shall go into
18 immediate effect.