

ASSEMBLY BILL

No. 1668

Introduced by Assembly Member Takasugi

February 24, 1995

An act to amend Sections 17250 and 24352.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1668, as introduced, Takasugi. Income and bank and corporation taxes: deductions: depreciation.

The Personal Income Tax Law and the Bank and Corporation Tax Law provide for a deduction for depreciation of certain property utilizing various methods of depreciation.

This bill would provide that, for taxable and income years beginning on or after January 1, 1995, a taxpayer may determine the deduction for depreciation using a salvage value of zero thereby increasing the annual deduction for depreciation under those depreciation methods.

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 17250 of the Revenue and
- 2 Taxation Code is amended to read:
- 3 17250. (a) (1) Section 168 of the Internal Revenue
- 4 Code, relating to the accelerated cost recovery system,



1 shall apply to assets placed in service on or after January
2 1, 1987, in taxable years beginning on or after January 1,
3 1987.

4 (2) In the case of assets placed in service on or after
5 January 1, 1987, in taxable years beginning prior to
6 January 1, 1987, a taxpayer may elect to have Sections 168
7 and 179 of the Internal Revenue Code apply by doing all
8 of the following:

9 (A) Making an election on the return for the first
10 taxable year beginning on or after January 1, 1987.

11 (B) Establishing a depreciation adjustment account
12 for each asset (or group of assets) in an amount equal to
13 the difference between the depreciation allowed on the
14 federal return for each asset (or group of assets) and the
15 depreciation allowed under this part.

16 (C) The depreciation adjustment account (or
17 accounts) established under subparagraph (B) shall be
18 amortized over 60 months beginning with the first
19 taxable year beginning on or after January 1, 1987.

20 (3) In the case of assets placed in service prior to
21 January 1, 1987, in taxable years beginning prior to
22 January 1, 1987, Section 168 of the Internal Revenue Code
23 shall apply only to residential rental property as provided
24 by former Section 17250.5 (as amended by Chapter 1461
25 of the Statutes of 1985).

26 (b) For purposes of subdivision (a), any reference to
27 “tax imposed by this chapter” in Section 168 of the
28 Internal Revenue Code means “net tax,” as defined in
29 Section 17039.

30 (c) For purposes of paragraph (1) of subdivision (a),
31 Section 168 of the Internal Revenue Code shall be
32 modified as follows:

33 (1) Section 168(e)(3) shall be modified to provide that
34 any grapevine, replaced in a vineyard in California in any
35 taxable year beginning on or after January 1, 1992, as a
36 direct result of a phylloxera infestation in that vineyard,
37 shall be “five-year property,” rather than “10-year
38 property.”

39 (2) Section 168(g)(3) of the Internal Revenue Code
40 shall be modified to provide that any grapevine, replaced



1 in a vineyard in California in any taxable year beginning
2 on or after January 1, 1992, as a direct result of a phylloxera
3 infestation in that vineyard, shall have a class life of 10
4 years.

5 (d) Every taxpayer claiming a depreciation deduction
6 with respect to grapevines as described in subdivision (c)
7 shall obtain a written certification from an independent
8 state-certified integrated pest management advisor, or a
9 state agricultural commissioner or advisor, that specifies
10 that the replanting was necessary to restore a vineyard
11 infested with phylloxera. The taxpayer shall retain the
12 certification for future audit purposes.

13 (e) (1) Section 169 of the Internal Revenue Code,
14 relating to amortization of pollution control facilities,
15 shall apply, except as otherwise provided.

16 (2) The deduction allowed by this section shall be
17 available only with respect to facilities located in this
18 state.

19 (3) The “state certifying authority,” as defined in
20 Section 169(d)(2) of the Internal Revenue Code, means
21 the State Air Resources Board, in the case of air pollution,
22 and the State Water Resources Control Board, in the case
23 of water pollution.

24 (f) For property used in a trade or business, or held for
25 production of income, there shall be allowed as a
26 depreciation deduction a reasonable allowance for the
27 cost of a solar energy system and allowable conservation
28 measures over a 60-month period for taxable years
29 beginning before January 1, 1987.

30 (g) Section 7622(c)[e] of Public Law 101-239, relating
31 to the effective date of changes in treatment of transfers
32 of franchises, trademarks, and trade names, shall apply.

33 (h) Section 7645(b) of Public Law 101-239, relating to
34 the effective date of disallowance of depreciation for
35 certain term interests, shall apply.

36 (i) *For taxable years beginning on or after January 1,*
37 *1995, a taxpayer may determine the deduction for*
38 *depreciation using a salvage value of zero.*

39 SEC. 2. Section 24352.5 of the Revenue and Taxation
40 Code is amended to read:



1 24352.5. (a) Under regulations prescribed by the
2 Franchise Tax Board, a taxpayer may, for purposes of
3 computing the allowance under Section 24349 with
4 respect to personal property, reduce the amount taken
5 into account as salvage value by an amount which does
6 not exceed 10 percent of the basis of such property (as
7 determined under Section 24353 as of the time as of which
8 such salvage value is required to be determined).

9 (b) For purposes of this section, the term “personal
10 property” means depreciable personal property (other
11 than livestock) with a useful life of three years or more.

12 (c) *For income years beginning on or after January 1,*
13 *1995, a taxpayer may determine the deduction for*
14 *depreciation using a salvage value of zero.*

15 SEC. 3. This act provides for a tax levy within the
16 meaning of Article IV of the Constitution and shall go into
17 immediate effect.

