

ASSEMBLY BILL

No. 687

Introduced by Assembly Members Calderon and Florez

February 23, 1999

An act to add Sections 17681.1 and 24831.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 687, as introduced, Calderon. Income and bank and corporation taxes: percentage depletion.

The Personal Income Tax Law and the Bank and Corporation Tax Law, in conformity to federal income tax laws, allow a deduction for percentage depletion on certain types of depreciable assets including oil and gas wells. Certain limitations on the deduction for percentage depletion of oil and gas wells include a tentative quantity limit, an applicable percentage limit relating to marginal oil and gas properties and a limitation based on taxable income.

This bill would delete or otherwise reduce those limitations, as provided.

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 17681.1 is added to the Revenue
2 and Taxation Code, to read:

1 17681.1. (a) Section 613A(c)(3)(B) of the Internal
2 Revenue Code, relating to tentative quantity, is modified
3 to read as follows:

4
5 (B) For purposes of subparagraph (A), there shall
6 not be a limit as to the number of barrels.

7
8 (b) Section 613A(c)(6)(C) of the Internal Revenue
9 Code, relating to applicable percentage, is modified to
10 read as follows:

11
12 (C) For purposes of subparagraph (A), the term
13 “applicable percentage” means the percentage
14 equal to the sum of _____

- 15 (i) 15 percent, plus
- 16 (ii) 1 percentage point for each whole dollar by which
17 \$20 exceeds the reference price for crude oil for the
18 calendar year preceding the calendar year in which the
19 taxable year begins[.], plus
- 20 (iii) In the event the average Kern River posting price
21 for 13° (API gravity) crude oil drops below \$12/bbl. for
22 the calendar year, an additional percentage point or
23 fraction thereof shall be allowed as follows, adjusted each
24 year for inflation:

26 Average Kern River	Additional
27 Posting Price	Percentage
28 \$11.99/bbl. – \$11.01/bbl.	5.00
29 10.99/bbl. – 10.01/bbl.	10.00
30 9.99/bbl. – 9.01/bbl.	15.00
31 8.99/bbl. – 8.01/bbl.	20.00
32 7.99/bbl. – 7.01/bbl.	25.00
33 6.99/bbl. – 6.01/bbl.	30.00
34 5.99/bbl. – 5.01/bbl.	50.00

35
36 (iv) The average Kern River posting price for crude
37 oil gravity of 13° shall be computed by using the aggregate
38 daily posting prices of each of the California refineries.

39 For purposes of this paragraph, the term “reference
40 price” means, with respect to any calendar year, the



1 reference price determined for such calendar year under
2 Section 29(d)(2)(C).

3
4 (c) Section 613(A)(d)(1) of the Internal Revenue
5 Code, relating to limitation based on taxable income is
6 modified to read as follows:

7
8 (1) The deduction for the taxable year
9 attributable to the application of subsection (c) may
10 be carried forward 5 years.

11
12 SEC. 2. Section 24831.1 is added to the Revenue and
13 Taxation Code, to read:

14 24831.1. Section 613A(c)(3)(B) of the Internal
15 Revenue Code, relating to tentative quantity, is modified
16 to read as follows:

17
18 (B) For purposes of subparagraph (A), there shall
19 not be a limit as to the number of barrels.

20
21 (b) Section 613A(c)(6)(C) of the Internal Revenue
22 Code, relating to applicable percentage, is modified to
23 read as follows:

24
25 (C) For purposes of subparagraph (A), the term
26 “applicable percentage” means the percentage
27 equal to the sum of _____

28 (i) 15 percent, plus
29 (ii) 1 percentage point for each whole dollar by which
30 \$20 exceeds the reference price for crude oil for the
31 calendar year preceding the calendar year in which the
32 taxable year begins[.], plus

33 (iii) In the event the average Kern River posting price
34 for 13° (API gravity) crude oil drops below \$12/bbl. for
35 the calendar year, an additional percentage point or
36 fraction thereof shall be allowed as follows, adjusted each
37 year for inflation:

38		
39	Average Kern River	Additional
40	Posting Price	Percentage



1	\$11.99/bbl. – \$11.01/bbl.	5.00
2	10.99/bbl. – 10.01/bbl.	10.00
3	9.99/bbl. – 9.01/bbl.	15.00
4	8.99/bbl. – 8.01/bbl.	20.00
5	7.99/bbl. – 7.01/bbl.	25.00
6	6.99/bbl. – 6.01/bbl.	30.00
7	5.99/bbl. – 5.01/bbl.	50.00

8

9 (iv) The average Kern River posting price for crude
10 oil gravity of 13° shall be computed by using the aggregate
11 daily posting prices of each of the California refineries.

12 For purposes of this paragraph, the term “reference
13 price” means, with respect to any calendar year, the
14 reference price determined for such calendar year under
15 Section 29(d)(2)(C).

16

17 (c) Section 613(A)(d)(1) of the Internal Revenue
18 Code, relating to limitation based on taxable income is
19 modified to read as follows:

20

21 (1) The deduction for the taxable year
22 attributable to the application of subsection (c) may
23 be carried forward 5 years.

24

25 SEC. 3. This act provides for a tax levy within the
26 meaning of Article IV of the Constitution and shall go into
27 immediate effect.

