

**ASSEMBLY BILL**

**No. 2442**

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**Introduced by Assembly Member Corbett**

February 24, 2000

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An act to add Section 18152.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2442, as introduced, Corbett. Income taxes: qualified small business interests.

The Personal Income Tax Law provides that gross income does not include 50% of any gain from the sale or exchange of qualified small business stock, as defined, held for more than 5 years, that was acquired at its original issuance on or after August 10, 1993.

This bill would provide that, that exclusion shall also apply to other qualified small business interests, 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 18152.6 is added to the Revenue
- 2 and Taxation Code, to read:
- 3 18152.6. (a) For purposes of this part, the exclusion
- 4 from gross income provided by Section 18152.5 shall also
- 5 apply to any gain from the sale or exchange of other

1 qualified small business interests held for more than five  
2 years.

3 (b) For purposes of this section, “other qualified small  
4 business interests” means any interest in a partnership or  
5 limited liability company, any stock in an S corporation,  
6 or and interest in an unincorporated qualified small  
7 business, which is originally issued, formed, or created  
8 after January 1, 2001, provided that interest would qualify  
9 for the exclusion provided by Section 18152.5 if it were  
10 stock in a C corporation.

11 (c) For purposes of subdivision (b), the determination  
12 of whether an interest would qualify for the exclusion  
13 provided by Section 18152.5 if it were stock in a C  
14 corporation shall be made without reference to any  
15 provision of Section 18152.5 which is relevant only to C  
16 corporations and which has no counterpart in the context  
17 of the type of qualified small business interest under  
18 consideration.

19 SEC. 2. This act provides for a tax levy within the  
20 meaning of Article IV of the Constitution and shall go into  
21 immediate effect.

