

AMENDED IN ASSEMBLY MAY 31, 2000
AMENDED IN ASSEMBLY SEPTEMBER 10, 1999
AMENDED IN ASSEMBLY JULY 7, 1999
AMENDED IN SENATE MAY 28, 1999
AMENDED IN SENATE MAY 20, 1999
AMENDED IN SENATE APRIL 19, 1999

SENATE BILL

No. 756

Introduced by Senator ~~Polanco-Chesbro~~
(Coauthors: Assembly Members Kuehl, Wildman, and
Villaraigosa)

February 24, 1999

~~An act to amend Sections 6377, 17024.5, 17039, 17053.49, 17054, 17062, 17279.5, 17302, 17560, 17570, 18038.5, 19109, 19136, 19141, 19521, 23038.5, 23456, 23649, 23802, 24356, 24424, 24667, 24710, 24990.5, and 25112 of, to amend and repeal Section 24949.1 of, to add Sections 17132.6, 17271.5, 17552.3, 17563.5, 19136.7, 19315, 24443.5, 24661.3, and 24685.5 to, and to add and repeal Sections 12207, 17053.35, 17058.16, 23616, and 23623 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act relating to taxation.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 756, as amended, ~~Polanco-Chesbro. Income and bank and corporation taxes~~ *Taxation.*

Existing law imposes various taxes with respect to, among other things, specified transactions, persons and entities, and property.

This bill would declare the intent of the Legislature to convene a conference committee on taxation.

~~Under the Personal Income Tax Law and the Bank and Corporation Tax Law, various provisions of the federal Internal Revenue Code as enacted as of a specified date are referenced in various sections of the Revenue and Taxation Code. That law provides that for taxable years beginning on or after January 1, 1998, the specified date of those referenced Internal Revenue Code sections is January 1, 1998, unless otherwise specifically provided.~~

~~Existing law provides that for any introduced bill that proposes changes in any of those dates, the Franchise Tax Board shall prepare a complete analysis of the bill that describes all changes to state law which will automatically occur by reference to federal law as of the changed date. It further requires the Franchise Tax Board to immediately update and supplement that analysis upon any amendment to the bill, and requires that analysis to be made available to the public and to be submitted to the Legislature for publication in the daily journal of each house of the Legislature.~~

~~This bill would change the specified date of those referenced Internal Revenue Code sections to January 1, 1999, for taxable years beginning on or after January 1, 1999, and thereby would make numerous substantive changes to both the Personal Income Tax Law and the Bank and Corporation Tax Law with respect to those areas of preexisting conformity that are subject to changes under federal laws enacted after January 1, 1998, and that have not been or are not being excepted or modified.~~

~~This bill would make certain other changes in federal income tax laws applicable, with specified exceptions and modifications, and make specified supplemental, technical, or clarifying changes, for purposes of the Personal Income Tax Law or the Bank and Corporation Tax Law, or both, with respect to, among other things, the following subjects: the Ricky Ray Hemophilia Relief Fund Act of 1998; certain amounts paid in connection with insurance contracts; the~~



~~Federal Agriculture Improvement and Reform Act of 1996; the Internal Revenue Service Restructuring and Reform Act of 1998; mark to market accounting method for securities dealers; the Tax and Trade Relief Extension Act of 1998; failure by an individual to pay estimated income tax; the treatment of certain charitable contributions of appreciated assets; elimination of certain interest; disallowance of deduction with respect to life insurance certain installment obligations; election to expense certain business assets; limitation, carryover, and carryback of capital losses; and certain involuntary conversions.~~

~~The Personal Income Tax Law provides that only certain credits may reduce specified taxes below the tentative minimum tax.~~

~~This bill would also allow credits for personal exemption to reduce those taxes below the tentative minimum tax.~~

~~Existing laws pertaining to the administration of income tax laws provide specified statutes of limitation.~~

~~This bill would suspend the running of those periods of limitation during any period that an individual is financially disabled.~~

~~The Sales and Use Tax Law provides an exemption from those taxes for the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, tangible personal property, as defined, purchased for use by a qualified person, as defined, primarily in any stage of manufacturing, processing, refining, fabricating, or recycling of property, and introduced into the process, as specified.~~

~~The Personal Income Tax Law and the Bank and Corporation Tax Law allow to qualified taxpayers, as defined, a credit against taxes imposed by those laws in an amount equal to 6% of the amount paid or incurred during the taxable or income year for qualified property, as defined, that is placed in service in this state.~~

~~This bill would expand the definition of qualified person and qualified taxpayer to include establishments primarily engaged in manufacturing prerecorded videotapes and disks.~~

~~The Personal Income Tax Law authorizes a credit of \$253 against those taxes for each taxable year beginning on or after January 1, 1998, and before January 1, 1999, and a credit of \$227~~



~~for each taxable year beginning on or after January 1, 1999, adjusted for inflation thereafter, as specified, for each dependent.~~

~~This bill would allow a credit of \$240 for taxable years beginning on or after January 1, 1999, and before January 1, 2000, and a credit of \$227 for taxable years beginning on or after January 1, 2000, and adjusted for inflation, as specified, for each dependent.~~

~~The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws.~~

~~This bill would, contingent upon the maintenance of certain foreign financial incentives for movie and television productions, authorize a credit against those taxes for each taxable and income year beginning on or after January 1, 2000, and before January 1, 2003, in an amount equal to 10% of the total amount paid or incurred by the taxpayer during the taxable or income year for qualified wages and salaries paid by the taxpayer in connection with a qualified television program or motion picture, or a musical score, as provided.~~

~~The Personal Income Tax Law and the Bank and Corporation Tax Law, by reference to specified federal statutes, conform to various provisions of federal income tax law.~~

~~This bill would, for taxable and income years beginning on or after January 1, 1999, provide conformity to certain federal income tax laws relating to the elimination of the deduction for fees for membership in any club organized for business, pleasure, recreation, or other social purpose, and the disallowance of the deduction for employee remuneration that exceeds \$1,000,000 in the case of a publicly held corporation, as specified.~~

~~The Bank and Corporation Tax Law provides, in the case of a business with income derived from, or attributable to, sources both within and without this state, that income is apportioned between this state and foreign jurisdictions in accordance with a specified formula. That law authorizes a taxpayer whose income is subject to apportionment to determine its income under a water's edge election made in connection with a specified contract. That law authorizes the~~



~~Franchise Tax Board to examine returns filed by taxpayers subject to those provisions and make a detailed examination, as provided, unless the taxpayer is being examined by the Internal Revenue Service for the same year or years on the same issues.~~

~~The Personal Income Tax Law and the Bank and Corporation Tax Law authorize various credits against the taxes imposed by those laws. Existing insurance tax law allows insurers a credit for providing low income housing, and requires the California Tax Credit Allocation Committee to allocate the credit according to specified guidelines.~~

~~This bill would create a tax credit under insurance tax law, the Personal Income Tax Law, and the Bank and Corporation Tax Law for contributions certified by the California Tax Credit Allocation Committee, as provided. The credit would be available for contributions of at least \$25,000, and would be limited to \$500,000 annually for each taxpayer. This bill would limit the total annual credits that may be approved by the committee to \$30,000,000.~~

~~The bill would make certain clarifying changes in those provisions:~~

~~This bill would make legislative findings and declarations as to the statewide public purpose of certain provisions of the bill.~~

~~This bill would incorporate additional changes in Section 17039 of the Revenue and Taxation Code, proposed by SB 680, to be operative only if SB 680 and this bill are both chaptered and become effective on or before January 1, 2000, and this bill is chaptered last. These changes would become operative on the effective date of SB 680.~~

~~This bill would take effect immediately as a tax levy.~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes no. State-mandated local program: no.~~

The people of the State of California do enact as follows:

- 1 ~~SECTION 1.—Section 6377 of the Revenue and~~
- 2 ~~SECTION 1. It is the intent of the Legislature to~~
- 3 ~~convene a conference committee on taxation.~~



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All matter omitted in this version of the bill appears in the bill as amended in the Assembly, September 10, 1999 (JR 11)

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