

AMENDED IN ASSEMBLY MAY 3, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1779

Introduced by Assembly Member Niello

(Coauthors: Assembly Members Adams, Bill Berryhill, Blakeslee, Conway, DeVore, Fuller, Gaines, Garrick, Gilmore, Hagman, Harkey, Jeffries, Knight, Nestande, Nielsen, Silva, Smyth, and Villines)

(Coauthors: Senators Cox and Huff)

February 9, 2010

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1779, as amended, Niello. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

(1) The Personal Income Tax Law ~~conforms~~, *in modified conformity* to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, ~~relating to the exclusion of~~ *allows an exclusion from a taxpayer's income* for the discharge of qualified principal residence indebtedness, as defined, ~~from a taxpayer's income~~ if that debt is discharged after January 1, 2007, and before January 1, ~~2010~~ 2009, as provided. The Emergency Economic Stabilization Act of 2008 extended the operation of those *federal* provisions to debt that is discharged before January 1, 2013.

This bill would provide further conformity to those federal acts, *including allowance of the exclusion for debt that is discharged before 2013*, as provided.

(2) 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 17144.5 of the Revenue and Taxation
2 Code is amended to read:
3 17144.5. (a) Section 108 of the Internal Revenue Code, relating
4 to income from discharge of indebtedness, as amended by Section
5 2 of the Mortgage Forgiveness Debt Relief Act of 2007 (Public
6 Law 110-142), and as amended by Section 303 of the Emergency
7 Economic Stabilization Act of 2008 (Public Law 110-343), shall
8 apply, except as otherwise provided.
9 (b) This section shall apply to discharges of indebtedness
10 occurring on or after January 1, 2007, and, notwithstanding any
11 other law to the contrary, no penalties or interest shall be due with
12 respect to the discharge of qualified principal residence
13 indebtedness during the 2007 *or* 2009 taxable year regardless of
14 whether or not the taxpayer reports the discharge on his or her
15 return for the 2007 *or* 2009 taxable year.
16 SEC. 2. The Legislature finds and declares that the mortgage
17 debt tax relief allowed to taxpayers in connection with the
18 discharge of qualified principal residence indebtedness, as
19 described in this act, serves a public purpose and does not constitute
20 a gift of public funds within the meaning of Section 6 of Article
21 XVI of the California Constitution.
22 SEC. 3. This act provides for a tax levy within the meaning of
23 Article IV of the Constitution and shall go into immediate effect.