AMENDED IN SENATE JULY 9, 2009

AMENDED IN SENATE JULY 2, 2009

AMENDED IN SENATE JULY 1, 2009

AMENDED IN SENATE JUNE 9, 2009

AMENDED IN SENATE MAY 26, 2009

AMENDED IN SENATE APRIL 28, 2009

SENATE BILL No. 206

Introduced by Senator Dutton
(Principal coauthor: Assembly Member Charles Calderon)

February 23, 2009

An act to add and repeal Section 17059.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 206, as amended, Dutton. Income tax credit: principal residence.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law.

This bill would allow a credit to a qualified taxpayer, as defined, who purchases a qualified principal residence, as defined, during a specified period, in an amount equal to 10% of the purchase price, not to exceed $8,000, as provided. The bill would limit the total amount of credits to specified aggregate amounts per fiscal year, and provide that the General Fund shall be paid an amount equal to the credits with specified funds from the Neighborhood Stabilization Program 2 Funding 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:

SECTION 1. The Legislature finds and declares all of the following:

(a) Targeted neighborhoods in California must be revitalized to restore the state's economy, housing market, and *the* social networks of the state's communities.

(b) The state must act to arrest the decline of neighborhoods that have been negatively affected by foreclosed and abandoned residential properties.

(c) The state must invest in affordable housing opportunities presented by the increasing inventory of foreclosed and abandoned residential properties throughout the state.

SEC. 2. Section 17059.5 is added to the Revenue and Taxation Code, to read:

17059.5. (a) (1) In the case of a qualified taxpayer who purchases a qualified principal residence on or after the date that the act adding this section takes effect and before the date that is the same day of the 12th month that follows the effective date of this section, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount equal to 10 percent of the purchase price of the qualified principal residence, not to exceed eight thousand dollars ($8,000). The credit shall be allowed for the taxable year in which the qualified principal residence is purchased.

(2) The credit under this section shall be allowed for the purchase of only one qualified principal residence with respect to any qualified taxpayer.

(b) (1) For the purposes of this section, "qualified principal residence" means a single-family residence, whether detached or attached, that has been foreclosed upon, where the residence has gone through the foreclosure process and is now in the possession of the lender, and that is purchased to be the principal residence of the qualified taxpayer for a minimum of three years and is eligible for the homeowner's exemption under Section 218.

(2) For the purposes of this section "qualified taxpayer" means the buyer does not have adjusted gross income over ninety-five

thousand dollars ($95,000) or one hundred seventy thousand dollars ($170,000) for joint filers.

(3) If the qualified taxpayer does not occupy the qualified principal residence as his or her principal residence for at least three years immediately following the purchase, the credit shall be disallowed, and the qualified taxpayer shall be liable for any underpayments attributable to the disallowance of the credit.

(c) The qualified taxpayer shall claim the credit on a timely filed original return.

(d) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(e) The credit allowed by this section is not a business credit within the meaning of Section 17039.2.

(f) The total amount of credits that may be allowed pursuant to this section shall not exceed one hundred thirty million dollars ($130,000,000) for the 2009–10 fiscal year, and one hundred million dollars ($100,000,000) for the 2010–11 fiscal year.

(g) The General Fund shall be paid an amount equal to the amount of tax credits allowed pursuant to this section with funds from the Neighborhood Stabilization Program 2 Funds administered by the Department of Housing and Community Development, to the extent federal law authorizes the use of those funds for this purpose.

(h) This section shall remain in effect only until December 1, 2012, and as of that date is repealed.

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

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