

ASSEMBLY BILL

No. 2225

Introduced by Assembly Member Perea

February 24, 2012

An act relating to taxation.

LEGISLATIVE COUNSEL’S DIGEST

AB 2225, as introduced, Perea. Taxation: cancellation of indebtedness: mortgage debt forgiveness.

The Personal Income Tax Law conforms to specified provisions of the federal Mortgage Forgiveness Debt Relief Act of 2007, as amended by the federal Emergency Economic Stabilization Act of 2008, relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual’s income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided.

This bill would make findings and declarations regarding mortgage debt forgiveness and would state the intent of the Legislature to enact legislation that would conform to federal law with regard to any extension of the exclusion described above.

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

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

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) A homeowner can lose his or her job or become seriously
- 4 ill and then be unable to pay the monthly mortgage. In the resulting

1 short sale or foreclosure, the homeowner not only loses his or her
2 home, but may also be taxed on relief of indebtedness income that
3 the homeowner did not receive.

4 (b) If the homeowner refinances his or her mortgage, as many
5 homeowners do, the nature of the debt is changed and the
6 homeowner may be personally liable for the payment of that debt.

7 (c) Absent an extension of the debt forgiveness protections
8 beyond this year, homeowners will again be subject to taxation on
9 income they never actually received.

10 SEC. 2. It is the intent of the Legislature to enact legislation
11 that would extend the operation of Section 17144.5 of the Revenue
12 and Taxation Code, relating to the exclusion of the discharge of
13 qualified principal residence indebtedness from an individual's
14 income, to conform to any federal legislation that extends the
15 operation of this exclusion in federal income tax law.