

**ASSEMBLY COMMITTEE  
ON  
REVENUE & TAXATION**

**California State Legislature**

**Revenue and Taxation  
Legislative Summary**

**2010**

**Honorable Anthony J. Portantino, Chair**

**Honorable Chuck DeVore, Vice-Chair**

**December 2010**

**ASSEMBLY COMMITTEE  
ON  
REVENUE & TAXATION**

***2010  
LEGISLATIVE SUMMARY***

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# 2010

## LEGISLATIVE SUMMARY

The following is a list of tax-related bills that the Legislature adopted during the second year of the 2009-10 Legislative Session. The measures are listed in bill number order, with 2010 chapter numbers provided, and the provisions of each bill are briefly summarized. The list also includes bills that were introduced, but which did not reach the Assembly floor, as well as bills that were adopted by the Legislature but vetoed by the Governor.

The Assembly Committee on Revenue and Taxation heard the majority of bills listed in this report.

This publication is intended to be a useful summary of the Legislature's work in the area of revenue and taxation during 2010. An electronic copy of this document is also available under "Publications" on the committee's web page at [www.assembly.ca.gov](http://www.assembly.ca.gov).

Copies of analyses prepared by the Assembly Committee on Revenue and Taxation can be obtained by accessing the Official California Legislative Information internet web page maintained by the Legislative Counsel at [www.leginfo.ca.gov](http://www.leginfo.ca.gov), or by writing to the Assembly Committee on Revenue and Taxation, Legislative Office Building, 1020 N Street - Room 162, Sacramento, CA 95814.

**ASSEMBLY COMMITTEE  
ON  
REVENUE AND TAXATION**

**2010 LEGISLATIVE SUMMARY**

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## **2010 LEGISLATIVE SUMMARY**

### **AB 50 (Nava). DISASTER RELIEF.**

Adds the wildfires that occurred in Santa Barbara County in 2008 and 2009 and the wildfires that occurred in Orange, Riverside, and San Bernardino Counties in 2008 to the list of disasters eligible for full state reimbursement of local property tax losses. Also adds the wildfires that occurred in Placer County in 2009 and the wildfires that occurred in Kern County in 2010 to the list of disasters eligible for full state reimbursement of local property tax losses, beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses.

*Status: Read third time. Urgency clause refused adoption.*

### **AB 157 (Anderson). PROPERTY TAXATION: TRANSFER OF BASE YEAR VALUE: DISASTER RELIEF.**

Allows the County of San Diego Board of Supervisors to extend, by two years, the time period for transferring the base year value of property substantially damaged or destroyed by the Cedar Fire that began in October 2003. Also provides that, notwithstanding Revenue and Taxation Code Section 2229, the state shall not reimburse any local agency for property tax revenues lost as a result of this bill.

*Status: Chapter 341, Statutes of 2010.*

### **AB 229 (Charles Calderon). UNIFORM PRINCIPAL AND INCOME ACT (UPIA): TRUST ADMINISTRATION: INCOME AND PAYMENTS.**

Amends the provisions of the UPIA, relating to a federal marital tax deduction for retirement plans, to clarify the method that must be used by a trustee in determining the internal "income value" of a fund that made a distribution to the trust, if the fund payer has not provided the value to qualify the trust for the deduction.

*Status: Chapter 71, Statutes of 2010.*

### **AB 347 (Bass). INCOME AND CORPORATION TAXES: CHARITABLE CONTRIBUTIONS: HAITI EARTHQUAKE VICTIMS.**

Allows an individual or corporate taxpayer to deduct a charitable contribution made for the relief of victims of the earthquake in Haiti on the taxpayer's 2009 tax return, instead of the 2010 tax return.

*Status: Chapter 8, Statutes of 2010.*

**AB 384 (Ma).** PROPERTY TAXATION: CERTIFICATED AIRCRAFT ASSESSMENT.

Extends the existing Centralized Fleet Calculation Program for statewide assessment of certificated aircraft for property tax purposes until fiscal year 2015-16. Provides that, with respect to lien dates occurring on and after January 1, 2011, the value of an individual aircraft assessed to the original owner may not exceed its original cost and that the pre-allocated fair market value of an aircraft may be rebutted by certain evidence, including appraisals, invoices, and expert testimony.

*Status: Chapter 228, Statutes of 2010.*

**AB 656 (Torrico).** CALIFORNIA HIGHER EDUCATION ENDOWMENT CORPORATION: OIL AND GAS SEVERANCE TAX.

Enacts the Fair Share for Fair Tuition Act. Specifically, imposes an oil and gas severance tax upon producers at the rate of 12.5% of gross value, with all proceeds to be deposited into a newly created California Higher Education Fund. Moneys in the fund are to be distributed to the three segments of California's public postsecondary education system: the California Community Colleges, the California State University, and the University of California.

*Status: Referred to Committee on Education. Set second hearing. Hearing canceled at the request of the author.*

**AB 658 (Hayashi & Lieu).** TAXPAYER CONTRIBUTIONS: CALIFORNIA POLICE ACTIVITIES LEAGUE (CALPAL) FUND.

Authorizes the addition of the California Police Activities League (CALPAL) Fund checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form.

*Status: Chapter 346, Statutes of 2010*

**AB 759 (Ma).** PUBLIC CONTRACTS WITH EXPATRIATE CORPORATIONS.

Exempts certain foreign companies from California's public contracting ban by revising the definition of an "expatriate corporation." Specifically, this bill

modifies the definition of an "expatriate corporation" under the California Taxpayer and Shareholder Protection Act of 2003 [Chapter 1 (commencing with Section 10286) of Part 2 of Division 2 of the Public Contract Code] to provide that a foreign incorporated entity is exempt from the definition of an "expatriate corporation" if all of the following requirements are met:

- 1) The foreign incorporated entity, or any predecessor, was originally established in connection with a transaction between unrelated publicly traded corporations;
- 2) Immediately after the transaction, not more than 70% of that entity's stock is held by former shareholders of any domestic corporation that was a party to such transaction;
- 3) The transaction, or a series of related transactions, that originally established the foreign incorporated entity, or any predecessor, was a taxable transaction for any United States (U.S.) shareholders of any domestic corporation that was a party to such transaction; and,
- 4) The foreign country in which the entity is organized has a comprehensive income tax treaty with the U.S. and the entity is considered a resident of the foreign country for purposes of that treaty.

*Status: Chapter 349, Statutes of 2010.*

**AB 1008 (Block).** TAXPAYER CONTRIBUTIONS: CALIFORNIA NATIONAL GUARD EDUCATION ASSISTANCE FUND.

Authorizes the addition of the California National Guard Education Assistance Fund checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form.

*Status: Referred to Senate Committee on Revenue and Taxation.*

**AB 1088 (Fletcher).** TAXPAYER CONTRIBUTIONS: CALIFORNIA VETERANS HOMES FUND.

Authorizes the addition of the California Veterans Homes Fund checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Moneys in the fund will be distributed to the California Department of Veterans Affairs for allocation to the administrators of veterans homes.

*Status: Chapter 355, Statutes of 2010.*

**AB 1178 (Portantino).** INCOME TAXES: FEDERAL CONFORMITY: PATIENT PROTECTION AND AFFORDABLE CARE ACT: HEALTH CARE AND EDUCATION RECONCILIATION ACT OF 2010.

Conforms California income tax laws to certain specified provisions of the Patient Protection and Affordable Care Act (Public Law 111-148, March 23, 2010) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152, March 30, 2010).

*Status: Read second time. Amended, and re-referred to Senate Committee on Appropriations.*

**AB 1341 (Bonnie Lowenthal).** PROPERTY TAXATION: POSSESSORY INTERESTS: LONG BEACH COURTHOUSE.

Provides that there is no taxable possessory interest if the possession is pursuant to a project agreement entered into by the Judicial Council (JC) with a nongovernmental entity for the purpose of replacing the Long Beach Courthouse, provided other specified criteria are met. Further provides that this possessory interest safe harbor shall not apply to any lease of, or improvements to, the Long Beach Courthouse by the JC with a nongovernmental entity to the extent the land or improvements are used by the nongovernmental entity as commercial office space, retail space, or paid parking spaces not designated for use for governmental purposes or court facilities.

*Status: Chapter 442, Statutes of 2010.*

**AB 1511 (De Leon).** INCOME TAXES: NET OPERATING LOSSES: CREDIT SHARING: SINGLE SALES FACTOR.

Repeals net operating loss carrybacks, suspends taxpayers' ability to claim net operating loss deductions for the 2010 and 2011 taxable years, and makes the elective single sales factor apportionment of income mandatory for corporate taxpayers. Furthermore, this bill delays the ability of a corporation to share its credits with an affiliated corporation within its unitary group until the 2012 tax year.

*Status: Read second time. Amended, and re-referred to Senate Committee on Revenue and Taxation.*

**AB 1530 (Skinner).** TAX ADMINISTRATION: FRANCHISE TAX BOARD: COLLECTION: RESTITUTION ORDERS AND OTHER AMOUNTS.



Provides the Franchise Tax Board (FTB) with express authority to collect restitution orders awarded to the FTB in criminal proceedings in the same manner and with the same priority as tax liabilities.

*Status: Chapter 359, Statutes of 2010.*

**AB 1565 (Buchanan).** RESEARCH AND DEVELOPMENT TAX CREDIT AREAS.

Authorizes the Department of Housing and Community Development to designate a Research and Development Tax Credit Area after evaluating a proposal by a city incorporated on or after July 1, 2000 or an Innovation Hub designated by the Business, Transportation and Housing Agency.

*Status: In committee. Placed on Senate Revenue and Taxation Committee suspense file.*

**AB 1604 (Nava).** TAXATION: OIL INDUSTRY FAIR SHARE ACT.

Enacts the Oil Industry Fair Share Act. Specifically imposes an oil severance tax upon any producer for the privilege of severing oil from the earth or water in this state for sale, transport, consumption, storage, profit, or use, at the rate of 10% of the gross value of the product. Proceeds from the severance tax are to be deposited in the General Fund after reimbursing the State Board of Equalization for its administrative costs.

*Status: In committee. Died and returned to the Chief Clerk's Office.*

**AB 1657 (De La Torre).** ENTERPRISE ZONES: CITY OF DOWNEY.

Requires the Department of Community Housing and Development, upon application by the Downey City Council, to designate one enterprise zone within the geographic area of the City of Downey.

*Status: In committee. Set first hearing. Hearing cancelled at the request of the author.*

**AB 1662 (Portantino & Jeffries).** DISASTER RELIEF.

Adds the severe winter storms that occurred in the Counties of Calaveras, Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Francisco, and Siskiyou in 2010 to the list of disasters eligible for full state reimbursement of local property tax losses, beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses. Also

adds the wildfires that occurred in the Counties of Los Angeles and Monterey in 2009, the wildfires that occurred in the County of Placer in 2009, and the wildfires that occurred in the County of Kern in 2010 to the list of disasters eligible for beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses.

*Status: Chapter 447, Statutes of 2010.*

**AB 1687 (Jeffries).** SALES AND USE TAXES: CONSUMER: DESTINATION MANAGEMENT COMPANY.

Designates a qualified destination management company as a consumer, and not a retailer, of the tangible personal property it provides a client under a qualified contract for destination management services. Specifically, defines a qualified destination management company as a corporation that, among other things, is substantially engaged in the business of providing destination management services and that is accredited by the Association of Destination Management Executives.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1690 (Chesbro).** DISASTER RELIEF: COUNTY OF HUMBOLDT EARTHQUAKE.

Adds the earthquake that occurred in Humboldt County on January 9, 2010 to the list of disasters eligible for full state reimbursement of local property tax losses, beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses.

*Status: Chapter 449, Statutes of 2010.*

**AB 1700 (Gaines).** SALES AND USE TAXES: VEHICLES LICENSE FEE: INCOME TAXES.

Repeals the February 2009 special session budget provisions relating to the sales and use tax (SUT), vehicle license fee (VLF), and personal income tax (PIT). Specifically, it proposes to repeal (1) the temporary state SUT rate of 1%, which is currently set to expire on July 1, 2011; (2) the 0.35% VLF rate increase, which is currently set to expire on July 1, 2011; (3) the reduction in the dependent exemption credit amount, and (4) the 0.25 percentage point that was temporarily added to each marginal PIT rate and to the alternative minimum tax rate in February 2009.

*Status: In committee. Set final hearing. Held under submission.*

**AB 1705 (V. Manuel Perez).** INCOME TAXATION: EXCLUSION: GRANTS FOR SPECIFIED ENERGY PROPERTY.

Conforms state law to the federal American Recovery and Reinvestment Act (ARRA) of 2009 [Public Law (P.L.) 111-5] to create an exclusion from gross income for federal energy grants received by a taxpayer, in lieu of the federal energy credits, pursuant to Section 1603 of the ARRA. Also includes a public purpose statement providing that this conformity provision is necessary to ensure the fair and consistent application of California law to recipients of grants made by the Secretary of the Treasury under Internal Revenue Code Section 1603 of the ARRA.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1719 (Harkey).** SALES AND USE TAXES: EXEMPTION: BUSINESS EQUIPMENT.

Creates a partial sales and use tax (SUT) exemption for specified business equipment. Specifically, creates a SUT exemption for tangible personal property that is used by one of the following: (1) a qualified person primarily in any stage of the manufacturing, processing, refining, fabricating, or recycling of property; (2) a qualified person primarily in research and development; (3) a qualified person primarily to maintain, repair, measure, or test any property described above; or, (4) a contractor in the performance of a construction contract for a "qualified person" who will use the property as an integral part of the manufacturing, processing, refining, fabricating, or recycling of property, or as a research or storage facility for use in connection with the manufacturing process.

*Status: In committee. Set final hearing. Held under submission.*

**AB 1735 (Harkey).** INCOME TAX CREDITS: EDUCATION AND TRAINING.

Allows, for each taxable year beginning on or after January 1, 2010, a credit equal to 50% of the costs paid or incurred by a taxpayer for education and training. Defines "education and training" as education and training provided to either (1) the taxpayer's employees to maintain or improve a skill required for the taxpayer's trade or business, or (2) the taxpayer in order to comply with the express requirements imposed by the taxpayer's employer or by laws or regulations as a condition of the taxpayer's retention of an established employment relationship, status, or rate of compensation.

*Status: In committee. Set final hearing. Held under submission.*

**AB 1777 (Portantino).** CREATIVE INDUSTRIES AND COMMUNITY ECONOMIC REVITALIZATION ACT OF 2010.

Provides that 20% of the state's General Fund sales and use tax revenues at the 4.75% rate, remitted by specified taxpayers, shall be deposited into a newly established Creative Industries and Community Economic Revitalization Fund (Fund) for specified purposes. Specifically, provides that the money in the Fund may be expended by the California Arts Council, upon appropriation by the Legislature, to issue grants.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1779 (Niello).** TAXATION: CANCELLATION OF INDEBTEDNESS: MORTGAGE DEBT FORGIVENESS.

Allows a solvent individual taxpayer to exclude from his/her gross income an amount of qualified principal residence indebtedness, up to \$2 million, discharged by the lender on or after January 1, 2009 and before January 1, 2013, in full conformity with federal income tax laws.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1782 (Harkey).** DISASTER RELIEF.

Provides a mechanism for automatically reimbursing eligible counties for property tax losses resulting from the reassessment of properties damaged by a Governor-declared state of emergency. Also, provides that any dwelling that qualified for a homeowners' property tax exemption and that was damaged or destroyed by a natural disaster in an area the Governor declares to be in a state of emergency "during a specified period of time," and that has not changed ownership since the commencement date of the disaster, shall not be denied an exemption solely because the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner, or was temporarily uninhabited as a result of restricted access.

*Status: In committee. Died and returned to the Chief Clerk's Office.*

**AB 1806 (Hagman).** PERSONAL INCOME TAXES: CAPITAL GAINS: SALE OF PRINCIPAL RESIDENCE: SURVIVING SPOUSE.

Conforms fully to Internal Revenue Code (IRC) Section 121(b)(4), relating to an exclusion from income for capital gains recognized by a surviving spouse upon the disposition of his/her principal residence. Specifically, this bill allows, by reference to IRC Section 121(b)(4), a surviving spouse to exclude from gross income up to \$500,000 (instead of \$250,000) of the gain from the sale or exchange of the principal residence owned jointly with a deceased spouse, provided that the sale or exchange occurs within two years of the death of the spouse.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1812 (Silva).** SALES AND USE TAXES: EXEMPTION: MANUFACTURING EQUIPMENT.

Creates a partial sales and use tax (SUT) exemption, operative January 1, 2011, for specified tangible personal property (TPP). Specifically exempts the following from SUT: (1) TPP purchased by a qualified person for use primarily in the manufacturing, processing, refining, fabricating, or recycling of property; and, (2) TPP purchased by a contractor for use in the performance of a construction contract for a qualified person who will use the TPP as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or as a storage facility for use in connection with the manufacturing process.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1836 (Furutani).** PERSONAL INCOME TAX: RATES.

Temporarily, for taxable years beginning on or after January 1, 2011, and before January 1, 2016, establishes 10% and 11% personal income tax brackets for high-income taxpayers and increases the alternative minimum tax rate to 8.5%.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1915 (Davis).** INCOME TAXES: CREDITS: MUSIC PRODUCTION COMPANIES.

Allows a credit, under both the Personal Income Tax Law and the Corporation Tax Law, for the production of qualified music recordings in California. Specifically allows, for taxable years beginning on or after January 1, 2010, a credit equal to an unspecified percentage of qualified expenditures paid or incurred by a qualified taxpayer for the production of a qualified music recording in California.

*Status: In committee. Set first hearing. Hearing canceled at the request of the author.*

**AB 1935 (De Leon).** CORPORATE INCOME TAX: SINGLE SALES FACTOR.

Repeals the Corporate Tax Law provision that allows a corporation to make an annual election, for taxable years beginning on or after January 1, 2011, to use either a single sales factor (SSF) or a double-weighted sales factor formula in apportioning its business income to California. Specifically, this bill requires corporate taxpayers, except those that derive more than 50% of their gross receipts from conducting an agricultural, extractive, savings and loan, or banking

or financial business activity, to use the SSF formula in apportioning income to California.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1936 (De Leon).** INCOME TAXATION: DEDUCTIONS: NET OPERATING LOSS CARRYBACKS.

Disallows the use of net operating loss carrybacks by individual and corporate taxpayers in any taxable year.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1945 (Fletcher).** TAXATION: MILITARY HOUSING.

Modifies the statute that provides a possessory interest tax exemption to private contractors that construct and maintain military housing, provided the tax savings inure solely to the benefit of the military housing residents. Specifically, provides that if the military, in writing or by contract, requires the property tax savings to be held in a reserve account for use in future project construction, the county assessor may levy an escape assessment within four years after July 1 of the assessment year in which the savings are withdrawn from the reserve account. Allows, by implication, the tax savings to be held in a reserve account for use in future project construction if the military so requires.

*Status: In committee. Set first hearing. Hearing canceled at the request of the author.*

**AB 1948 (Knight).** PROPERTY TAXATION: DISABLED VETERANS' EXEMPTION: CLAIM: CANCELLATION OR REFUND OF TAX.

Extends the time period for a disabled veteran, who has not yet received a disability rating from the United States Department of Veterans Affairs (USDVA), to file a property tax exemption claim, and deletes a requirement for the disabled veteran to have a "pending" application with the USDVA.

*Status: Referred to Assembly Committee on Revenue and Taxation.*

**AB 1959 (Logue).** PERSONAL INCOME TAXES: WITHHOLDING.

Limits the 10% withholding increase on wages, supplemental wages, stock options, and bonus payments to amounts paid on and after November 1, 2009, and before January 1, 2011. Also, restores the fixed rate of withholding on

supplemental wages, other than stock options and bonus payments, to 6%, and restores the fixed rate of withholding on stock options and bonus payments to 9.3%.

*Status: In committee. Set second hearing. Held under submission.*

**AB 1973 (Swanson).** INCOME TAXES: CREDITS: QUALIFIED EMPLOYEES.

Augments the existing small business hiring credit by authorizing an expanded credit in the amount of \$5,000 for each full-time employee who is either an ex-offender, or a person who has been unemployed for 12 or more consecutive months, as specified.

*Status: In committee. Held under submission.*

**AB 1983 (Torrico).** PERSONAL INCOME TAXES: VOLUNTARY CONTRIBUTIONS: SAFELY SURRENDERED BABY FUND.

Authorizes the addition of the Safely Surrendered Baby Fund (Fund) checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Moneys in the Fund are to be allocated to the State Department of Social Services (DSS) for programs to increase public awareness and outreach regarding the Safely Surrendered Baby Law, including public service announcements in English and Spanish, safe-surrender hotlines, a DSS Internet Website with a comprehensive list of safe-surrender sites, education, and training for communities and schools.

*Status: Chapter 587, Statutes of 2010.*

**AB 1990 (Anderson).** INCOME TAXES: CREDIT: UNEMPLOYED WORKERS: CHILD CARE COSTS.

Allows a personal income tax credit to unemployed taxpayers for 100% of specified child care costs for taxable years beginning on or after January 1, 2011.

Limits the amount of the available credit in a taxable year to \$500 for each qualified dependent.

*Status: In committee. Set second hearing. Held under submission.*

**AB 2014 (Torrico).** INCOME TAXES: CREDITS: ENERGY EFFICIENT HOMES.

Allows an income tax credit, for taxable years beginning or after January 1, 2010, and before January 1, 2014, for the qualified costs incurred by an individual taxpayer in improving the energy efficiency of his/her qualified principal residence. Limits the amount of the credit to the lesser of 50% of the qualified costs incurred in the taxable year or \$1,500. Restricts the availability of this

credit only to residents of Alameda, Contra Costa, San Mateo, and Santa Clara Counties. Caps the aggregate amount of the credit allowable to all eligible taxpayers in any given taxable year to \$250,000. Defines "qualified costs" as costs paid or incurred by a taxpayer for the repair, rehabilitation, or improvement of a qualified principal residence recommended by an energy audit.

*Status: In committee. Re-referred to Assembly Appropriations Committee. Held under submission.*

**AB 2038 (Eng).** FRANCHISE TAX BOARD: PROFESSIONAL OR OCCUPATIONAL LICENSES.

Permits a state governmental licensing entity (SGLE) and the Franchise Tax Board (FTB) to suspend a taxpayer's occupational or professional license due to unpaid tax liabilities. Specifically, this bill authorizes a SGLE, until January 1, 2016, to deny, revoke, or suspend a license of a licensee who has failed to pay outstanding tax liabilities. Also, allows FTB to suspend an occupational or professional license of a taxpayer if the license has not been suspended, revoked, or denied by the applicable SGLE. Makes legislative findings and declarations that the suspension of a professional or occupational license for failure to pay delinquent taxes is a legislative act, for which due process is satisfied by the legislative notice and hearing procedures.

*Status: In committee. Referred to Assembly Appropriations Committee. Held under submission.*

**AB 2041 (Villines & Smyth).** INCOME TAX: HEALTH SAVINGS ACCOUNTS.

Conforms California income tax laws to federal tax law with respect to health savings accounts (HSAs) for taxable years beginning on or after January 1, 2010, by allowing eligible individuals to claim an above-the-line deduction related to their contributions to HSAs in computing their adjusted gross income. Excludes from the gross income of an employee any contributions to an HSA made by his/her employer on the employee's behalf. Allows a taxpayer to roll over the balance of an existing Archer medical savings account to an HSA for taxable years beginning on or after January 1, 2010, without penalty.

*Status: Re-referred to Assembly Committee on Revenue and Taxation.*

**AB 2044 (Caballero).** INCOME TAX: CREDITS: ENTERPRISE ZONES.

Limits the aggregate amount of specified enterprise zone credits that may be allocated in any fiscal year, beginning in the 2010-11 fiscal year, to \$250,000,000 per year. Also revises the definition of qualified wages for purposes of the enterprise zone hiring credit to provide that qualified wages include that portion



of wages paid or incurred by the taxpayer that do not exceed 250% of the minimum wage.

*Status: Re-referred to Assembly Committee on Jobs.*

**AB 2078 (Charles Calderon).** USE TAX: NOTIFICATION TO PURCHASERS: RETAILER ENGAGED IN BUSINESS: CONTROLLED GROUP.

Establishes a rebuttable presumption that specified retailers are engaged in business in this state and are therefore required to collect use tax on sales of tangible personal property (TPP) to California consumers. Specifically, a retailer shall be presumed to be engaged in business in this state if the retailer is part of a controlled group of corporations with a component member that meets the current statutory definition of a retailer engaged in business in this state. Also, provides that any retailer selling taxable TPP, that is not required to collect use tax, shall provide a notice on its retail website or catalogue that California law imposes use tax on non-exempt TPP purchased from the retailer, and that the consumer must pay the tax.

*Status: To Senate inactive file.*

**AB 2100 (Coto).** TAXATION: SWEETENED BEVERAGES: PEDIATRIC OBESITY FUND.

Enacts the Sweetened Beverage Tax Law, which would impose a tax of \$0.01 per teaspoon of added sweetener in a bottled sweetened beverage or concentrate. Upon appropriation, revenues would be allocated to the Department of Education for distribution of grants to eligible school districts for the purpose of employing a school nurse or health educator and creating a healthful diet and lifestyle plan for the school.

*Status: Re-referred to Assembly Committee on Revenue and Taxation.*

**AB 2113 (Evans).** LOCAL TAXATION: PERSONAL INCOME TAXES: VEHICLE LICENSE FEES.

Authorizes the board of supervisors of any county, by ordinance, to place on the ballot a local personal income tax or local vehicle license fee, or both, in accordance with all constitutional and statutory requirements.

*Status: In committee. Set first hearing. Hearing canceled at the request of the author.*

**AB 2126 (Garrick).** MINIMUM ANNUAL TAX: EXEMPTIONS: CORPORATIONS.

Exempts a new corporation, limited partnership, limited liability partnership, a limited liability corporation from the minimum franchise tax for the first taxable

year of business operation and reduces the annual minimum franchise tax imposed on that corporation from \$800 to \$100 for each of the nine taxable years thereafter. Applies only to those entities that qualify as "small businesses" and that first commence business operations on or after January 1, 2011. Defines the term "small business" as a taxpayer that, for the previous tax year, had gross receipts of \$1 million or less.

*Status: In committee. Referred to Assembly Appropriations Committee. Held under submission.*

**AB 2136 (V. Manuel Perez & Salas).** DISASTER RELIEF: COUNTY OF IMPERIAL EARTHQUAKE.

Adds the earthquake that struck Imperial County on April 4, 2010, to the list of disasters eligible for full state reimbursement of local property tax losses, beneficial homeowners' property tax exemption treatment, and special carry forward treatment of excess disaster losses.

*Status: Chapter 461, Statutes of 2010.*

**AB 2148 (Tran).** PERSONAL INCOME TAX: CHARITABLE CONTRIBUTION DEDUCTION: PHYSICIAN.

Authorizes an income tax deduction equal to the value of medical services contributed free of charge by a physician to a local community clinic or the emergency department of a general acute care hospital during the taxable year. Defines a "physician" as a person authorized to practice medicine or osteopathy under the laws of any state. Limits the amount of the deduction available to a qualified taxpayer in each taxable year to \$1,500.

*Status: In committee. Referred to Assembly Appropriations Committee. Held under submission.*

**AB 2171 (Charles Calderon & Portantino).** TAX BENEFITS.

Conditions the allowance of a tax benefit established on or after January 1, 2011, on the passage of a separate statute that establishes the allowable amount of the tax benefit. Provides that the tax benefit shall be paid pursuant to an annual appropriation by the Legislature for that purpose. Defines a "tax benefit" as a credit, deduction, exclusion, exemption, or other tax advantage that has the effect of reducing a taxpayer's tax liability to the state.

*Status: In committee. Referred to Assembly Appropriations Committee. Hearing postponed.*

**AB 2177 (Beall).** INCOME AND CORPORATION TAXES: FRANCHISE TAX BOARD: ADMINISTRATION: ELECTRONIC COMMUNICATION.

Authorizes the Franchise Tax Board (FTB), until January 1, 2018, to implement an alternative communication method that, at the request of a taxpayer or the taxpayer's authorized representative, would allow FTB to communicate with the taxpayer electronically.

*Status: Chapter 136, Statutes of 2010.*

**AB 2195 (Silva).** TAXATION: STATE BOARD OF EQUALIZATION (BOE):  
PENALTY: BURDEN OF PROOF.

Codifies existing case law and BOE's administrative practices by shifting the burden of proof by clear and convincing evidence from a taxpayer to BOE in any civil proceeding in which the BOE asserts intent to evade or fraud by the taxpayer.

*Status: Chapter 168, Statutes of 2010.*

**AB 2225 (Gaines).** TAXATION: WAGE WITHHOLDING.

Limits the application of the 10% withholding increase on wages, supplemental wages, stock options, and bonus payments to amounts paid on and after November 1, 2009, and before January 1, 2011. Restores the fixed rate of withholding on supplemental wages, other than stock options and bonus payments, to 6%, and restores the fixed rate of withholding on stock options and bonus payments to 9.3%.

*Status: In committee. Set second hearing. Held under submission.*

**AB 2230 (Charles Calderon).** FRANCHISE TAX BOARD: ADMINISTRATION:  
LIST: PUBLICLY TRADED CORPORATIONS.

Requires the Franchise Tax Board (FTB) to publish on its Internet Web site, by March 31, 2011, and annually thereafter, a list of the 100 largest publicly traded corporations disclosing certain tax-related information reported by those corporations, including the aggregate amount of tax expenditures claimed by the corporation on its tax return and the effective tax rate.

*Status: To inactive file on motion by Assembly Member Charles M. Calderon.*

**AB 2278 (Anderson).** INCOME AND CORPORATION TAX CREDITS: RESEARCH  
AND DEVELOPMENT.

Conforms to the federal credit percentage for increasing research activities and to the federal alternative simplified credit provisions. Specifically, this bill increases, for taxable years beginning on or after January 1, 2010, the California credit rate for increasing research expenses from 15% to 20% and fully conforms to the federal alternative simplified credit rate of 14% (12% in the case of taxable years ending before January 1, 2009) of the qualified research expenses, as specified.

*Status: Re-referred to Assembly Committee on Revenue and Taxation.*

**AB 2280 (Miller).** SALES AND USE TAXES: EXEMPTION: BUSINESS EQUIPMENT.

Creates a complete sales and use tax exemption for equipment a manufacturer purchases for use in its manufacturing business in this state.

*Status: In committee. Set second hearing. Held under submission.*

**AB 2314 (Block & Knight).** PROPERTY TAX EXEMPTION: DISABLED VETERANS: PROCEDURE.

Extends the time period for a disabled veteran, who has not yet received a disability rating from the United States Department of Veterans Affairs (USDVA), to file a property tax exemption claim, and deletes a requirement for the disabled veteran to have a "pending" application with the USDVA.

*Status: Chapter 150, Statutes of 2010.*

**AB 2375 (Knight).** SALES AND USE TAX: STATE BOARD OF EQUALIZATION: ADMINISTRATION: INTEREST.

Grants the State Board of Equalization (BOE), meeting as a public body, discretion to relieve interest under specified circumstances. Specifically, provides that if BOE finds in its discretion that a person's failure to make a timely payment was due to extraordinary circumstances and that it is inequitable to compute interest in accordance with the Sales and Use Tax Law, then BOE may relieve all or part of the interest imposed on that payment if all of the following occur: (1) The person was granted relief from all penalties that applied to that payment; (2) The person has made the payment on which the interest was imposed; (3) The person files a request for an oral hearing before BOE; and, (4) The person files with BOE a statement under penalty of perjury setting forth the facts upon which the claim for relief is based along with any other information BOE requires.

*Status: Died in Senate Revenue and Taxation Committee and returned to the Chief Clerk's Office.*

**AB 2492 (Ammiano).** PROPERTY TAXATION: CHANGE IN OWNERSHIP.

Revises the circumstances under which a "change in ownership" of real property owned by a legal entity is deemed to have occurred. Specifically, provides that, when 100% of ownership interests in a legal entity are sold or transferred in a single transaction, the purchase or transfer of that interest is considered to be a "change of ownership" of the real property owned by the entity, thus, triggering a reassessment of the property for tax purposes. Specifies that a "sale or transfer" of ownership interests in a legal entity means a merger, acquisition, private equity buyout, transfer of partnership shares, or any other means by which a legal entity acquires the ownership interest of another legal entity, including the subsidiaries or affiliates of the legal entity and the property owned by those subsidiaries and affiliates. Finally, it states that a purchase or transfer of 100% of ownership interests in a legal entity is considered to be a "change of ownership" of the real property owned by that entity, whether or not any one legal entity that is a party to the transaction acquires more than 50% of the ownership interests. Defines the term "legal entity" as a corporation, a partnership, a limited liability company, or other legal entity.

*Status: Read second time. To Assembly third reading.*

**AB 2498 (Skinner).** INCOME TAXATION: ABUSIVE TAX AVOIDANCE TRANSACTIONS: VOLUNTARY COMPLIANCE INITIATIVE.

Requires the Franchise Tax Board (FTB) to develop and administer a voluntary compliance initiative (VCI), as specified, to be operative from January 1, 2011, until April 15, 2011. Specifically, it provides that the VCI would allow a taxpayer to avoid specified penalties and tax liabilities that may be imposed as a result of the use of abusive tax avoidance transactions that occurred in taxable years beginning before January 1, 2011, provided the taxpayer files an amended return and pays the tax due. Authorizes the FTB to add interest, penalties, or additions to tax relating to any abusive tax avoidance transaction, as defined, even if the FTB has not provided the taxpayer with a notice. Removes the "reasonable cause" exception for avoiding the underpayment penalties if the underpayment is a result of an abusive tax avoidance transaction for specified taxpayers. Extends the penalty for aiding and abetting to certain persons and increases the amount of penalties. Modifies the definition of a "reportable transaction" for purposes of the income tax laws to include a "transaction of interest," as defined. Provides that an imposition of a penalty for promoting abusive tax shelters and aiding and abetting an understatement of tax liability constitutes grounds for disbarment or suspension of an attorney's license and for revocation, suspension, or refusal to renew the license of a registered public accounting firm, any person associated with a public accounting firm, or a tax preparer.

*Status: In committee. Set first hearing. Hearing canceled at the request of the author.*

**AB 2525 (Blumenfield).** SALES AND USE TAXES: EXEMPTION:  
MANUFACTURING EQUIPMENT.

Creates, on and after January 1, 2011, a sales and use tax exemption for tangible personal property (TPP) purchased for use by a qualified person for use in the manufacturing process of clean energy technology, as specified, and TPP purchased by a contractor for specified purposes. Also establishes conditions that a purchaser must meet to obtain an exemption certificate from the California Business Investment Services.

*Status: In committee. Set, first hearing. Hearing canceled at the request of author.*

**AB 2528 (Knight).** INCOME AND CORPORATION TAXES: GROSS INCOME:  
EXCLUSION: CASH FOR CLUNKERS.

Excludes from gross income any voucher or payment made pursuant to the federal Consumer Assistance to Recycle and Save Act of 2009, also known as "Cash for Clunkers," received as a result of the purchase of a vehicle.

*Status: Read second time, amended, and re-referred to Senate Committee on Revenue and Taxation.*

**AB 2556 (Fuller).** STATE BOARD OF EQUALIZATION: ADMINISTRATION:  
INTEREST WAIVER: FOREIGN PURCHASES.

Grants the State Board of Equalization (BOE) discretion to relieve all or part of the interest imposed in cases where use tax is remitted to BOE within 90 days of BOE notifying a person of a nonpayment, where the notification resulted from BOE obtaining information regarding the liability from the United States Customs Service. Provides that any person seeking this relief must file with BOE a statement under penalty of perjury setting forth the facts upon which the claim for relief is based along with any other information BOE requires. Limits the interest waiver provisions to any person whose gross receipts from business operations is less than \$250,000 (or if the person has no business operations, to a person whose gross adjusted income is less than \$250,000).

*Status: In committee. Set second hearing. Held under submission.*

**AB 2577 (Knight).** EMPLOYMENT: TAXES AND CONTRIBUTIONS:  
AEROSPACE INDUSTRY.

Exempts employers from withholding taxes for remuneration paid to nonresidents of California who are employed in the aerospace industry on a temporary basis.

*Status: In committee. Set second hearing. Hearing canceled at the request of the author.*

**AB 2589 (Tran).** INCOME TAXES: RENEWABLE ENERGY CREDITS.

Allows a temporary income tax credit equal to one and eight-tenths cents (\$0.018) per kilowatt hour produced by a dual renewable energy device during the taxable year by a qualified producer at a facility located in this state or within three miles off the shore of this state.

*Status: In committee. Set first hearing – Assembly Committee on Utilities and Commerce. Held without recommendation.*

**AB 2617 (Tran).** INCOME TAXES: CREDIT: NEW JOBS.

Authorizes, for taxable years beginning on or after January 1, 2010, an income tax credit equal to 15% of the wages paid or incurred during the taxable year by a qualified taxpayer that first commences to do business in the state on or after 2010, as provided.

*Status: In committee. Set first hearing. Hearing canceled at the request of the author.*

**AB 2630 (Emmerson & Cook).** INCOME TAX: CREDITS: FULL-TIME EMPLOYEES: HIRES.

Expands the definition of a qualified employer for purposes of the existing small business hiring credit. Specifically provides that, for taxable years beginning on or after January 1, 2011, a qualified employer means a taxpayer that, as of the last day of the preceding taxable year, employed up to 50 (instead of 20) employees.

*Status: In committee. Referred to Assembly Appropriations Committee suspense. Held under submission.*

**AB 2640 (Arambula).** INCOME TAXES: CREDITS: SALES TAX ON QUALIFIED PROPERTY: EXCLUSION: QUALIFIED PARKING.

Repeals the exclusion from gross income for free or subsidized parking provided by employers to employees who participate in a ridesharing arrangement. Allows an income tax credit for the sales or use tax paid by a qualified taxpayer for qualified property, subject to an annual cutoff date established by the Franchise Tax Board and a cap amount of \$100 million.

*Status: In committee. Re-referred to Assembly Appropriations Committee.  
Held under submission.*

**AB 2641 (Arambula).** TAX EXPENDITURES.

Requires the Legislature to review, before January 1, 2014, and every fifth year thereafter, each tax expenditure, as specified. Provides that every new tax expenditure that is enacted after the effective date of this bill shall be repealed automatically on January 1, 2015, and on January 1 of every fifth year thereafter, unless a later statute provides otherwise.

*Status: In committee. Re-referred to Assembly Appropriations Committee.  
Held under submission.*

**AB 2665 (Audra Strickland).** INCOME TAX CREDITS: EMERGENCY STANDBY GENERATORS.

Allows, for taxable years beginning on or after January 1, 2011, and before January 1, 2016, an income tax credit equal to 5% of the amount paid or incurred during the taxable year for the purchase and installation of an emergency standby generator at a service station located in this state.

*Status: In committee. Set second hearing. Held under submission.*

**AB 2671 (Cook).** TAXES: MINIMUM FRANCHISE TAX EXEMPTION: ARMED FORCES.

Exempts, until January 1, 2018, certain small corporations and limited liability companies owned solely by a deployed member of the United States Armed Forces from the \$800 annual tax and minimum franchise tax.

*Status: Chapter 394, Statutes of 2010.*

**AB 2687 (Bradford).** INCOME TAXES: CREDIT: TRADE INFRASTRUCTURE INVESTMENT: IMPORT-EXPORT CARGO.

Allows, for taxable years beginning on or after January 1, 2011, and before January 1, 2021, a trade infrastructure investment tax credit and an import-export cargo tax credit to taxpayers that invest in, and use, public port facilities in California. Requires the Franchise Tax Board (FTB) to estimate the economic impacts of the allowance of these tax credits, and to certify qualifying projects and qualified cargo only if the FTB determines that there would be sufficient



revenues received by the state, as a result of the economic impacts of these projects and cargo, to offset the costs to the state of providing the tax credits.

*Status: In committee. Set second hearing. Held under submission.*

**AB 2725 (Nestande).** CORPORATION TAXES: PENALTY.

Repeals the 20% strict liability understatement penalty imposed on corporate taxpayers with an "understatement of tax" in excess of \$1 million.

*Status: In committee. Set first hearing. Held under submission.*

**AB 2735 (De Leon).** PROPERTY TAXATION: CHANGE IN OWNERSHIP: EXCLUSION.

Excludes from property tax reassessment the transfer of a co-tenancy interest in a principal residence if the principal residence was owned by two individuals and was transferred to one of those individuals upon the death of the other, with the survivor obtaining sole ownership of that property. Applies to a transfer of real property interests only if the transfer does not qualify for any other exclusion from a property tax reassessment under Revenue and Taxation Code Sections 62 et seq.). Applies to transfers that occur on or after January 1, 2011, and before January 1, 2021.

*Status: In committee. Re-referred to Assembly Appropriations Committee. Held under submission.*

**AB 2788 (Portantino).** SALES AND USE TAXES: EXEMPTIONS: VEHICLES AND TRAILERS: USE OUTSIDE THIS STATE.

Expands and consolidates the sales and use tax exemptions currently available for specified heavy-duty vehicles. Specifically, provides an exemption for new or remanufactured trucks, truck tractors, trailers and semi-trailers, and new or remanufactured trailer coaches or auxiliary dollies that are purchased for use outside this state, provided specified conditions are met.

*Status: To Senate inactive file.*

**AJR 12 (Block).** OFFSHORE TAX HAVEN JURISDICTIONS.

Requests that the President and the United States Congress enact legislation that would close the corporate federal tax loopholes currently allowing the sheltering of income in offshore tax haven countries and that would, instead, promote

transparency, cooperation, and tax compliance.

*Status: Chapter 101, Statutes of 2010.*

**AJR 29 (Feuer).** FEDERAL INCOME TAX: SAME-SEX COUPLES.

Asks the Internal Revenue Service to defer to California law on the treatment of property belonging to same-sex spouses, so that for tax years beginning after December 31, 2010, when filing separate federal income tax returns, each same-sex spouse must include in his/her gross income one-half of the community's income.

*Status: Chapter 102, Statutes of 2010.*

**AB 11 x6 (Hill).** DISASTER RELIEF: COUNTY OF SAN MATEO: SAN BRUNO EXPLOSION.

Adds the explosion and fire that occurred in the County of San Mateo on September 9, 2010, to the list of disasters eligible for full state reimbursement of local property tax losses, beneficial homeowners' property tax exemption treatment, and special "carry forward" treatment of excess disaster losses.

*Status: Chapter 2, Statutes of 2009-10 Sixth Extraordinary Session.*

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**SB 71 (Padilla, Alquist & Strickland).** ECONOMIC DEVELOPMENT: SALES AND USE TAX EXCLUSIONS: ENVIRONMENTAL TECHNOLOGY PROJECT.

Expands the range of projects that may be approved for a sales tax exclusion. Specifically, this bill revises the definition of "project" to include equipment used to manufacture products that produce energy from alternative sources such as solar, wind and biomass and allows the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to authorize a state and local sales tax exclusion for tangible personal property that is used for the design, manufacture, production, or assembly of advanced transportation technologies or alternative source products, components or systems. Requires CAEATFA to evaluate applications for the sales tax exclusion according to specified criteria and to provide 20-day notice to the Legislature once the value of exclusions approved by CAEATFA exceeds \$100 million. The expanded authority of CAEATFA to approve specified projects will sunset on January 1, 2021. Finally, it mandates the Legislative Analyst's Office to report, on or before January 1, 2019, to the Joint Legislative Budget Committee on the effectiveness of the program, evaluating by specified factors, including the number of jobs

created in California, the number of businesses retained in or relocated to California, and the amount of state and local revenue and economic activity generated.

*Status: Chapter 10, Statutes of 2010.*

**SB 401 (Wolk). TAXATION: FEDERAL CONFORMITY.**

Changes California's specified date of conformity to federal income tax law from January 1, 2005 to January 1, 2009, and thereby, generally conforms California tax laws to numerous changes made to federal income tax law during that four-year period. Among other federal provisions, this bill conforms to the American Recovery and Reinvestment Act (ARRA) of 2009 [Public Law (P.L.) 111-5] to create an exclusion from gross income for federal energy grants received by a taxpayer, in lieu of the federal energy credits, pursuant to Section 1603 of the ARRA. It also fully conforms to Internal Revenue Code (IRC) Section 121(b)(4), to allow a surviving spouse to exclude from his/her gross income up to \$500,000 (instead of \$250,000) of the gain from the sale or exchange of the principal residence owned jointly with a deceased spouse, provided that the sale or exchange occurs within two years of the death of the spouse. Finally, by reference to federal tax law, it permits a solvent individual taxpayer to exclude from his/her gross income an amount of qualified principal residence indebtedness discharged by the lender on or after January 1, 2009, and before January 1, 2013.

*Status: Chapter 14, Statutes of 2010.*

**SB 858 (Senate Budget and Fiscal Review Committee). SALES AND USE TAXES: INCOME AND CORPORATION TAXES: COLLECTION COST RECOVERY FEE.**

Makes various changes to state tax laws to implement revenue provisions of the 2010-11 budget agreement. Specifically, it (1) suspends the net operating loss deduction under the Personal Income Tax and the Corporation Tax Laws, for the 2010 and 2011 tax years, (2) authorizes corporate taxpayers who do not elect, or are not eligible to elect, the single sales factor apportionment formula to use the cost of performance method in assigning their sales of property other than tangible personal property, and (3) allows for an exemption from the application of the 20% corporate understatement penalty for those taxpayers whose understatement is below a specified percentage threshold of their total tax liability. In addition, it provides that persons that are required to report and remit the use tax on the purchase of tangible personal property may elect to report and remit the tax on an acceptable tax return and requires the State Board of Equalization to assess a collection cost recovery fee for their costs associated with collecting various fees and taxes from businesses and individuals who have been non-compliant.

*Status: Chapter 721, Statutes of 2010.*

**SB 884 (Ashburn).** SALES AND USE TAXES: USE TAX: ADMINISTRATION.

Makes several changes related to the use tax registration program enacted by last year's ABX4 18 (Committee on Budget). Specifically, this bill eliminates the April 15 due date for qualified purchasers and gives the State Board of Equalization (BOE) the authority to establish calendar year or fiscal year reporting bases for these qualified purchasers. This bill also authorizes BOE to grant a reasonable extension of time for filing 2009 returns pursuant to this program, as specified, and waives all penalties for reporting periods 2007, 2008, and 2009, provided the qualified purchaser pays all use tax liability for those periods by March 15, 2011.

*Status: In Assembly. Read first time. Held at Desk.*

**SB 974 (Steinberg).** INCOME AND CORPORATIONS TAX: HIRING AND CAREER CREDITS.

Allows an income tax credit for specified business entities that provide career technical education, in an amount equal to that reserved and allocated by the Superintendent of Public Instruction. This bill also revises the definition of a qualified employee for purposes of the enterprise zone hiring credit. Specifically, this bill provides that an ex-offender includes an individual who has been convicted of a felony or a misdemeanor offense punishable by incarceration, or a person charged with a felony or misdemeanor punishable by incarceration but placed on probation without a finding of guilt. In addition, this bill removes residency in a targeted employment area as an element of eligibility. Finally, this bill requires taxpayers to apply for and obtain certification of a qualified employee within 42 days of the date of hire.

*Status: Set first hearing. Hearing canceled at the request of the author.*

**SB 1028 (Correa).** STATE BOARD OF EQUALIZATION: ADMINISTRATION: INTEREST.

Authorizes the State Board of Equalization (BOE), after meeting as a public body and taking into account all facts and circumstances, to charge interest on a late payment, or prepayment, of a tax, fee, or surcharge, on a daily, versus monthly, basis. Applies only to electronic payments or prepayments of taxes, fees, and surcharges, and sunsets on January 1, 2016. Specifies that, in order to qualify for the daily interest calculation, the taxpayer must file a request for an oral hearing before BOE, the payment must be no more than one day late, and the taxpayer must be granted relief from all penalties that applied to the payment. Finally, it disallows the modification of interest computation for any payment made

pursuant to a deficiency determination, a determination where no return has been filed, or a jeopardy determination.

*Status: Chapter 316, Statutes of 2010.*

**SB 1036 (Cedillo).** TAX ADMINISTRATION: DISCLOSURE INFORMATION: FRANCHISE TAX BOARD AND CITIES.

Allows a city that has entered into a "reciprocal agreement" with the Franchise Tax Board (FTB) to designate, by resolution, an outside agent to examine all of the tax information obtained under the agreement. Requires the designated agent, among other conditions, to execute a confidentiality statement, as provided by FTB.

*Status: Set first hearing. Failed passage in Assembly Revenue and Taxation Committee. Reconsideration granted.*

**SB 1065 (Walters).** INCOME TAX: JOINT RETURNS.

Modifies the statutory provisions that grant "innocent spouse" relief to more closely conform California law to federal law. Specifically, provides that any individual who has been granted "innocent spouse" relief under Internal Revenue Code (IRC) Section 6015, relating to joint and several liability with respect to a federal joint income tax return, shall be eligible for state relief if all of the following conditions are satisfied: (1) The individual requests relief; (2) The facts and circumstances that apply to the understatement and liabilities for which relief is requested are the same facts and circumstances that applied to the understatement and liabilities for which the individual was granted relief under IRC Section 6015; and, (3) The individual seeking relief provides the Franchise Tax Board with a copy of the federal determination granting relief.

*Status: Chapter 318, Statutes of 2010.*

**SB 1076 (Price).** INCOME TAXES: VOLUNTARY CONTRIBUTIONS: ARTS COUNCIL FUND.

Authorizes the addition of the Arts Council Fund (Fund) checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Further provides that money transferred to the Fund, upon appropriation by the Legislature, shall be distributed to the Arts Council, for allocation of grants to individuals or organizations administering arts programs.

*Status: Chapter 319, Statutes of 2010.*

**SB 1197 (Calderon).** INCOME AND CORPORATION TAXES: CREDITS:  
QUALIFIED MOTION PICTURE PRODUCTION.

Revises the rules for allocating the California Film & Television Tax Credit. Specifically, this bill removes the provision that provides that credits may not be allocated from a fiscal year other than the fiscal year in which the credit was originally applied for or the immediately succeeding fiscal year.

*Status: Hearing postponed by Senate Revenue and Taxation Committee.*

**SB 1244 (Walters).** EMPLOYMENT: TAXES AND CONTRIBUTIONS: LIMITED  
LIABILITY COMPANY.

Conforms the Unemployment Insurance Code to federal regulations relating to limited liability companies (LLCs), by revising the definition of "employee," in connection with payroll tax collections, to include any member of a LLC that is treated as a corporation for federal income tax purposes. Excludes from that definition any member of a LLC that is treated as a partnership for federal income tax purposes. Modifies the definition of "wages" to include compensation, as defined, paid to a member of a LLC filing a federal corporate income tax return.

*Status: Chapter 522, Statutes of 2010.*

**SB 1250 (Ducheny).** TAXATION: MILITARY HOUSING.

Modifies the statute that provides a possessory interest tax exemption to private contractors that construct and maintain military housing, provided certain conditions are met. Specifically, eliminates the requirement that the housing be for "military personnel and their dependents" and instead specifies that the housing be for military personnel or their dependents, or both, thereby allowing the exclusion to apply to long-term leases of nonfamily or "bachelor" housing. Further specifies that the safe harbor provisions shall not apply to a military housing unit managed by a private contractor that is rented to a tenant who is an unaffiliated member of the general public.

*Status: Chapter 327, Statutes of 2010.*

**SB 1316 (Romero).** INCOME TAXES: PROPERTY EXCHANGES: INVESTMENT  
CREDITS.

For taxable years beginning on or after January 1, 2011, and before January 1, 2012, excludes from like-kind exchange treatment any exchange in which out-of-state real property is received in exchange for real property located in California. In addition, authorizes an income tax credit, for the same time period, to encourage investments in low-income communities, as defined.

*Status: To Senate inactive file.*

**SB 1373 (Leno).** SALES AND USE TAXES: RETAILER: CONSTRUCTION CONTRACTOR.

Provides that, for contracts awarded on or after April 1, 2011, a contractor that fabricates, manufactures, processes, or produces any aggregate-based materials that the contractor permanently incorporates into a construction project, shall be deemed the retailer of those materials.

*Status: Placed on Senate Revenue and Taxation Committee suspense file.*

**SB 1391 (Yee).** INCOME TAXES: BUSINESS TAX INCENTIVES: REPORTING INFORMATION AND RECAPTURE.

Requires a taxpayer doing business in the state and claiming any new business tax incentive, as specified, under either the Personal Income Tax Law or the Corporation Tax Law to include annually, for tax years beginning on or after January 1, 2011, on the timely filed original return, the number of employees employed by the taxpayer in the state for the current and preceding taxable years. Exempts from these reporting requirements taxpayers with 25 or fewer employees that have net business income, as defined, of less than \$500,000 for the taxable year.

Applies only to a business tax incentive that is allowed by an act that takes effect beginning on or after January 1, 2011, and is enacted with the purpose of creating new jobs in the state. Provides that the new business tax incentive may be recaptured by the state if the taxpayer has a "net decrease" in the number of full-time equivalent employees, as specified. Defines "business tax incentive" as a credit, deduction, exclusion, exemption, or any other tax benefit, added to either Part 10 or Part 11 of the Revenue and Taxation Code (R&TC) by an act that takes effect beginning on or after January 1, 2011, and allowed to taxpayers engaged in or carrying on any trade, business, profession, vocation or calling, or commercial activity in the state.

*Status: In Senate. Senate refuses to concur in Assembly amendments.*

**SB 1492 (Committee on Revenue & Taxation).** INCOME TAXES: VOLUNTARY DISCLOSURE AGREEMENTS.

Makes several changes to the voluntary disclosure agreement (VDA) program, administered by the Franchise Tax Board, by allowing taxpayers to file the most recent tax return as late as the extended due date, eliminating the underpayment-of-estimated-tax penalty when imposed because the VDA is signed after the quarterly tax payment due date, and authorizing VDA applicants requesting an

Installment Payment Arrangement (IPA) additional time to satisfy the VDA, if the IPA request is denied after the VDA period ends. In addition, it provides that the changes to the VDA program are effective for all VDAs entered into on or after January 1, 2011.

*Status: Chapter 498, Statutes of 2010.*

**SB 1493 (Committee on Revenue & Taxation).** PROPERTY TAXATION  
ASSESSOR: TAX COLLECTOR: ADMINISTRATION.

Implements several technical tax proposals relating to the administration of property tax law. Among other provisions, allows county assessors to notify a taxpayer of a change in the base year value of the property via electronic mail, in lieu of regular mail, and permits county assessors to dispose of certain paper documents. Authorizes treasurer-tax collectors to offer a tax-defaulted property, for which a property tax welfare exemption has been granted, at a price that the tax collector deems appropriate, if no acceptable bids are received at a minimum price, as defined.

*Status: Chapter 185, Statutes of 2010.*

**SB 1494 (Committee on Revenue & Taxation).** TAXATION.

Makes several changes to the property tax law, repeals duplicative provisions, and corrects erroneous cross-references. Among other provisions, precludes assessors from revoking homeowners' exemptions for disaster-affected property upon a declaration of disaster from the Governor, thereby, avoiding the need for special purpose legislation for each individual disaster. Adds a trustee to the list of persons who can file claims for the parent-child and grandparent-grandchild "change in ownership" exclusion claims on behalf of eligible transferors and transferees, and authorizes a trustee to inspect otherwise confidential claims for the exclusion previously filed. Extends the use of the existing assessment valuation methodology for inter-county pipeline rights-of-way that is otherwise scheduled to sunset on January 1, 2011, and clarifies that, in the case of assessment appeals that have not been decided yet, the two-year period before a property owner's opinion of value becomes controlling applies to supplemental and escape assessment appeals.

*Status: Chapter 654, Statutes of 2010.*

**SCA 6 (Simitian).** TAXATION: EDUCATIONAL ENTITIES: PARCEL TAX.

Lowers the threshold of voter approval necessary for school districts to enact parcel taxes. Specifically, this bill authorizes school districts, community college districts, and county offices of education to impose a parcel tax on real property by a 55% vote, instead of two-thirds vote, of the electorate in the district or



county. Defines a "parcel tax" as a special tax imposed upon real property at a rate determined without regard to the property's value. It caps the total amount of parcel tax impositions, increases, or extensions submitted to voters for approval at any election by a school district, community college district, or county office of education at \$250 per parcel each year. Finally, it specifies that the governing board of the school districts, community college districts, or county offices of education must approve the proposition by two-thirds vote and that the proposition must contain a list of the specific purposes and programs to be funded, among other requirements.

*Status: Read second time. To Senate third reading.*

**SJR 20 (Alquist).** TAXATION: SALE OF PRINCIPAL RESIDENCE: SENIOR CITIZENS.

Urges the President and United States Congress to enact legislation that would increase the amount of capital gain excludable from income, provided that it is realized by a senior citizen 65 years of age or older on the sale of his/her principal residence.

*Status: Chapter 57, Statutes of 2010.*

**SJR 30 (Kehoe).** DEFERRED COMPENSATION PLANS.

Urges the President and United States (U.S.) Congress to allow all eligible state and local government employees participating in U. S. Internal Revenue Code Section 457(b) deferred compensation plans to treat their elective deferrals as designated Roth contributions.

*Status: Chapter 99, Statutes of 2010.*

**SB 16 x6 (Calderon).** TAXATION: MARIJUANA.

Imposes a tax on the distribution, as defined, of medical marijuana, at a rate that is equivalent to that imposed upon tobacco products under the Cigarette and Tobacco Products Tax Law. Further requires that the taxes be administered in accordance with the Fee Collection Procedures Law with revenues deposited in a newly created Cannabis Tax Account.

*Status: Set first hearing in Senate Revenue and Taxation Committee. Hearing canceled at the request of the author.*

**SB 19 x6 (Florez).** FRANCHISE TAX BOARD: TAX EXPENDITURE REPORTING.

Requires the Franchise Tax Board to annually compile specified information related to publicly traded corporations receiving credits of \$20,000 or more allowed from corporate tax expenditures.

*Status: Set for hearing in Senate Appropriations Committee. Died and returned to the Chief Clerk's Office.*

## GOVERNOR VETOES

### **AB 1718 (Blumenfield). TAXATION: PROPERTY TAX DEFERMENT.**

Establishes the County Deferred Property Tax Program for Senior Citizens and Disabled Citizens, authorizes a county to elect to participate in the program by adopting a resolution indicating the county's intention to participate in, and administer, the program, and specifies that the requirements of a county or county officials set forth in the bill are conditioned upon the county's passage of the resolution.

#### **GOVERNOR'S VETO MESSAGE:**

"The goal of this bill is laudable. However, the bill inappropriately grants counties a super priority lien on a participating senior or disabled individual's residential property. Not only would an individual's participation in a county program violate their mortgage contract, it would most likely render them unable to obtain future loans.

"I believe that the lending and mortgage industry agree with the intent of this measure. The author would be well-served by working with them and the counties next year to craft a solution that provides a workable and legally acceptable tax deferral program for seniors and disabled individuals struggling to maintain their residential property."

### **AB 2017 (Hall). PERSONAL INCOME TAXES: VOLUNTARY CONTRIBUTIONS: CALIFORNIA YOUTH LEADERSHIP FUND.**

Authorizes the addition of the California Youth Leadership Fund (Fund) checkoff to the personal income tax form upon the removal of another voluntary contribution fund from the form. Provides that if the Fund collects less than \$250,000, all remaining moneys shall be equally distributed between the California YMCA Youth and Government Program, for its ongoing activities on behalf of youth, and the Joint Committee on Rules to support the California Youth Legislature, established by SB 516 (DeSaulnier) of the current legislative session.

#### **GOVERNOR'S VETO MESSAGE:**

"This bill is contingent on the enactment of Senate Bill 516, which I cannot support. I would ask that the authors of these bills reconcile their efforts to support greater youth involvement in public policy without creating additional organizations when there are numerous organizations and entities already dedicated to working with youth from all backgrounds."

**AB 2060 (Charles Calderon).** PUBLIC CONTRACTS: FIXED PRICE CONTRACTS: SALES AND USE TAXES RATE CHANGES: TRANSACTIONS AND USE TAXES.

Requires a fixed price contract, as specified, between a government entity and a contractor to authorize payment for a change in the contract price that is attributable to an increase or decrease in the state sales and use tax rate, with the increase or decrease paid in accordance with the contract terms or as agreed to by the parties.

**GOVERNOR'S VETO MESSAGE:**

"First, I can understand the impact of new taxes on businesses and the frustration that contractors may have when they are not exempted from sales tax increases. This is one of the reasons I have continued to oppose raising additional taxes because it slows our state's economic recovery efforts and dampens job creation. However, this bill seeks an overly broad and permanent exemption which effectively shifts the burden of paying both state and local sales tax increases from the contractor to the government entity and ultimately, on California's taxpayers. In addition, I believe this bill is unnecessary because current law allows an exemption to fixed-price contracts for city and county tax increases, and such exemptions have been allowed on past statewide sales and use tax increases. I believe this process is appropriate and does not affect district tax revenues, as this bill would propose to do. For these reasons, I am unable to sign this bill."

**AB 2458 (Saldana).** TAXATION: PENALTIES: LIMITED LIABILITY COMPANIES.

Extends the due date for the payment of penalties imposed on small businesses, as defined, for underpaying the limited liability company fee.

**GOVERNOR'S VETO MESSAGE:**

"This bill would result in unfunded costs to the Franchise Tax Board and revenue losses to the state General Fund. In addition, the Franchise Tax Board already has the authority to work out a payment plan for any individual or organization issued an underpayment penalty."

**AB 2666 (Skinner).** CORPORATION TAXES: FRANCHISE TAX BOARD: TAX EXPENDITURES: REPORTING TRANSPARENCY IN GOVERNMENT INTERNET WEB SITE.

Requires the Franchise Tax Board to compile information on tax expenditures claimed and reported by publicly traded companies and requires the State Chief Information Officer to publish this information on the Reporting Transparency in Government Internet Web site.

**GOVERNOR'S VETO MESSAGE:**

"My Administration has consistently supported efforts for greater transparency in government, including the "Reporting Transparency in Government" website. However, this bill inappropriately seeks to publish confidential tax information for no apparent benefit. The Franchise Tax Board and the Department of Finance already publish annual reports detailing all tax expenditures, their cost, their intended benefit and other useful information. The Franchise Tax Board also publishes an annual well-known list that identifies the largest 250 tax delinquencies of individual and business taxpayers. I am unclear as to the need for this bill, other than for the sponsor to continue to provoke and alienate businesses attempting to create jobs and economic recovery in California."

**AB 2676 (Ma). STATE BOARD OF EQUALIZATION: ADMINISTRATION.**

Implements a number of tax-related proposals sponsored by the State Board of Equalization (BOE). Specifically, reinstates and makes permanent the statutory provisions allowing taxpayers to elect to report and remit qualified use tax on an acceptable income tax return. Further provides that, upon suspension of a "closely held corporation" or "closely held limited liability company," certain individuals shall be held personally liable for any unpaid sales or use tax liability of that business entity incurred during the period of suspension. Also adds personal liability provisions comparable to those contained in Revenue and Taxation Code Section 6829 to various special tax and fee programs that BOE administers. Finally, grants BOE authority to use the information contained in the Employment Development Department's new employee registry for tax or fee enforcement purposes.

**GOVERNOR'S VETO MESSAGE:**

"The most significant provisions of this bill have already been addressed by the Budget Conference Committee. Thus, this bill is unnecessary."

**SB 516 (DeSaulnier). CALIFORNIA YOUTH LEGISLATURE.**

Establishes the California Youth Legislature (CYL), composed of students, to provide model legislation and advocate for the needs of youth. Specifically, provides that the CYL will be funded by monies from the California Youth Leadership Fund, if this bill and AB 2017 (Hall) become law. Further provides that the CYL shall examine and discuss policy and fiscal issues affecting the interests, needs, and conditions of the youth of California. The CYL shall also

formally advise and make recommendations to the Legislature and the Governor on specific issues affecting youth.

**GOVERNOR'S VETO MESSAGE:**

"This bill is similar to a measure I vetoed in 2008. I still encourage California youth to engage in the public policy issues that directly impact their lives such as education, employment, foster care, homelessness, and more. However, as most parents and adults can attest, I would also argue that youth do not need statutory authorization to have their voices and opinions heard. There are numerous organizations, entities and communications in which youth can be engaged in our legislative process. For these reasons, I am unable to sign this bill."

**SB 1272 (Wolk). INCOME AND CORPORATION TAXES: CREDITS: INFORMATION AND OPERATIVE LIMITATIONS.**

Provides that a new tax credit, enacted by a bill introduced on or after January 1, 2011, shall be operative for a period of seven years and shall include specified goals, objectives, and purposes, as well as other detailed information relating to the credit's effectiveness.

**GOVERNOR'S VETO MESSAGE:**

"While the sponsors seem intent on eliminating measures that will generate jobs and stimulate the economy, the average California taxpayer would probably be better served if the Legislature were willing to automatically sunset every new spending entitlement, program expansion and business mandate after seven years. For this reason, I am unable to sign this bill."

**SBx8 32 (Wolk & Leno). TAXATION: FEDERAL CONFORMITY.**

Changes California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2009, and thereby, generally conforms to numerous changes made to federal income tax law during that four-year period.

**GOVERNOR'S VETO MESSAGE:**

"This bill is similar to legislation I vetoed last fall. In my veto message, I expressed disappointment that the multi-year process of drafting a consensus bill on federal tax conformity was derailed by the last minute insertion of a provision that was objectionable to many of the parties involved in the process. A version of that provision remains in this bill and as such I cannot support it. I have made my objections clear, both publicly and privately, to legislative leaders on numerous occasions. This veto should not come as a surprise to them, as I have told them for weeks that I cannot support the bill as written and have encouraged them, both publicly and privately, to act on revised legislation.

'Before discussing the provision of the bill I continue to find objectionable, I would like to express my strong support for two provisions in the measure. First,

is the provision to extend the law providing mortgage debt forgiveness to those Californians who have gone through a "short sale" process. I signed a law in 2008 that forgave this debt for two years and I am supportive of extending this law. In fact, Assemblyman Niello, a Republican, and Senators Calderon and Correa, both Democrats, have introduced stand-alone measures to extend the law. Given the bipartisan support for extending this provision, it would have been easy for the Legislature to pass a bill before adjourning for their spring vacations. Unfortunately, the Legislature chose not to act.

I also support ensuring that federal economic stimulus grants received for renewable energy projects are not treated as income for tax purposes. California is one of the only states in the nation that considers the receipt of federal stimulus grants under the American Recovery and Reinvestment Act as taxable income for renewable projects. Renewable companies are currently establishing the financing to build their California projects. If California adds millions of dollars of cost by taxing federal stimulus grants, these projects will die. Again, legislation with bi-partisan support is already introduced on this topic and could have been passed before the Legislature left Sacramento.

Regarding the objectionable provision of this bill, I do not oppose appropriate penalties on taxpayers who fail to pay what they owe or try to manipulate tax law. As part of the 2008 budget solution, California added the highest penalty in the nation on companies that understate their taxes. The purpose of this penalty was to encourage companies to err on the side of overpayment, thus accelerating revenues for the state. The proposed federal penalty in this bill impacts the same taxpayers. The interaction between the two penalties is unfair. The state has forced many of these taxpayers to overestimate their tax payments in order to address our budget crisis and, under this bill, we would then penalize them if the tax refund they claimed is too high. I cannot support this policy. If the members of the Legislature want to have a separate discussion about ways to make the federal penalty operational in California in conjunction with the state penalty, I am open to that discussion.

"For these reasons, I am returning this bill without my signature. I encourage the Legislature to immediately pass revised legislation on the matters addressed above."

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