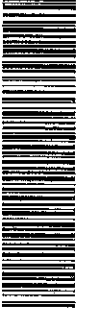


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An act to repeal and add Sections 18031.5 and 24941.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 18031.5 of the Revenue and Taxation Code is repealed.

~~18031.5. Section 1031(i) of the Internal Revenue Code, relating to special rules for mutual ditch, reservoir, or irrigation company stock, shall not apply.~~

SEC. 2. Section 18031.5 is added to the Revenue and Taxation Code, to read:

18031.5. (a) The amendments made by Sections 13303(a) and (b) of the Tax Cuts and Jobs Act (Public Law 115-97) to Section 1031 of the Internal Revenue Code, relating to Exchange of real property held for productive use or investment, shall apply, subject to subdivision (b).

(b) (1) This section shall apply to exchanges completed after January 10, 2019.

(2) This section shall not apply to an exchange where the property to be disposed of by the taxpayer in the exchange is disposed of by that taxpayer on or before January 10, 2019, or where the property to be received by the taxpayer in the exchange is received by that taxpayer on or before January 10, 2019.

SEC. 3. Section 24941.5 of the Revenue and Taxation Code is repealed.

~~24941.5. Section 1031(i) of the Internal Revenue Code, relating to special rules for mutual ditch, reservoir, or irrigation company stock, shall not apply.~~

SEC. 4. Section 24941.5 is added to the Revenue and Taxation Code, to read:

24941.5. (a) The amendments made by Sections 13303(a) and (b) of the Tax Cuts and Jobs Act (Public Law 115-97) to Section 1031 of the Internal Revenue Code, relating to Exchange of real property held for productive use or investment, shall apply, subject to subdivision (b).

(b) (1) This section shall apply to exchanges completed after January 10, 2019.

(2) This section shall not apply to an exchange where the property to be disposed of by the taxpayer in the exchange is disposed of by that taxpayer on or before January 10, 2019, or where the property to be received by the taxpayer in the exchange is received by that taxpayer on or before January 10, 2019.

SEC. 5. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Income taxes: exclusion : real property exchanges.

The Personal Income Tax Law and the Corporation Tax Law, in modified conformity with federal income tax laws, exclude the recognition of any gain or loss on the exchange of property held for productive use in a trade or business or for investment, if that property is exchanged solely for property of a like kind that is to be held either for productive use in a trade or business or for investment, unless an exception applies.

This bill would conform to federal income tax law, as amended by the Tax Cuts and Jobs Act, by limiting that exclusion to the recognition of any gain or loss on the exchange of real property, as provided.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

This bill would take effect immediately as a tax levy.

Vote: 2/3. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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