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An act to add Section 17859 to the Revenue and Taxation Code, relating to taxation.



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

SECTION 1. Section 17859 is added to the Revenue and Taxation Code, to read:

17859. (a) The amendments made by Section 13504 of the Tax Cuts and Jobs Act (Public Law 115-97) to Section 708 of the Internal Revenue Code, relating to the continuation of a partnership, shall apply, except as otherwise provided.

(b) The amendments made by Section 13504 of the Tax Cuts and Jobs Act (Public Law 115-97) to Section 743(e) of the Internal Revenue Code, relating to alternative rules for electing investment partnerships, shall apply, except as otherwise provided.

(c) The amendments made by Section 13504 of the Tax Cuts and Jobs Act (Public Law 115-97) to Section 168(i)(7)(B) of the Internal Revenue Code, relating to transactions covered, shall apply, except as otherwise provided.

(d) (1) A partnership may elect to have subdivision (a) apply to partnership taxable years beginning after December 31, 2017, and before January 1, 2019, in which case subdivisions (b) and (c) shall also apply to the election.

(2) The Franchise Tax Board shall specify the form and manner in which the election under paragraph (1) shall be made, as well as whether an amended return or any other information shall be required.

(3) 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, procedure, or guideline established or issued by the Franchise Tax Board pursuant to paragraph (2).

SEC. 2. The Legislature finds and declares that providing partnerships the election under paragraph (1) of subdivision (d) of Section 17859 of the Revenue and Taxation Code, as added by this measure, to receive the same treatment as a partnership for federal tax purposes with respect to partnership technical terminations reduces federal and state differences on the tax returns of the partnership and its partners, thereby increasing compliance with California tax law, and thus serves a public purpose and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.



LEGISLATIVE COUNSEL'S DIGEST

Bill No. _____
as introduced, _____.
General Subject: Income taxes: partnerships: terminations.

The Personal Income Tax Law conforms as of a specified date to federal income tax laws, January 1, 2015, and therefore allows for the termination of a partnership by the sale or exchange of 50% or more of the interest in a partnership within a 12-month period. Federal law, the Tax Cuts and Jobs Act, repealed that provision of federal income tax law for taxable years beginning on or after January 1, 2018.

This bill would conform to federal income tax law with regard to the termination of partnerships described above and would additionally allow a partnership to elect to have this conformity apply to partnership taxable years beginning after December 31, 2017, and before January 1, 2019.

This bill would make findings regarding the public purpose served by the bill.

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

