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An act to add Section 24451.1 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 24451.1 is added to the Revenue and Taxation Code, to read:

24451.1. (a) Notwithstanding paragraph (3) of subdivision (e) of Section 23051.5, if an election has been made by a taxpayer under Section 338 of the Internal Revenue Code, relating to certain stock purchases treated as asset acquisitions, or where a taxpayer is deemed to have made an election under Section 338(e) of the Internal Revenue Code, relating to deemed election where purchasing corporation acquires asset of target corporation, for federal income tax purposes, a separate election shall not be allowed under this part and the federal election shall be binding for purposes of this part, Part 10 (commencing with Section 17001), and Part 10.2 (commencing with Section 18401).

(b) Notwithstanding paragraph (3) of subdivision (e) of Section 23051.5, if an election has not been made by a taxpayer under Section 338 of the Internal Revenue Code, relating to certain stock purchases treated as asset acquisitions, or where a taxpayer has not been deemed to have made an election under Section 338(e) of the Internal Revenue Code, relating to deemed election where purchasing corporation acquires asset of target corporation, for federal income tax purposes, the taxpayer shall not make a separate state election with respect to Section 338 of the Internal Revenue Code, relating to certain stock purchases treated as asset acquisitions, under this part.

(c) (1) This section shall apply to acquisitions made on or after the effective date of this section, except as provided in paragraph (2).

(d) This section shall not apply in the case of an acquisition that is subject to a binding contract entered into before the effective date of this section and which remains binding at all times after that date.

SEC. 2. 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: Corporation taxes: election: stock purchases.

The Corporation Tax Law, in conformity with federal income tax laws, and when a taxpayer does not elect otherwise for purposes of state income tax law, allows a purchasing corporation to make an election that its qualified stock purchase, as defined, from a target corporation may be treated as an asset acquisition resulting in a step up in the basis of the stock.

This bill would provide that if the above-described election for federal income tax purposes has been made or deemed to have been made, or not made or not deemed to have been made, by a taxpayer, a separate state election shall not be allowed.

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.

