

State of California

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Legislative Change No.

00-07

Bill Number: AB 1774

Author: Lempert

Chapter Number: 00-104

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Sections 17276 and 24416

Date Filed with the Secretary of the State: July 10, 2000

SUBJECT: NOL Deduction Carryovers/Increase Percentage and Length of Carryover

Assembly Bill 1774 (Lempert), as enacted on July 10th, 2000, was chaptered out by AB 511 (Stats. 2000, Ch. 107). Thus, Revenue and Taxation Code Sections 17276 and 24416 as amended by AB 511, not as amended by this act, are law. AB 1774 would have made the following changes to California law:

Sections 17276 and 24416 of the Revenue and Taxation Code are amended.

This act incrementally increases the current 50% carryforward of the net operating loss (NOL) deduction as follows:

- ?? For taxable and income years beginning before January 1, 2000, 50% of the NOL may be carried forward.
- ?? For taxable and income years beginning on or after January 1, 2000, and before January 1, 2002, 55% of the NOL may be carried forward.
- ?? For taxable and income years beginning on or after January 1, 2002, 60% of the NOL may be carried forward.

This act also increases the NOL carryforward period from the current five years to 10 years for all NOLs generated for taxable and income years beginning on or after January 1, 2000.

This act retains preferential NOL treatment for new and small businesses by also increasing the percentage of NOL carryforward to 55% and finally 60% (following the same date increases as above) for the NOL amount that exceeds the net "new business" or "eligible small business" NOL. This act also increases the carryforward for "new businesses" from eight years to 10 years.

As a tax levy, this act is effective upon enactment and operative for taxable and income years beginning on or after January 1, 2000.

This act will not require any reports by the department to the Legislature.

Bureau Director

Johnnie Lou Rosas

Date

August 17, 2000