

State of California

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Legislative Change No.

01-26

Bill Number: AB 238

Author: Rod Pacheco

Chapter Number: 01-623

Laws Affecting Franchise Tax Board: Revenue and Taxation Code Sections 17276, 17276.1, 17276.7, 24416, 24416.1, and 24416.7

Date Filed with the Secretary of the State: October 9, 2001

SUBJECT: Net Operating Loss Sustained By Farmers From Pierce's Disease/Allows Deduction Carryover Until Loss Is Used

Assembly Bill 238 (Rod Pacheco), as enacted on October 9, 2001, made the following changes to California law:

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

This act makes technical amendments to the general net operating loss (NOL) statute to reference the special NOL added by this act.

Sections 17276.1 and 24416.1 of the Revenue and Taxation Code are amended.

This act requires the taxpayer to choose the special NOL treatment allowed under this act or a general NOL. If the taxpayer chooses the special NOL, the remainder of the taxpayer's NOL that is not attributable to farming activities conducted in the pest infestation area for the year sustained is forfeited.

Section 17276.7 and 24416.7 are added to the Revenue and Taxation Code.

This act allows special NOL treatment for losses sustained by a person conducting a farming business that is directly affected by Pierce's disease. Specifically, the percent of loss eligible for carryover is increased (from 55% for tax year 2001, 60% for tax year 2002, 65% for tax years beginning January 1, 2004, and thereafter) to 100% of an NOL sustained by a taxpayer conducting a farming business that is attributable to farming business activities in an area affected by Pierce's disease. The special NOL can be carried over and offset against future income from the farm operation in the affected area. The special farming loss NOL can be carried over to each of the nine following taxable years until exhausted, which is the same period allowed for a general NOL.

This act is effective October 9, 2001, and applies to losses attributable to taxable years beginning on or after January 1, 2001, and before January 1, 2003.

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

Bureau Director

Jana Howard for BP

Date

December 4, 2001