

State of California

Franchise Tax Board-Legislative Services Bureau
PO Box 1468
Sacramento, CA 95812-1468

Telephone: (916) 845-4326
ATSS: 468-4326
FAX: (916) 845-5472

Legislative Change No.**03-24**Bill Number: SB 103Author: AlpertChapter Number: 03-655Laws Affecting Franchise Tax Board: Revenue and Taxation Code Section 24871Date Filed with the Secretary of the State: October 2, 2003

SUBJECT: Regulated Investment Companies (RIC) Used To Avoid Tax

Senate Bill #103 (Alpert), as enacted on October 2, 2003, made the following changes to California law:

Section 24871 of the Revenue and Taxation Code is amended.

This act ensures that banks cannot use a regulated investment company (RIC) to avoid California tax. Starting with the 2003 taxable year, it expressly denies corporate shareholders a dividend deduction for earnings in a RIC that are not from stock dividends.

This act also contains uncodified language declaring the Legislature's intent that no inference be drawn by the act for any taxable year beginning before January 1, 2003. (See Senate Journal letter attached)

This act is effective immediately and operative for taxable years beginning on or after January 1, 2003.

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

Bureau Director

Jana Howard for Brian Putler

Date

10/31/03

September 13, 2003

*Senator John L. Burton, President pro Tempore
California State Senate*

Re: Senate Bill 103 (Alpert)

Dear Senator Burton:

My Senate Bill 103 reads, in part: "It is the intent of the Legislature that no inference be drawn in connection with any matter governed by Section 24871 of the Revenue and Taxation Code, from the period to which the amendments made to that section by this act apply, for any taxable year beginning before January 1, 2003."

This letter serves to clarify that it is also the intent of the Legislature that no inference be drawn with respect to prior law because SB 103 was passed by a simple majority vote.

Sincerely,

SENATOR DEDE ALPERT
39th District

SENATE COMMITTEE ROLL CALLS
Committee on Judiciary

SB 27—That the Assembly amendments be concurred in
AYES (5)—Senators Cedillo, Ducheny, Escutia, Kuehl, and Sher.
NOES (1)—Senator Ackerman.

SB 590—That the Assembly amendments be concurred in
AYES (5)—Senators Cedillo, Ducheny, Escutia, Kuehl, and Sher.
NOES (1)—Senator Ackerman.

SB 933—That the Assembly amendments be concurred in
AYES (6)—Senators Ackerman, Cedillo, Ducheny, Escutia, Kuehl, and Sher.
NOES (0)—None.

Date of Hearing: 9/11/03

Escutia (Chair)

Committee on Transportation

SB 460—That the Assembly amendments be concurred in
AYES (7)—Senators Ashburn, Florez, Karnette, Murray, Scott, Soto, and Speier.

NOES (1)—Senator McClintock.

Date of Hearing: 9/12/03

Murray (Chair)

**FURTHER PROCEEDINGS UNDER QUORUM CALL OF THE
SENATE DISPENSED WITH**

At 1:35 a.m., on motion of Senator Burton, further proceedings under the quorum call of the Senate were dispensed with.

REQUESTS TO ADJOURN IN MEMORIAM

Senator Ackerman requested that when the Senate adjourns this day it do so in memory of Gloria Petersen of Chicago.