

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Benoit Analyst: Jeff Garnier Bill Number: AB 1490

Related Bills: See Prior Analysis Telephone: 845-5322 Amended Date: April 10, 2003

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Withholding on Sale of California Real Estate Not Required if Seller's Residence

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 21, 2003 STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would exempt from the 3^{1/3}% real estate sales withholding requirement the sale of a residence of a taxpayer.

SUMMARY OF AMENDMENT

The amendments remove the requirement that the home be the taxpayer's residence or qualify as the taxpayer's principal residence as defined under the tax code to be exempt from withholding. The amendments add language providing that any property owned and used by the taxpayer as a principal residence would be exempt from withholding. The bill would no longer exempt from withholding the sale of the taxpayer's second or vacation home only if these homes were never the taxpayer's principal residence.

POSITION

Pending.

THIS BILL

This bill would exempt from withholding the sale of taxpayer's property that was owned and used as the taxpayer's principal residence. Thus, property that at any time and for any period (e.g., for one month, ten years ago) was the taxpayer's principal residence would be exempt from withholding. The taxpayer would certify, under penalty of perjury, the home sold was owned and used as the taxpayer's principal residence.

Board Position:

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Legislative Director
Brian Putler

Date
04/18/03

ECONOMIC IMPACT *

Cash-Flow Estimate

This bill would result in cash-flow losses as follows:

Estimated Cash-Flow* Impact of AB 1490 As Amended April 10, 2003 Effective for tax years BOA 1/1/2004 Enacted after 6/30/2003 \$ Millions		
2003-04	2004-05	2005-06
-\$1	Minor loss*	Minor loss*

* Below \$250,000.

Cash-Flow Estimate Discussion

This estimate does not account for changes in employment, personal income, or gross state product that could result from this measure.

The April 10, 2003, amendments are expected to have only minor revenue impact. The previous revenue impact estimate for the bill as introduced February 21, 2003, has not changed.

LEGISLATIVE STAFF CONTACT

Jeff Garnier
Franchise Tax Board
845-5322
jeff.garnier@ftb.ca.gov

Brian Putler
Franchise Tax Board
845-6333
brian.putler@ftb.ca.gov