

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Hollingsworth Analyst: Jeff Garnier Bill Number: SB 1237

Related Bills: See Prior Analysis Telephone: 845-5322 Amended Date: June 16, 2004

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: S Corporation Built-in Gains Tax Transitional Exclusion

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 No position.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 12, 2004, AND /AMENDED March 23, 2004, STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would provide limited transitional tax relief for corporations that were required by 2002 legislation to be "S" corporations.

SUMMARY OF AMENDMENTS

The June 16, 2004, amendments would:

- limit the relief from built-in gains (BIGs) tax provided by the bill to transactions that are also excluded from the BIGs tax under federal law.
- add double-joining language for AB 2328 (Wyland), a bill that would also provide transitional tax relief for corporations required to be "S" corporations. Relief provided by AB 2328 affects more corporations paying BIGs tax than this bill. The double-joining language states that this bill would become operative if AB 2328 is not enacted, or if AB 2328 is enacted but does not provide transitional relief from BIGs tax.

The department's analysis of the bill as introduced on February 12, 2004, still applies.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA PENDING

Legislative Director

Date

Brian Putler

6/30/04

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POSITION

No position.

LEGISLATIVE STAFF CONTACT

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