

State of California

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Legislative Change No.**04-13**Bill Number: AB 3071Author: AR&T CommitteeChapter Number: 04-353Laws Affecting Franchise Tax Board: Revenue & Taxation Code Sections 18533 & 23802Date Filed with the Secretary of the State: August 30, 2004

SUBJECT: Innocent Spouse/Election Period Technical Clean-Up/Excluded LIFO Recapture Tax From Estimated Tax Underpayment For a C Corporation Electing S Corporation Treatment

Assembly Bill 3071 (Assembly Revenue & Taxation Committee), as enacted August 30, 2004, made the following changes to California law:

Section 18533 of the Revenue & Taxation Code is amended:

This act removes an erroneous reference to a non-existent *four-year* period for making an election. This act clarifies existing law that taxpayers must request innocent spouse relief within *two years* from the date Franchise Tax Board begins collection activities.

Section 23802 of the Revenue & Taxation Code is amended:

This act specifically excludes the annual payments of the last-in, first-out (LIFO) recapture tax from being included in the definition of "estimated tax" and therefore subject to an underpayment penalty based on the estimated tax rules.

Section 18533 of the Revenue & Taxation Code is effective January 1, 2005.

Section 23802 of the Revenue & Taxation Code is effective January 1, 2005, and operative for taxable years beginning on or after January 1, 2006.

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

Bureau Director

Jana Howard for Brian Putler

Date

10/5/06