

State of California

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Legislative Change No.**04-16**Bill Number: SB 615Author: CedilloChapter Number: 04-388Laws Affecting Franchise Tax Board: Revenue and Taxation Code Section 17140.5Date Filed with the Secretary of the State: September 9, 2004**SUBJECT:** Conformity To Federal Servicemembers Civil Relief Act**Senate Bill 615 (Cedillo), made the following change to California law:**Section 17140.5 is added to the Revenue and Taxation Code.

This section makes California law compatible with the federal Servicemembers Civil Relief Act (SCRA) (PL 108-189) that was enacted on December 19, 2003.

It provides expressly that:

- the military compensation of a servicemember not domiciled in this state may not be used to increase the tax liability imposed on other income earned by that servicemember or that servicemember's spouse.
- the running of the statute of limitations for bringing an action or proceeding is suspended for the period of a servicemember's military service.
- the rate of interest is limited to a maximum of 6% per year on any underpayment incurred before the servicemember enters military service.
- a servicemember not domiciled in this state does not become a resident of this state by reason of being present in this state solely in compliance with military orders.
- military compensation of a servicemember not domiciled in this state is not income for services performed or from sources within this state.
- Native American servicemembers whose legal residence or domicile is a federal Indian reservation are treated as living on the federal Indian reservation and the compensation for military service is deemed to be income derived wholly from federal Indian reservation sources.

This act is a tax levy and is effective immediately. However, consistent with the federal SCRA, this act specifically provides that it would apply to any taxable year for which the statute of limitations for making assessments or allowing a claim for refund or credit has not expired as of December 19, 2003.

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

Bureau Director

Jana Howard for Brian Putler

Date

11/8/04