State of California

Franchise Tax Board-Legislative Services Bureau
PO Box 1468 MS A350
Sacramento, CA 95812-1468

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

Legislative Change No. 06-01

Bill Number: SB 663 Author: Migden Chapter Number: 06-22

Laws Affecting Franchise Tax Board: Section 25110 of the Revenue and Taxation Code

Date Filed with the Secretary of State: May 8, 2006

SUBJECT: Clarify Coordination Of U.S.-Source Income & Subpart F Water's-Edge Partial Inclusion

Senate Bill 663 (Migden), as enacted on May 8, 2006, made the following changes to California law:

Section 25110 of the Revenue and Taxation Code is amended, repealed, and added.

This act clarifies specific provisions of the franchise tax law relating to water's-edge taxpayers.

This act specifically applies to taxpayers making a water's-edge election on or after January 1, 2006. In addition, it applies to those taxpayers that made an election before January 1, 2006, where that water's-edge election is in effect, but not until the expiration of the seven-year period during which a taxpayer may not terminate that election without the consent of the department. The act provides the Legislature's intent that no inference be drawn from the provisions added by the act with respect to pre-existing law for original or amended returns filed after January 1, 2006.

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

Assistant Bureau Director	Date
Patrice Gau-Johnson	10/5/06