

SUMMARY ANALYSIS OF AMENDED BILL

Author: Hagman, et al. Analyst: David Scott Bill Number: AB 1806
 Related Bills: See Prior Analysis Telephone: 845-5806 Amended Date: March 15, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Exclusion Of Capital Gain On Sale Of Principal Residence By Surviving Spouse

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 10, 2010.
- AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS 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 10, 2010, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

This bill would provide modified federal conformity for the exclusion of capital gain on the sale or exchange of a principal residence by a surviving spouse for sales or exchanges that occur on or after January 1, 2010.

SUMMARY OF AMENDMENTS

The March 15, 2010, amendments resolved the department’s “Technical Considerations” by accepting the amendments suggested in the department’s analysis of the bill as introduced on February 10, 2010, reflects a technical change to a reference to the Internal Revenue Code, and added coauthors.

Except for the “Technical Considerations”, the department’s analysis of the bill as introduced February 10, 2010, still applies.

The “Economic Impact” revenue table has been provided below for convenience.

Board Position:	Asst. Legislative Director	Date
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<input type="checkbox"/> SA		
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<input type="checkbox"/> OUA		
<input type="checkbox"/> NP		
<input type="checkbox"/> NAR		
<input checked="" type="checkbox"/> PENDING	Patrice Gau-Johnson	03/19/10

TECHNICAL CONSIDERATIONS

The technical change made to the reference to the Internal Revenue Code results in a new technical consideration. The Internal Revenue Code, as of January 1, 2005, had two paragraphs (10) in subsection (d) of section 121. This was subsequently changed in 2005; however, the "specified date" for California is January 1, 2005. A change was made to this bill to modify the paragraph number of subsection (d) from (10) to (11), which is technically incorrect. Amendment 1 provides a correct reference.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1806 For Taxable Years Beginning On or After January 1, 2010 Enactment Assumed Before June 30, 2010				
Provisions	2009-10	2010-11	2011-12	2012-13
Allow surviving spouse to exclude from gross income, up to \$500,000 of the gain from sale of principal residence, if the sale occurs within two years of the death of the spouse	\$0	-\$300,000	-\$200,000	-\$300,000

LEGISLATIVE STAFF CONTACT

Legislative Analyst
David Scott
(916) 845-5806
david.scott@ftb.ca.gov

Revenue Manager
Monica Trefz
(916) 845-4002
monica.trefz@ftb.ca.gov

Asst. Legislative Director
Patrice Gau-Johnson
(916) 845-5521
patrice.gau-johnson@ftb.ca.gov

Analyst	David Scott
Telephone #	(916) 845-5806
Attorney	Pat Kusiak

FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1806
As Amended on March 15, 2010

AMENDMENT 1

On page 4, line 6, strike out "(11) of the Internal Revenue Code," and insert:

(10) of the Internal Revenue Code, as redesignated by section 101(a) of Public Law 108-121,