

SUMMARY ANALYSIS OF AMENDED BILL

Author: Ma Analyst: Gail Hall Bill Number: AB 759
 Related Bills: See Prior Analysis Telephone: 845-6111 Amended Date: September 2, 2009
 Attorney: Patrick Kusiak Sponsor: Franchise Tax Board

SUBJECT: Controlled Foreign Corporations In Water's-Edge Combined Report

- DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended July 15, 2009.
- 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 AMENDED July 15, 2009, STILL APPLIES.
- OTHER – See comments below.

SUMMARY

Controlled Foreign Corporations (CFC) In Water's-Edge Combined Report

SUMMARY OF AMENDMENTS

The September 2, 2009, amendments resolved the Technical Considerations discussed in the department's analysis of the bill as amended July 15, 2009. (See Appendix A). The remainder of the department's analysis of the bill as amended July 15, 2009, still applies.

PURPOSE OF THE BILL

The purpose of the CFC provisions of this bill, which is Franchise Tax Board (FTB) sponsored, is to simplify the method used to report a water's-edge taxpayer's portion of its CFC's income by removing current law's "stand alone" inclusion ratio method and conforming to the federal Subpart F rules.

Board Position:	Legislative Director	Date
<input checked="" type="checkbox"/> S	Patrice Gau-Johnson	09/16/09
<input type="checkbox"/> NA	For Brian Putler	
<input type="checkbox"/> SA		
<input type="checkbox"/> N		
<input type="checkbox"/> NP		
<input type="checkbox"/> O		
<input type="checkbox"/> NAR		
<input type="checkbox"/> OUA		
<input type="checkbox"/> PENDING		

POSITION

Support.

On March 6, 2008, the FTB voted 2-0 to sponsor the water's edge-provisions included in this bill, with the member from the DOF abstaining.

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APPENDIX A

Resolved Technical Considerations AB 759 As Amended July 15, 2009

Resolved Technical Considerations Discussed In The Department's Analysis of The Bill As Amended July 15, 2009:

Two provisions from the proposal approved by the FTB on March 6, 2008, were omitted from the bill. It is suggested that the bill be amended to include the following provisions:

- Prohibit the dividend deduction, exclusion, or elimination from exceeding the amount of earnings and profits that apply to the dividend distribution.
- Specify that R&TC section 24425 is inapplicable as it relates to previously taxed income and to the 27 percent dividend exclusion.