

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Wolk Analyst: Scott McFarlane Bill Number: SB 401
Related Bills: AB 1580 (2009/2010) Telephone: 845-6075 Amended Dates: April 5, 2010 and
SBX8 32 (2009/2010) Attorney: Patrick Kusiak Sponsor: April 6, 2010

SUBJECT: Conformity Act of 2010

SUMMARY

This bill would change California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2009, for taxable years beginning on or after January 1, 2010, and thereby, in general, conform to the numerous changes that were made to federal income tax law during that four-year period, except as otherwise provided. Additionally, this bill would conform to the February 17, 2009, federal legislation providing an exclusion from gross income in any taxable year for energy grants provided in lieu of federal energy tax credits.

SUMMARY OF AMENDMENTS

The April 5, 2010, amendments would do the following:

- Remove provisions that would eliminate inconsistencies in various abusive tax-shelter laws, modify the abusive tax shelter use penalty, and create a new California reportable-transaction category for transactions of interest; and,
- Add provisions that would change California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2009, for taxable years beginning on or after January 1, 2010, thereby conforming to numerous changes that were made to federal income tax law during that four-year period, except as otherwise provided; and, would conform to the federal exclusion from gross income in any taxable year for energy grants provided in lieu of federal energy tax credits.

The April 6, 2010, amendments would do the following:

- Provide that California law relating to distributions of stock and securities of controlled corporations would conform to federal law as in effect January 1, 2010, for any such distributions made after that date; and
- Add that unless otherwise provided, the provisions of the bill would apply to taxable years beginning on or after January 1, 2010.

PURPOSE OF THE BILL

The general purpose of conforming to numerous changes in federal law is to simplify both the preparation of California income tax returns and the administration of California income tax laws.

| Board Position: | Department Director | Date |
|---|---------------------|----------|
| <input type="checkbox"/> S | | |
| <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 | Selvi Stanislaus | 04/12/10 |

EFFECTIVE/OPERATIVE DATE

This bill would be effective on January 1, 2011, and would generally be operative for taxable years beginning on or after January 1, 2010, except as otherwise provided.

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

See the Franchise Tax Board's (FTB's) annual reports titled "[Summary of Federal Income Tax Changes – 2005](#)," "[Summary of Federal Income Tax Changes – 2006](#)," "[Summary of Federal Income Tax Changes – 2007](#)," "[Summary of Federal Income Tax Changes – 2008](#)," and, "[Summary of Federal Income Tax Changes – 2009](#)" for a detailed discussion of federal and state laws affected by this bill.

THIS BILL

This bill would change the specified date from January 1, 2005, to January 1, 2009, for taxable years beginning on or after January 1, 2010, except as otherwise provided. Changing the specified date would automatically conform state law to all changes from January 1, 2005, through December 31, 2008, to Internal Revenue Code (IRC) sections that have been previously incorporated by reference. Thus, California law would conform to most of the changes made to the federal income tax law during that four-year period. Additionally, this bill would conform to the February 17, 2009, federal income exclusion of energy grants provided in lieu of federal energy tax credits.

This bill would also make numerous changes either to specifically not conform to or to modify certain items in the IRC. In addition, technical changes regarding cross references and deletion of unnecessary language that was used to conform to federal law changes subsequent to January 1, 2005, and prior to January 1, 2009, would be made by this bill.

The following tables list:

- The federal Act sections that impact provisions of Personal Income Tax Law (PITL), Administration of Franchise and Income Tax Law (AFITL), and Corporation Tax Law (CTL);
- The beginning page number in the FTB's annual report where that provision is discussed; and
- The change under this bill -- whether SB 401 would conform or not conform to that provision. (Note that conformity decisions that require modification are listed in the conform column.)

For certain federal provisions, California law automatically conforms to a federal law change and those provisions are not listed and not discussed in this analysis. Additionally, those federal provisions that are not applicable to PITL, AFITL, and CTL are not listed and not discussed in this analysis.

2005 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

| Table 2 – Disaster Mitigation Payments Act (PL 109-7) | | | | |
|---|--|--|----------|----------------|
| | | FTB's 2005 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1 | Proper Tax Treatment of Certain Disaster Mitigation Payments | 9 | X | |

| Table 3 – ETIA of 2005 (PL 109-58) | | | | |
|------------------------------------|---|--|----------|----------------|
| | | FTB's 2005 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1308 | Electric Transmission Property Treated As 15-year Property | 38 | PIT | CORP |
| 1309 | Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975 | 40 | X | |
| 1310 | Modification to Special Rules For Nuclear Decommissioning Cost | 41 | X | |
| 1323 | Temporary Expensing for Equipment Used in Refining Liquids Fuels | 50 | | X |
| 1324 | Pass Through to Owners of Deduction for Capital Costs Incurred By Small Refiner Cooperatives in Complying With EPA Sulfur Regulations | 54 | | X |
| 1325 | Natural Gas Distribution Lines Treated As 15-Year Property | 57 | PIT | CORP |
| 1326 | Natural Gas Gathering Lines Treated As 7-Year Property | 59 | PIT | CORP |
| 1328 | Determination of Small Refiner Exception to Oil Depletion Deduction | 67 | | X |
| 1329 | Amortization of Geological and Geophysical Expenditures | 68 | | X |
| 1331 | Energy Efficient Commercial Buildings Deduction | 71 | | X |
| 1351 | Expansion of Research Credit | 101 | | X |
| 1363 | Modification of Recapture Rules for Amortizable Section 197 Intangibles | 107 | X | |

| Table 5 – GO Zone Act of 2005 (PL 109-135) | | | | |
|--|--|--------------------------------------|----------|-------------|
| | | FTB's 2005 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 101-F | Expensing for Certain Demolition and Clean-up Costs | 182 | | X |
| 101-O | Treatment of Public Utility Disaster Losses | 203 | | X |
| 303 | Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions | 253 | X | |
| 305 | Disclosures of Certain Tax Return Information | 256 | | X |
| 401-423 | Tax Technical Provisions | 261 | X | |

2006 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

| Table 1 – TIPRA of 2005 (PL 109-222) | | | | |
|--------------------------------------|---|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| Title II | OTHER PROVISIONS | | | |
| 201 | Clarification of Taxation of Certain Settlement Funds | 23 | X | |
| 202 | Modification of Active Business Definition under Section 355 | 25 | X | |
| 204 | Capital Gains Treatment for Certain Self-Created Musical Works | 31 | X | |
| 207 | Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights | 38 | X | |
| 209 | Modification of Treatment of Loans to Qualified Continuing Care Facilities | 43 | X | |
| Title V | REVENUE OFFSET PROVISIONS | | | |
| 501 | Application of Earnings Stripping Rules to Partners Which are Corporations | 50 | X | |
| 503 | 5-Year Amortization of Geological and Geophysical Expenditures for Certain Major Integrated Oil Companies | 53 | | X |

| Table 1 – TIPRA of 2005 (PL 109-222) | | | | |
|--------------------------------------|--|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 507 | Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies | 65 | X | |
| 510 | Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income | 75 | X | |

| Table 3 – Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income (PL 109-264) | | | | |
|--|---|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1 | Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income | 101 | X | |

| Table 4 – Pension Protection Act of 2006 (PPA) (PL 109-280) | | | | |
|---|---|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| Title I | REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS | | | |

| Table 4 – Pension Protection Act of 2006 (PPA) (PL 109-280) | | | | |
|---|--|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 112 | Minimum Funding Standards; Funding Rules for Single-Employer Defined Benefit Pension Plans | 103 | X | |
| 113 | Benefit Limitations Under Single-Employer Plans | 125 | X | |
| Title II | FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS | | | |
| 211 | Funding Rules for Multiemployer Defined Benefit Plans | 143 | X | |
| 212 | Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status | 151 | X | |
| 221 | Sunset of Additional Funding Rules | 177 | X | |
| Title VIII | PENSION RELATED REVENUE PROVISIONS | | | |
| Subtitle C | Improvements in Portability, Distributions, and Contribution Rules | | | |
| 827 | Penalty-Free Withdrawals from Retirement Plans for Individuals Called to Active Duty for at Least 179 Days | 290 | X | |
| 828 | Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees | 293 | X | |
| 831 | Allowance of Additional IRA Payments in Certain Bankruptcy Cases | 298 | X | |
| 833 | Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives | 301 | X | |
| Subtitle D | Health and Medical Benefits | | | |
| 844 | Treatment of Annuity and Life Insurance Contracts with a Long-Term Care Insurance Feature | 315 | | X |
| Subtitle F | Other Provisions | | | |
| 863 | Treatment of Death Benefits from Corporate-Owned Life Insurance | 335 | X | |
| 866 | Exemption of Income from Leveraged Real Estate Held by Church Plans | 345 | X | |
| 868 | Gratuitous Transfer for Benefits of Employees | 348 | X | |
| Title XII | PROVISIONS RELATING TO EXEMPT ORGANIZATIONS | | | |

| Table 4 – Pension Protection Act of 2006 (PPA) (PL 109-280) | | | | |
|---|--|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| Subtitle B | Reforming Exempt Organizations | | | |
| Part 1 | General Reforms | | | |
| 1211 | Reporting on Certain Acquisitions of Interests on Insurance Contracts in Which Certain Exempt Organizations Hold an Interest | 429 | X | |
| 1213 | Reform of Charitable Contributions of Certain Easements in Registered Historic Districts and Reduced Deduction for Portion of Qualified Conservation Contribution Attributable to Rehabilitation Credit | 437 | X | |
| 1214 | Charitable Contributions for Taxidermy Property | 443 | X | |
| 1215 | Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use | 446 | X | |
| 1216 | Limitation of Deduction for Charitable Contributions of Clothing and Household Items | 451 | X | |
| 1217 | Modification of Recordkeeping Requirements for Certain Charitable Contributions | 455 | X | |
| 1218 | Contributions of Fractional Interests in Tangible Personal Property | 457 | X | |
| 1219 | Provisions Relating to Substantial and Gross Overstatements of Valuations | 460 | X | |
| 1220 | Additional Standards for Credit Counseling Organizations | 465 | X | |
| 1222 | Definition of Convention or Association of Churches | 479 | X | |
| 1223 | Notification Requirement for Entities Not Currently Required to File | 481 | X | |
| Part 2 | Improved Accountability of Donor Advised Funds | | | |
| 1231-1235 | Excise Taxes Relating to Donor Advised Funds, Excess Benefit Transactions Involving Donor Advised Funds and Sponsoring Organizations, Excess Business Holdings of Donor Advised Funds, Returns of, and Application for Recognition by Sponsoring Organizations | 492 | | X |
| Part 3 | Improved Accountability of Supporting Organizations | | | |

| Table 4 – Pension Protection Act of 2006 (PPA) (PL 109-280) | | | | |
|---|---|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1241-1245 | Requirements for Supporting Organizations, Excess Benefit Transactions Involving Supporting Organizations, Excess Business Holding of Supporting Organizations, Treatment of Amounts Paid to Supporting Organizations by Private Foundations, and Returns of Supporting Organizations | 510 | | X |

| Table 5 – TRHCA of 2006 (PL 109-432) | | | | |
|--------------------------------------|---|--------------------------------------|----------|-------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| Division A | Extension and Expansion of Certain Tax Relief Provisions and Other Tax Provisions | | | |
| Title I | EXTENSION AND MODIFICATION OF CERTAIN PROVISIONS | | | |
| 104 | Extension and Modification of Research Credit | 538 | | X |
| 122B | Disclosure of Return Information Regarding Terrorist Activity | 577 | | X |
| Title II | ENERGY TAX PROVISIONS | | | |
| 204 | Deduction for Energy Efficient Commercial Buildings | 589 | | X |
| 209 | Special Depreciation Allowance for Cellulosic Biomass Ethanol Plant Property | 597 | | X |
| 402 | Credit for Prior Year Minimum Tax Liability Made Refundable After Period of Years | 616 | | X |
| 404 | Partial Expensing for Advance Mine Safety Equipment | 620 | | X |
| 406 | Whistleblower Reforms | 624 | | X |
| 407 | Frivolous Tax Submissions | 626 | X | |
| 409 | Clarification of Taxation of Certain Settlement Funds Made Permanent – Effective in Taxable Year 2011. | 629 | X | |
| 410 | Modification of Active Business Definition Under Section 355 Made Permanent – Effective in Taxable Year 2011. | 630 | X | |

| Table 5 – TRHCA of 2006 (PL 109-432) | | | | |
|--------------------------------------|---|--|----------|----------------|
| | | FTB's 2006 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 412 | Capital Gains Treatment for Certain Self-Created Musical Works Made Permanent | 635 | X | |
| 417 | Exclusion of Gain from Sale of Principal Residence by Certain Employees of the Intelligence Community | 648 | X | |
| 418 | Sale of Property by Judicial Officers | 650 | X | |
| 424 | Modification of Excise Tax on Unrelated Business Taxable Income of Charitable Remainder Trusts | 661 | | X |
| 425 | Loans to Qualified Continuing Care Facilities Made Permanent – Effective in Taxable Year 2011 | 662 | X | |
| 426 | Technical Corrections | 664 | X | |

2007 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

| Table 1 – The Small Business Work Opportunity Act (SBWOTA) of 2007 (PL 110-28) | | |
|--|--------------------------------|----------|
| | FTB's 2007 Annual Report | Decision |
| | | |

| | | Page Number | | |
|-------------|--|-------------|---------|-------------|
| Act Section | Provision | | Conform | Not Conform |
| 8215 | Family business tax simplification | 17 | X | |
| 8233 | Recapture of bad debt reserves | 32 | X | |
| 8234 | Treatment of sale of interest in a qualified subchapter S subsidiary | 33 | X | |
| 8236 | Permit interest deduction to an electing small business trust to acquire S corporation stock | 35 | X | |
| 8241 | Increase in age of minor children whose unearned income is taxed as if parents' income | 37 | X | |
| 8242 | Modify interest suspension under 6404(g) from 18 to 36 months | 39 | X | |
| 8245 | Increase in penalty for bad checks and money orders | 43 | X | |
| 8246 | Understatement of taxpayer liability by return preparers | 44 | | X |
| 8247 | Penalty for filing erroneous refund claims | 46 | | X |

| Table 2 - Title XV of the Energy Independence and Security Act (EISA) of 2007 (PL 110-140) | | | | |
|--|---|--------------------------------------|----------|-------------|
| | | FTB's 2007 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1502 | 7-year amortization of geological and geophysical expenditures for major integrated oil companies | 59 | | X |

| Table 3 - The Virginia Tech Victims and Family Assistance Act (PL 110-141) | | | | |
|--|-----------|--------------------------------------|----------|-------------|
| | | FTB's 2007 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |

| | | | | |
|---|--|----|---|---|
| 1 | Exclude from income payments from Hokie Spirit Memorial Fund | 63 | X | |
| 2 | Modify penalty for failure to file partnership returns | 64 | | X |

| Table 4 – The Mortgage Forgiveness Debt Relief Act (MFDRA) (PL 110-142) | | | | |
|---|---|--------------------------------------|----------------------------|-------------|
| | | FTB's 2007 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1 - 2 | Exclusion of discharge of principal residence indebtedness | 66 | SB 1055 (2007/2008) | |
| 3 | Extension of deduction for private mortgage insurance | 68 | | X |
| 4 | Change in tests to qualify as cooperative housing corporation | 70 | X | |
| 5 | Exclusion from income for benefits provided to volunteer EMS and firefighters | 71 | X | |
| 6 | Modify the prohibition against full-time students from qualifying for LIHTC unit | 74 | X | |
| 7 | 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 2 years of the death of the spouse | 76 | X | |
| 8 | Increase penalty for failure to file partnership returns | 77 | X (20% of federal penalty) | |
| 9 | Impose a penalty for failure to file S corporation returns | 79 | X (20% of federal penalty) | |

| Table 6 – The Tax Technical Corrections Act of 2007 (PL 110-172) | | | | |
|--|--|--------------------------------------|----------|-------------|
| | | FTB's 2007 Annual Report Page Number | Decision | |
| | | | Conform | Not Conform |
| | | | | |

| | | | | |
|--|--|----|---|--|
| | The Tax Technical Corrections Act of 2007 (TTCA) | 85 | X | |
|--|--|----|---|--|

2008 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

| Table 2 – Heartland, Habitat, Harvest, and Horticulture Act of 2008 (HHHHA)(PL 110-246) | | | | |
|---|--|--------------------------------------|----------|-------------|
| Act Section | Provision | FTB's 2008 Annual Report Page Number | Decision | |
| | | | Conform | Not Conform |
| 15302 | Two-Year Extension of Special Rule Encouraging Contributions of Capital Gain Real Property For Conservation Purposes | 17 | X | |
| 15303 | Deduction for Endangered Species Recovery Expenditures | 21 | X | |
| 15344 | Three-Year Depreciation for Race Horses That are Two Years Old or Younger | 46 | PIT | CORP |
| 15351 | Limitation of Excess Farm Losses of Certain Taxpayers | 52 | | X |
| 15353 | Information Reporting for Commodity Credit Corporation Transactions | 56 | X | |

| Table 3 – Heroes Earnings Assistance and Relief Tax Act of 2008 (HEARTA)(PL 110-245) | | | | |
|--|---|--------------------------------------|----------|-------------|
| Act Section | Provision | FTB's 2008 Annual Report Page Number | Decision | |
| | | | Conform | Not Conform |
| 107 | Distribution from Retirement Plans to Individuals Called to Active Duty | 75 | X | |
| 109 | Contributions of Military Death Gratuities to Roth IRAs and Education Savings Accounts | 78 | X | |
| 110 | Suspension of 5-Year Period during Service with the Peace Corps | 82 | X | |
| 112 | State Payments to Service Members Treated as Qualified Military Benefits | 86 | X | |
| 113 | Permanent Exclusion of Gain from Sale of a Principal Residence by Certain Employees of the Intelligence Community | 87 | X | |
| 114 | Special Disposition Rules for Unused Benefits in Health Flexible Spending | 89 | X | |

| Table 3 – Heroes Earnings Assistance and Relief Tax Act of 2008 (HEARTA)(PL 110-245) | | | | |
|--|--|--------------------------------------|----------|-------------|
| | | FTB's 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| | Arrangements of Individuals Called to Active Duty | | | |
| 303 | Increase in Minimum Penalty on Failure to File a Return of Tax | 108 | X | |

| Table 4 – Housing and Economic Recovery Act of 2008 (HERA)(PL 110-289) | | | | |
|--|--|--------------------------------------|----------|-------------|
| | | FTB's 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 3001-3005 | Various Housing Tax Incentives Related to the Low-Income Housing Tax Credit | 111 | X | |
| 3091 | Returns relating to Payments made in Settlement of Payment Card and Third-Party Network Transactions | 182 | X | |
| 3092 | Gain from Sale of Principal Residence Allocated to Nonqualified Use Not Excluded from Income | 185 | X | |

| Table 5 – Hubbard Act of 2008 (PL 110-317) | | | | |
|--|--|--------------------------------------|----------|-------------|
| | | FTB's 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 9 | Repeal of Dollar Limitation on Contributions to Funeral Trusts | 194 | X | |

| Table 6 – Emergency Economic Stabilization Act of 2008 (EESA)(PL 110-343) | | | | |
|---|-----------|--------------------------------------|----------|-------------|
| | | FTB's 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| <i>EESA Division A, Title III - Tax Provisions</i> | | | | |

| Table 6 – Emergency Economic Stabilization Act of 2008 (EESA)(PL 110-343) | | | | |
|---|---|---|----------------------------------|--------------------|
| | | FTB’s 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 301 | Gain or Loss from Sale or Exchange of Certain Preferred Stock | 195 | | X |
| 302 | Special Rules for Tax Treatment of Executive Compensation of Employers Participating in the Troubled Assets Relief Program | 198 | X | |
| 303 | Extension of Exclusion of Income from Discharge of Qualified Principal Residence Indebtedness | 208 | X (with modifications) | |
| <i>EESA Division B, Title I, Subtitle B - Carbon Mitigation and Coal Provisions</i> | | | | |
| 116 | Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships | 243 | X | |
| <i>EESA Division B, Title II - Energy Production Incentives</i> | | | | |
| 201 | Inclusion of Cellulosic Biofuel in Bonus Depreciation for Biomass Ethanol Plant Property | 245 | | X |
| 208 | Certain Income and Gains Relating to Alcohol Fuels and Mixtures, Biodiesel Fuels and Mixtures, and Alternative Fuels and Mixtures Treated as Qualifying Income for Publicly Traded Partnerships | 266 | X | |
| 209 | Extension and Modification of Election to Expense Certain Refineries | 268 | | X |
| <i>EESA Division B, Title III - Energy Conservation and Efficiency Provisions</i> | | | | |
| 303 | Energy Efficient Commercial Buildings Deduction | 281 | | X |
| 306 | Accelerated Recovery Period for Depreciation of Smart Meters and Smart Grid Systems | 289 | PIT | CORP |
| 308 | Special Depreciation Allowance for Certain Reuse and Recycling Property | 293 | | X |
| <i>EESA Division C, Title II - Extension of Individual Tax Provisions</i> | | | | |

| Table 6 – Emergency Economic Stabilization Act of 2008 (EESA)(PL 110-343) | | | | |
|---|---|---|----------------------------------|--------------------|
| | | FTB's 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 204 | Additional Standard Deduction for Real Property Taxes for Nonitemizers | 323 | | X |
| <i>EESA Division C, Title III - Extension of Business Tax Provisions</i> | | | | |
| 301 | Extension and Modification of Research Credit | 335 | | X |
| 305 | Extension of 15-Year Straight-Line Cost Recovery for Qualified Leasehold Improvements and Qualified Restaurant Improvements; 15-Year Straight Line Cost Recovery for Certain Improvements to Retail Space | 350 | | X |
| 306 | Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations | 354 | X | |
| 307 | Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property | 356 | X | |
| 311 | Extension of Election to Expense Advanced Safety Mine Equipment | 363 | | X |
| 317 | Seven-Year Cost Recovery Period for Motorsports Racing Track Facility | 376 | | X |
| 323 | Enhanced Charitable Deductions for Contributions of Food Inventory | 386 | | X |
| 324 | Extension of Enhanced Charitable Deduction for Contributions of Book Inventory | 388 | | X |
| <i>EESA Division C, Title IV - Extension of Tax Administration Provisions</i> | | | | |
| 402 | Permanent Authority for Disclosure of Information Relating to Terrorists Activities | 392 | | X |
| <i>EESA Division C, Title V, Subtitle A - General Provisions</i> | | | | |
| 505 | Certain Farming Business Machinery and Equipment Treated as 5-Year Property | 401 | | X |
| 506 | Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer | 403 | X (with modifications) | |
| <i>EESA Division C, Title VII, Subtitle A - Heartland and Hurricane Ike Disaster Relief</i> | | | | |

| Table 6 – Emergency Economic Stabilization Act of 2008 (EESA)(PL 110-343) | | | | |
|--|---|---|-----------------|--------------------|
| | | FTB’s 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 703 | Reporting Requirements Relating to Disaster Relief Contributions | 409 | X | |
| <i>EESA Division C, Title VII, Subtitle B - National Disaster Relief</i> | | | | |
| 706 | Losses Attributable to Federally Declared Disasters | 411 | | X |
| 707 | Expensing of Qualified Disaster Expenses | 413 | | X |
| 708 | Net Operating Losses Attributable to Federally Declared Disasters | 417 | | X |
| 710 | Special Depreciation Allowance for Qualified Disaster Property | 425 | | X |
| 711 | Increased Expensing for Qualified Disaster Assistance Property | 429 | | X |
| <i>EESA Division C, Title VIII - Spending Reductions and Appropriate Revenue Raisers for New Tax Policy Relief</i> | | | | |
| 801 | Nonqualified Deferred Compensation from Certain Tax Indifferent Parties | 431 | | X |

| Table 6.5 - Fostering Connections to Success and Increasing Adoptions Act of 2008 (PL 110-351) | | | | |
|---|-------------------------------|---|-----------------|--------------------|
| | | FTB’s 2009 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 501 | Uniform Definition of a Child | 236 | X | |

| Table 7 – Worker, Retiree, and Employer Recovery Act of 2008 (WRERA)(PL 110-458) | | | | |
|---|------------------|---|-----------------|--------------------|
| | | FTB’s 2008 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |

| | | | | |
|-----|--|-----|-----------------------------------|--|
| 124 | Treatment of Certain Reimbursements from Governmental Plans for Medical Care | 457 | X | |
| 127 | Modification of Penalty for Failure to File Partnership Returns | 462 | X (20% of the federal penalty) | |
| 128 | Modification of Penalty for Failure to File S Corporation Returns | 464 | X (20% of the federal penalty) | |

2009 Conformity Decision

| Table 1 – American Recovery and Reinvestment Act of 2009 (ARRA)(PL 111-5) | | | | |
|---|---|--------------------------------------|----------|-------------|
| | | FTB's 2009 Annual Report Page Number | Decision | |
| Act Section | Provision | | Conform | Not Conform |
| 1104 | Coordination with Renewable Energy Grants | 50 | X | |

FISCAL IMPACT

As a result of the modifications to the system, programming, and testing, the costs to the department to implement this bill would be approximately \$400,000. If this bill is enacted without appropriation language, the department would be required to redirect resources, which would have an adverse impact on current revenue generating programs and procedures.

ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the revenue impact of conformity is shown in the following tables. Items that impact the measure of tax (tax revenue) are summed for each year, as are items that do not impact the measure of tax (penalty and interest revenue). Penalty and interest provisions are identified by an asterisk (*).

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

2005 CONFORMITY REVENUE TABLES

| Table 2 – Conformity Revenue Estimates for Disaster Mitigation Payments Act (PL 109-7) | | | | | |
|--|--|---------|---------|---------|---------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1 | Proper Tax Treatment of Certain Disaster Mitigation Payments | | \$0 | \$0 | \$0 |

| Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) | | | | | |
|---|---|---------|--------------|--------------|--------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1308 | Electric Transmission Property Treated As 15-year Property | | -\$100,000 | -\$200,000 | -\$300,000 |
| 1309 | Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975 | | \$0 | \$0 | \$0 |
| 1310 | Modification to Special Rules For Nuclear Decommissioning Cost | | -\$1,200,000 | -\$2,500,000 | -\$2,200,000 |
| 1325 | Natural Gas Distribution Lines Treated As 15-Year Property | | -\$500,000 | -\$600,000 | -\$900,000 |
| 1326 | Natural Gas Gathering Lines Treated As 7-Year Property | | -\$30,000 | -\$20,000 | -\$20,000 |
| 1363 | Modification of Recapture Rules for Amortizable Section 197 Intangibles | | \$800,000 | \$600,000 | \$700,000 |

| Table 5 – Conformity Revenue Estimates for GO Zone Act of 2005 (PL 109-135) | | | | | |
|---|--|---------|---------|---------|---------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 303 * | Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions | | \$0 | \$0 | \$0 |
| 401 | Tax Technical Provisions | | \$0 | \$0 | \$0 |

| 2005 Totals | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------------|---------|--------------|--------------|--------------|
| 2005 Tax Revenue Totals | | -\$1,030,000 | -\$2,720,000 | -\$2,720,000 |
| 2005 Penalty and Interest Totals | | \$0 | \$0 | \$0 |
| 2005 Grand Totals | | -\$1,030,000 | -\$2,720,000 | -\$2,720,000 |

2006 CONFORMITY REVENUE TABLES

| Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222) | | | | | |
|---|---|--|---------|---------|---------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Title II | Other Provisions | | | | |
| 201 | Clarification of Taxation of Certain Settlement Funds | Included in Act section 409 of TRHCA of 2006 | | | |

| Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222) | | | | | |
|---|--|--|-----------|-----------|-----------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Title II | Other Provisions | | | | |
| 202 | Modification of Active Business Definition under Section 355 | Included in Act section 410 of TRHCA of 2006 | | | |
| 204 | Capital Gains Treatment for Certain Self-Created Musical Works | Included in Act section 412 of TRHCA of 2006 | | | |
| 207 | Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights | | \$40,000 | \$20,000 | -\$20,000 |
| 209 | Modification of Treatment of Loans to Qualified Continuing Care Facilities | Included in Act section 425 of TRHCA of 2006 | | | |
| 501 | Application of Earnings Stripping Rules to Partners Which are Corporations | | \$0 | \$0 | \$0 |
| 507 | Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies | | \$700,000 | \$500,000 | \$500,000 |
| 510 | Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income | Included in Act section 8241 of SBWOTA of 2007 | | | |

| Table 3 – Conformity Revenue Estimates for Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income (PL 109-264) | | | | | |
|---|---|---------|----------|----------|----------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1 | Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income | | Baseline | Baseline | Baseline |

| Table 4 – Conformity Revenue Estimates for the Pension Protection Act of 2006 (PPA)(PL 109-280) | | | | | |
|---|--|---------|----------|----------|----------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Title I | REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS | | | | |
| 112 | Minimum Funding Standards; Funding Rules for Single-Employer Defined Benefit Pension Plans | | Baseline | Baseline | Baseline |
| 113 | Benefit Limitations Under Single-Employer Plans | | Baseline | Baseline | Baseline |
| Title II | FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS | | | | |

| Table 4 – Conformity Revenue Estimates for the Pension Protection Act of 2006 (PPA)(PL 109-280) | | | | | |
|---|--|---|--------------|--------------|--------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 211 | Funding Rules for Multiemployer Defined Benefit Plans | | Baseline | Baseline | Baseline |
| 212 | Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status | | Baseline | Baseline | Baseline |
| 221 | Sunset of Additional Funding Rules | | Baseline | Baseline | Baseline |
| Title VIII | PENSION RELATED REVENUE PROVISIONS | | | | |
| Subtitle C | Improvements in Portability, Distributions, and Contribution Rules | | | | |
| 827 | Penalty-Free Withdrawals from Retirement Plans for Individuals Called to Active Duty for at Least 179 Days | Included in Act section 107 of HEARTA of 2008 | | | |
| 828 | Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees | | -\$300,000 | -\$200,000 | -\$200,000 |
| 831 | Allowance of Additional IRA Payments in Certain Bankruptcy Cases | | -\$350,000 | -\$100,000 | -\$80,000 |
| 833 | Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives | | -\$2,100,000 | -\$1,600,000 | -\$1,900,000 |
| Subtitle F | Other Provisions | | | | |
| 863 | Treatment of Death Benefits from Corporate-Owned Life Insurance | | \$0 | \$0 | \$0 |
| 866 | Exemption of Income from Leveraged Real Estate Held by Church Plans | | -\$4,000 | -\$6,000 | -\$12,000 |
| 868 | Gratuitous Transfer for Benefits of Employees | | \$0 | \$0 | \$0 |
| Subtitle A | Charitable Giving Incentives | | | | |
| Title XII | Provisions Relating to Exempt Organizations | | | | |
| Subtitle B | Reforming Exempt Organizations | | | | |
| Part 1 | General Reforms | | | | |
| 1211 | Reporting on Certain Acquisitions of Interests on Insurance Contracts in Which Certain Exempt Organizations Hold an Interest | | Baseline | Baseline | Baseline |

| Table 4 – Conformity Revenue Estimates for the Pension Protection Act of 2006 (PPA)(PL 109-280) | | | | | |
|--|---|----------------|----------------|----------------|----------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1213 | Reform of Charitable Contributions of Certain Easements in Registered Historic Districts and Reduced Deduction for Portion of Qualified Conservation Contribution Attributable to Rehabilitation Credit | | \$450,000 | \$350,000 | \$350,000 |
| 1214 | Charitable Contributions for Taxidermy Property | | \$150,000 | \$100,000 | \$100,000 |
| 1215 | Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use | | Baseline | Baseline | Baseline |
| 1216 | Limitation of Deduction for Charitable Contributions of Clothing and Household Items | | Baseline | Baseline | Baseline |
| 1217 | Modification of Recordkeeping Requirements for Certain Charitable Contributions | | Baseline | Baseline | Baseline |
| 1218 | Contributions of Fractional Interests in Tangible Personal Property | | \$350,000 | \$250,000 | \$250,000 |
| 1219 * | Provisions Relating to Substantial and Gross Overstatements of Valuations | | \$200,000 | \$100,000 | \$100,000 |
| 1220 | Additional Standards for Credit Counseling Organizations | | \$300,000 | \$200,000 | \$200,000 |
| 1222 | Definition of Convention or Association of Churches | | \$150,000 | \$150,000 | \$150,000 |
| 1223 | Notification Requirement for Entities Not Currently Required to File | | \$150,000 | \$150,000 | \$150,000 |

| Table 5– Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432) | | | | | |
|---|-------------------------|----------------|----------------|----------------|----------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Title IV | Other Provisions | | | | |

| Table 5– Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432) | | | | | |
|--|---|---|------------|------------|------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 407 * | Frivolous Tax Submissions | | \$200,000 | \$100,000 | \$100,000 |
| 409 | Clarification of Taxation of Certain Settlement Funds Made Permanent – Effective in Taxable Year 2011 ¹ | | -\$200,000 | -\$200,000 | -\$300,000 |
| 410 | Modification of Active Business Definition Under Section 355 Made Permanent – Effective in Taxable Year 2011 ² | | -\$500,000 | -\$400,000 | -\$500,000 |
| 412 | Capital Gains Treatment for Certain Self-Created Musical Works Made Permanent ³ | | \$0 | \$0 | \$0 |
| 417 | Exclusion of Gain from Sale of Principal Residence by Certain Employees of the Intelligence Community | Included in Act section 113 of HEARTA of 2008 | | | |
| 418 | Sale of Property by Judicial Officers | | -\$20,000 | -\$10,000 | -\$10,000 |
| 425 | Loans to Qualified Continuing Care Facilities Made Permanent – Effective in Taxable Year 2011 ⁴ | | -\$50,000 | -\$40,000 | -\$70,000 |
| 426 | Technical Corrections | | \$0 | \$0 | \$0 |

| 2006 Totals | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------------|---------|--------------|------------|--------------|
| 2006 Tax Revenue Totals | | -\$1,234,000 | -\$836,000 | -\$1,392,000 |
| 2006 Penalty and Interest Totals | | \$400,000 | \$200,000 | \$200,000 |
| 2006 Grand Totals | | -\$834,000 | -636,000 | -\$1,192,000 |

2007 CONFORMITY REVENUE TABLES

¹ 409 - Includes revenue from Act section 201 of TIPRA of 2005.

² 410 - Includes revenue from Act section 202 of TIPRA of 2005.

³ 412 - Includes revenue from Act section 204 of TIPRA of 2005.

⁴ 425 - Includes revenue from Act Section 209 of TIPRA of 2005.

| Table 1 - Small Business and Work Opportunity Tax Act of 2007 (PL 110-28) | | | | | |
|--|--|----------------|----------------|----------------|----------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 8215 | Family Business Tax Simplification | | Baseline | Baseline | Baseline |
| 8233 | Recapture of Bad Debt Reserves | | -\$800,000 | -\$600,000 | -\$400,000 |
| 8234 | Treatment of Sale of Interest in a Qualified Subchapter S Subsidiary | | -\$100,000 | -\$80,000 | -\$90,000 |
| 8236 | Permit Interest Deduction to an Electing Small Business Trust to Acquire S Corporation Stock | | -\$200,000 | -\$150,000 | -\$150,000 |
| 8241 | Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income | \$800,000 | \$15,000,000 | \$10,000,000 | \$10,000,000 |
| 8242 * | Modify Interest Suspension Under 6404(g) from 18 to 36 months | \$1,300,000 | \$3,200,000 | \$4,100,000 | \$4,500,000 |
| 8245 * | Increase in Penalty for Bad Checks and Money Orders | | \$500,000 | \$500,000 | \$500,000 |

| Table 3 - Virginia Tech Victims and Family Assistance Act (PL 110-141) | | | | | |
|---|--|----------------|----------------|----------------|----------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1 | Exclude From Income Payments from Hokie Spirit Memorial Fund | | \$0 | \$0 | \$0 |

| Table 4 - Mortgage Forgiveness Debt Relief Act of 2007 (PL 110-142) | | | | | |
|--|---|--|----------------|----------------|----------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 4 | Change in Tests to Qualify as Cooperative Housing Corporation | | -\$80,000 | -\$80,000 | -\$80,000 |
| 5 | Exclusion from Income for Benefits Provided to Volunteer EMS and Firefighters | -\$200,000 | -\$3,700,000 | -\$500,000 | \$0 |
| 6 | Modify the Prohibition Against Full-Time Students from Qualifying for LIHTC Unit | | -\$2,000 | -\$2,000 | -\$2,000 |
| 7 | 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 2 Years of the Death of the Spouse | | -\$300,000 | -\$200,000 | -\$300,000 |
| 8 * | Increase Penalty for Failure to File Partnership Returns | Included in Act section 127 of WRERA of 2008 | | | |
| 9 * | Impose a Penalty for Failure to File S Corporation Returns | Included in Act section 128 of WRERA of 2008 | | | |

| Table 6 - Technical Corrections Act of 2007 (PL 110-172) | |
|--|--|
| No Revenue Impact | |

| 2007 Totals | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------------|-------------|--------------|--------------|--------------|
| 2007 Tax Revenue Totals | \$600,000 | \$9,818,000 | \$8,388,000 | \$8,978,000 |
| 2007 Penalty and Interest Totals | \$1,300,000 | \$3,700,000 | \$4,600,000 | \$5,000,000 |
| 2007 Grand Totals | \$1,900,000 | \$13,518,000 | \$12,988,000 | \$13,978,000 |

2008 CONFORMITY REVENUE TABLES

| Table 2 - Conformity Revenue Estimates for HHHHA of 2008 (Title XV of PL 110-246) | | | | | |
|---|--|---------|------------|--------------|--------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 15302 | Two-Year Extension of Special Rule Encouraging Contributions of Capital Gain Real Property For Conservation Purposes | | \$0 | \$0 | \$0 |
| 15303 | Deduction for Endangered Species Recovery Expenditures | | -\$700,000 | -\$600,000 | -\$700,000 |
| 15344 | Three-Year Depreciation for Race Horses That are Two Years Old or Younger | | -\$900,000 | -\$1,000,000 | -\$1,000,000 |
| 15353 | Information Reporting for Commodity Credit Corporation Transactions | | \$0 | \$0 | \$0 |

| Table 3 - Conformity Revenue Estimates for HEARTA of 2008 (PL 110-245) | | | | | |
|--|---|---------|-----------|-----------|-----------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 106 | Special Period of Limitation When Uniformed Services Retired Pay is Reduced as a Result of Award of Disability Compensation | | Baseline | Baseline | Baseline |
| 107 | Distribution from Retirement Plans to Individuals Called to Active Duty | | -\$26,000 | -\$24,000 | -\$29,000 |
| 109 | Contributions of Military Death Gratuities to Roth IRAs and Education Savings Accounts | | -\$8,000 | -\$5,000 | -\$4,000 |
| 110 | Suspension of 5-Year Period during Service with the Peace Corps | | -\$5,000 | -\$3,000 | -\$3,000 |
| 112 | State Payments to Service Members Treated as Qualified Military Benefits | | \$0 | \$0 | \$0 |

| | | | | | |
|------|---|-----------|-----------|-----------|-----------|
| 113 | Permanent Exclusion of Gain from Sale of a Principle Residence by Certain Employees of the Intelligence Community | | -\$8,000 | -\$5,000 | -\$5,000 |
| 114 | Special Disposition Rules for Unused Benefits in Health Flexible Spending Arrangements of Individuals Called to Active Duty | | \$0 | \$0 | \$0 |
| 303* | Increase in Minimum Penalty on Failure to File a Return of Tax | \$200,000 | \$300,000 | \$300,000 | \$300,000 |

| Table 4 - Conformity Revenue Estimates for HERA of 2008 (PL 110-289) | | | | | |
|--|--|---------|-------------|-------------|-------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 3001 | Temporary Increase in Volume Cap for Low-Income Housing Credits | | \$0 | \$0 | \$0 |
| 3002 | Determination of Credit Rate | | \$0 | \$0 | \$0 |
| 3003 | Modification to Definition of Eligible Basis | | \$0 | \$0 | \$0 |
| 3004 | Other Simplification and Reform of Low-Income Housing Tax Incentives | | \$0 | \$0 | \$0 |
| 3005 | Treatment of Military Pay | | \$0 | \$0 | \$0 |
| 3091 | Returns relating to Payments made in Settlement of Payment Card and Third-Party Network Transactions | | Baseline | Baseline | Baseline |
| 3092 | Gain from Sale of Principal Residence Allocated to Nonqualified Use Not Excluded from Income | | \$6,400,000 | \$6,000,000 | \$6,400,000 |

| Table 5 - Conformity Revenue Estimates for Hubbard Act of 2008 (PL 110-317) | | | | | |
|---|--|---------|----------|----------|----------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 9 | Repeal of Dollar Limitation on Contributions to Funeral Trusts | | \$20,000 | \$15,000 | \$15,000 |

| Table 6 - Conformity Revenue Estimates for EESA of 2008 (PL 110-343) | | | | | |
|--|-----------|---------|---------|---------|---------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |

| Table 6 - Conformity Revenue Estimates for EESA of 2008 (PL 110-343) | | | | | |
|---|---|---------|---------------|---------------|---------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| <i>EESA Division A, Title III - Tax Provisions</i> | | | | | |
| 302 | Special Rules for Tax Treatment of Executive Compensation of Employers Participating in the Troubled Assets Relief Program | | Indeterminate | Indeterminate | Indeterminate |
| 303 | Extension of Exclusion of Income from Discharge of Qualified Principal Residence Indebtedness | | -\$15,000,000 | -\$10,000,000 | -\$9,000,000 |
| <i>EESA Division B, Title I, Subtitle A - Energy Production Incentives</i> | | | | | |
| 116 | Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships | | -\$100,000 | -\$120,000 | -\$150,000 |
| <i>EESA Division B, Title II - Energy Production Incentives</i> | | | | | |
| 208 | Certain Income and Gains Relating to Alcohol Fuels and Mixtures, Biodiesel Fuels and Mixtures, and Alternative Fuels and Mixtures Treated as Qualifying Income for Publicly Traded Partnerships | | -\$300,000 | -\$200,000 | -\$250,000 |
| <i>EESA Division B, Title III - Energy Conservation and Efficiency Provisions</i> | | | | | |
| 306 | Accelerated Recovery Period for Depreciation of Smart Meters and Smart Grid Systems | | -\$250,000 | -\$300,000 | -\$400,000 |
| <i>EESA Division C, Title III - Extension of Business Tax Provisions</i> | | | | | |
| 306 | Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations | | \$0 | \$0 | \$0 |
| 307 | Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property | | \$0 | \$0 | \$0 |
| <i>EESA Division C, Title V, Subtitle A – General Provisions</i> | | | | | |
| 506* | Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer | | -\$100,000 | -\$200,000 | -\$200,000 |
| <i>EESA Division C, Title VII, Subtitle A - Heartland and Hurricane Ike Disaster Relief</i> | | | | | |
| 703 | Reporting Requirements Relating to Disaster Relief Contributions | | \$0 | \$0 | \$0 |

| Table 6.5 - Fostering Connections to Success and Increasing Adoptions Act of 2008 (PL 110-351, October 7, 2008) | | | | | |
|--|-------------------------------|---------|-------------|-------------|-------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 510 | Uniform Definition of a Child | | \$5,700,000 | \$2,800,000 | \$2,800,000 |

| Table 7 - Conformity Revenue Estimates for WRERA of 2008 (PL 110-458) | | | | | |
|---|--|----------|-------------|-------------|-------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| Title I, Subtitle B, Other Provisions | | | | | |
| 124 | Treatment of Certain Reimbursements from Governmental Plans for Medical Care | | \$0 | \$0 | \$0 |
| 127* | Modification of Penalty for Failure to File Partnership Returns | \$30,000 | \$800,000 | \$500,000 | \$450,000 |
| 128* | Modification of Penalty for Failure to File S Corporation Returns | \$40,000 | \$1,500,000 | \$1,200,000 | \$1,200,000 |

| 2008 Totals | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|----------------------------------|-----------|--------------|--------------|--------------|
| 2008 Tax Revenue Totals | | -\$5,177,000 | -\$3,442,000 | -\$2,326,000 |
| 2008 Penalty and Interest Totals | \$270,000 | \$2,500,000 | \$1,800,000 | \$1,750,000 |
| 2008 Grand Totals | \$270,000 | -\$2,677,000 | -\$1,642,000 | -\$576,000 |

2009 CONFORMITY REVENUE TABLE

| Table 1 – American Recovery and Reinvestment Act of 2009 (PL 111-5) | | | | | |
|---|---|---------------|---------------|---------------|---------------|
| Act Section | Provision | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
| 1104 | Coordination with Renewable Energy Grants | -\$24,000,000 | -\$23,000,000 | -\$23,000,000 | -\$15,000,000 |

GRAND TOTALS

| 2005, 2006, 2007, 2008, and 2009 Totals | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|--|----------------------|----------------------|----------------------|---------------------|
| 2005 - 2009 Tax Revenue Totals | -\$23,400,000 | -\$20,623,000 | -\$21,610,000 | -\$12,460,000 |
| 2005 - 2009 Penalty and Interest Totals | \$1,570,000 | \$6,600,000 | \$6,600,000 | \$6,950,000 |
| 2005 - 2009 Grand Totals | -\$21,830,000 | -\$14,023,000 | -\$15,010,000 | -\$5,510,000 |

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