

State of California

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Legislative Change No.	10-13
Bill Number: <u>AB 2671</u>	Author: <u>Cook</u> Chapter Number: 10-394
Laws Affecting Franchise Tax Board:	<u>Sections 17941 and 23153 of the Revenue and Taxation Code</u>
Date Filed with the Secretary of State:	<u>September 27, 2010</u>

SUBJECT: Minimum Franchise Tax/Exempt Corporations And Limited Liability Companies (LLC's) Owned Solely By Deployed Member Of U.S. Armed Forces That Operate At A Loss Or Cease Operations

Assembly Bill 2671 (Cook), as enacted on September 27, 2010, made the following changes to laws impacting the Franchise Tax Board:

Section 17941 of the Revenue and Taxation Code is amended.

This act allows an LLC that is a small business with a sole owner who is a member of the U.S. Armed Forces to be exempt from paying the \$800 annual tax (LLC not classified as a corporation) for any taxable year if both of the following apply:

- The owner is deployed during that taxable year. "Deployed means being called to active duty or active service during a period when a Presidential Executive order specifies that the U.S. is engaged in combat or homeland defense.
- The LLC operates at a loss or ceases operation. "Operates at a loss" means an LLC's expenses exceed its receipts.

Section 23153 of the Revenue and Taxation Code is amended.

This act allows a corporation that is a small business with a sole owner who is a member of the U.S. Armed Forces to be exempt from paying the \$800 minimum franchise tax for any taxable year if both of the following apply:

- The owner is deployed during that taxable year. "Deployed means being called to active duty or active service during a period when a Presidential Executive order specifies that the U.S. is engaged in combat or homeland defense.
- The corporation operates at a loss or ceases operation in that taxable year. "Operates at a loss" means negative net income.

This act is effective immediately and applies to taxable years beginning on or after January 1, 2010, and is specifically inoperative for taxable years beginning on or after January 1, 2018.

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

Assistant Bureau Director Patrice Gau-Johnson	Date 10/28/10
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