

REVISED ANALYSIS

Franchise Tax Board

Author: Anderson Analyst: Jahna Alvarado Bill Number: SB 157
Related Bills: See Legislative History Telephone: 845-5683 Original Analysis Date: March 21, 2011
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Net Operating Loss Deduction/Fraudulent Investment Arrangement Losses

SUMMARY

This bill would modify state law to match the federal income tax treatment of losses incurred by victims of fraudulent investment arrangements.

SUMMARY OF REVISION

The "Economic Impact" discussion in the department's analysis of the bill as amended March 21, 2011, is being revised to reflect additional data available for estimating the revenue impact of the bill.

Except for this change, the remainder of the department's analysis of the bill as amended March 21, 2011, still applies.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of SB 157 as Amended March 21, 2011 As Revised January 4, 2012 For Taxable Years Beginning On or After January 1, 2008 Enactment Assumed After June 30, 2012 (\$ in Millions)			
2011-12	2012-13	2013-14	2014-15
-\$6.0	\$3.3	\$1.8	\$0.4

Board Position:

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_____ SA _____ O _____ NAR
_____ N _____ OUA

Interim Legislative Director

Date

Anne Maitland

01/09/12

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

The revenue estimate for the March 21, 2011, version of AB 157 is being updated to reflect the current estimate of the total loss attributable to the collapse of the Madoff investment scheme as made by the Securities Investor Protection Corporation Trustee ("the Trustee"). After eliminating fictitious gains from the original estimated loss of \$65 billion, the Trustee now estimates the actual loss as approximately \$17.3 billion. Additionally, the estimate has been revised to reflect amounts recovered, or included in agreements to recover by the Trustee, approximately \$8.7 billion of the principal estimated to have been lost in the Madoff investment scheme by customers who filed claims.

LEGISLATIVE STAFF CONTACT

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