

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Perea, et al. Analyst: Scott McFarlane Bill Number: AB 1393
Related Bills: See Prior Analysis Telephone: 845-6075 Amended Date: June 15, 2014
Attorney: Bruce Langston Sponsor: _____

SUBJECT: Mortgage Forgiveness Debt Relief

SUMMARY

This bill would extend the state exclusion of mortgage forgiveness debt relief for one year, through 2013.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The June 15, 2014, amendments provide that no interest or penalties would be imposed with respect to discharges of qualified principal residence indebtedness during the 2013 taxable year, regardless of whether a taxpayer reports the discharge on his or her income tax return for the 2013 taxable year. As a result of the amendments, the "This Bill" and "Economic Impact" sections of the department's analysis of this bill as amended May 20, 2014, are revised and provided below. The remainder of the department's analysis of this bill as amended May 20, 2014, still applies.

ANALYSIS

THIS BILL

This bill would extend California's modified conformity to mortgage forgiveness debt relief for one year, through 2013. Specifically,

- The California exclusion would be extended to apply to discharges occurring on or after January 1, 2013, and before January 1, 2014,
- The maximum amount of qualified principal residence indebtedness would be \$800,000 (\$400,000 in the case of a married/registered domestic partner (RDP) individual filing a separate return), and
- The total amount excludable from gross income would be limited to \$500,000 (\$250,000 in the case of a married/RDP individual filing a separate return).

Board Position:	Legislative Director	Date
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_____ SA	Jahna Carlson for	06/30/14
_____ N	Gail Hall	
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This bill would also prohibit the imposition of any interest or penalties with respect to discharges of qualified principal residence indebtedness during the 2013 taxable year, regardless of whether a taxpayer reports the discharge on his or her income tax return for the 2013 taxable year.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs or operations.

ECONOMIC IMPACT

Revenue Estimate

Estimated Revenue Impact of AB 1393 As Amended June 15, 2014 Assumed Enactment After June 30, 2014 (\$ in Millions)			
Fiscal Year	2013-14	2014-15	2015-16
Income Exclusion	- \$35	- \$4	\$0
Penalty/Interest Waiver	- \$0.8	\$0	\$0
Total	- \$35.8	- \$4	\$0

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

SUPPORT/OPPOSITION¹

Support: California Bankers Association; California Reinvestment Coalition Center for Responsible Lending; Consumers Union; and the Housing and Economic Rights Advocate.

Opposition: Unknown.

LEGISLATIVE STAFF CONTACT

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¹ The source of Support/Opposition is the Senate Governance and Finance Committee analysis of this bill as amended April 7, 2014.