

# REVISED ANALYSIS

## Franchise Tax Board

Author: Calderon, et al. Analyst: Scott McFarlane Bill Number: SB 30  
Related Bills: See Prior Analysis Telephone: 845-6075 Prior Analysis Date: August 13, 2013  
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.

### SUMMARY OF REVISION

The revenue estimate of this bill is revised to reflect the impact of an information letter that the Internal Revenue Service (IRS) recently published regarding California short sales.

On August 28, 2013, U.S. Senator Barbara Boxer sent the IRS a letter asking whether a homeowner would have taxable cancellation of indebtedness income on a lender-approved short sale that qualifies under section 580e of the California Civil Code of Procedure (CCP). The Office of Associate Chief Counsel of the IRS responded to Senator Boxer in an information letter dated September 19, 2013, and states in the letter that the IRS believes that a homeowner's obligation under the anti-deficiency provision of section 580e of the CCP would be a nonrecourse obligation so that, for federal income tax purposes, the homeowner will not have cancellation of indebtedness income.

As a result, the "Economic Impact" section of the department's analysis of this bill as amended August 13, 2013, is revised to exclude the estimated amount of cancellation of indebtedness income from short sales by homeowners subject to CCP section 580e from the total amount of cancellation of indebtedness income that would be excluded by this bill. The remainder of the department's analysis of this bill as amended August 13, 2013, still applies.

### RECOMMENDATION

No position.

#### Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA       X  NP  
\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
\_\_\_\_\_ N      \_\_\_\_\_ OUA

#### Executive Officer

#### Date

Selvi Stanislaus

01/14/14

## ECONOMIC IMPACT

Prior Revenue Estimate (Before the September 19, 2013, IRS Information Letter to Senator Boxer)

Estimated Revenue Impact of SB 30 As Amended August 13, 2013 For Discharges Occurring On or After January 1, 2013, and Before January 1, 2014 Assumed Enactment After June 30, 2013 (\$ in Millions)		
2013-14	2014-15	2015-16
- \$50	- \$5	\$0

Revised Revenue Estimate (After the September 19, 2013, IRS Information Letter to Senator Boxer)

Estimated Revenue Impact of SB 30 As Amended August 13, 2013 For Discharges Occurring On or After January 1, 2013, and Before January 1, 2014 Assumed Enactment by April 15, 2014 (\$ in Millions)		
2013-14	2014-15	2015-16
- \$35	- \$4	\$0

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