Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Wolk & Dodd	Analyst:	Narinder Dosanjh	Bill Number:	SB 35
Related Bills:	See Prior Analysis	Telephone:	845-5275	Amended Date:	June 16, 2015
		Attorney:	Bruce Langston	Sponsor	

SUBJECT:	Disaster Loss Deduction/Automatic Disaster Relief for Areas Proclaimed by Governor to be in State of Emergency

SUMMARY

This bill would, under the Personal Income Tax Law and the Corporation Tax Law, automatically allow disaster loss treatment for losses sustained in an area declared by the Governor to be in a state of emergency.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The June 16, 2015, amendments added a sunset date, repeal date, and made a number of nonsubstantive changes. As a result of the amendments, the “Effective/Operative Date” and “This Bill” sections of the analysis have been revised. The remainder of the department’s analysis of the bill as amended March 4, 2015, still applies. The “Fiscal Impact,” and “Economic Impact,” sections have been restated for convenience.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2014, and before January 1, 2024.

THIS BILL

For each taxable year beginning on or after January 1, 2014, and before January 1, 2024, this bill would allow a taxpayer to elect disaster loss treatment under IRC Section 165(i) for any loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency.

This bill would provide that an IRC Section 165(i) election relating to disaster losses could be made on a return or amended return filed on or before the due date of the return (including the extended due date) for the taxable year in which the disaster occurred.

Board Position:			Legislative Director	Date
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Additionally, this bill would preclude any law, other than those specific to Net Operating Loss (NOL) treatment under the Revenue and Taxation Code,[1] that suspends, defers, reduces, or otherwise diminishes the deduction of an NOL from applying to an NOL attributable to a loss sustained in any city, county, or city and county in California that is proclaimed by the Governor to be in a state of emergency.

This bill would be repealed by its own terms as of December 1, 2024.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate:

The revenue impact associated with this disaster bill is primarily attributable to timing differences and therefore, the net revenue loss is minimal.

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 impact of this bill depends on the extent affected taxpayers elect to claim their disaster loss by either amending their preceding year return or waiting to claim the disaster loss when filing their current year return. The revenue impact of this bill is primarily attributable to the timing difference between these two options for claiming the disaster loss. Because it is assumed a taxpayer would choose the disaster loss reporting option that is the most beneficial to their financial situation, it is estimated that there would be a small revenue loss. Historically, the department has estimated the revenue impact of disaster losses to be approximately $1,000 per disaster.

LEGISLATIVE STAFF CONTACT

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[1] R&TC sections 17276.20 and 24416.20.