State of California
Franchise Tax Board

SUMMARY OF FEDERAL INCOME TAX CHANGES — 1992

Laws Affected
Personal Income Tax
Bank & Corporation Tax

SUMMARY OF
FEDERAL INCOME TAX CHANGES
1992

Prepared by the Staff of the
FRANCHISE TAX BOARD
State of California

Members of the Board:
State Controller
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This report is submitted in fulfillment of the requirement in Revenue and Taxation Code Section 19270.

TABLE OF CONTENTS

FEDERAL INCOME TAX CHANGES - 1992

Executive Summary

During 1992, the President signed the following Acts into law:

- EMERGENCY UNEMPLOYMENT BENEFITS (PL 102-244)
- UNEMPLOYMENT COMPENSATION AMENDMENTS (PL 102-318)
- COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

Each of these Acts modified the federal Internal Revenue Code and the implications of those changes on California revenue is discussed in this report. In order to respond to the federal changes made to the corporate estimated tax by the Emergency Unemployment Benefits Act (PL 102-244) on February 7, 1992, California modified its rules for corporate estimated tax in the 1992 conformity bill, AB 2425 (Stats. 1992, Ch. 92-698), and in SB 617 (Stats. 1992, Ch. 92-699). The new California rules are effective beginning January 1, 1993.

Changes to the federal rules for payment of estimated tax for corporations were used to fund both the Emergency Unemployment Benefits Act and the Unemployment Compensation Amendments Act. Additional revenue was needed to balance the Unemployment Compensation Amendments Act beyond that raised by changing the corporate estimated tax rules. The additional funds were produced by extending (for an additional year) the temporary phaseout of personal exemptions, by modifying the pension plan rollover rules and by increasing the withholding rate from 10 percent to 20 percent on qualified rollover distributions which are paid to the beneficiary rather than being transferred by one trustee directly to another trustee.

On October 24, 1992, the President signed the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) which contained changes to the Internal Revenue Code as Title XIX - Revenue Provisions. Subtitle A of Title XIX contains the energy conservation and production incentives while Subtitle B contains the revenue offset provisions. The incentives include exclusions from gross income for transportation subsidies to promote ridesharing, deductions for clean fuel vehicles, a credit for purchasing electric vehicles, making the solar and geothermal credit permanent, changes to the alternative minimum tax for oil and gas production and tax-exempt bond financing of facilities generating electricity. The revenue offset provisions include increasing the tax on ozone-depleting chemicals, increased withholding on gambling winnings, changing partnership rules relating to recognizing gain in certain partnership redemptions, denying deductions for travel expenses in certain circumstances and requiring the reporting of the taxpayer identification number in seller-financed mortgage transactions.

FEDERAL INCOME TAX CHANGES - 1992

Exhibit A contains a list of expiring provisions in both state and federal law for the years 1992 through 1997.

As shown in Exhibit A, the following California provisions expired in 1992:

Tax Credit - Child and Dependent Care ($94 million)

Tax Credit - Orphan Drug ($1 million)

Tax Credit - Low-Income Housing ($35 million)

Exclusion - Employer Provided Group Legal Services ($6 million)

Exclusion - Employer Provided Education ($20 million)

Deduction - Self-Employed Health Insurance Premiums ($ 20 million)

Deduction - Allocation of Research and Development Expenses ($2 million)

Deduction - Net Operating Loss Deduction Denial ($385 million)

Exhibit A also shows that the following provisions will expire in 1993 without legislative action.

Tax Credit - Solar Energy Systems ($3 million)

Tax Credit - Targeted Jobs ($1 million)

Tax Credit - Recycling Equipment ($3 million)

Tax Credit - Parent Who Stays at Home ($20 million)

Contribution - Technological Equipment to Schools ($ minor)

Information Returns - Cash Received over $10,000 Action by Attorney General ($ unknown)

Reimbursement - Reimbursement of Franchise Tax Board Costs

FEDERAL INCOME TAX CHANGES - 1992

SUMMARY OF REVENUE IMPACT

		1993-94 (millions)
EMERGENCY UNEMPLOYMENT BENEFITS ACT (P.L. 102-227)		
3.	Temporary Increase in Amount of Corporate Estimated Tax Payments	*
UNEMPLOYMENT COMPENSATION AMENDMENTS (P.L. 102-318)		
511.	Extension of Phaseout of Personal Exemptions	*
512.	Modify Estimated Tax Payment Rules for Large Corporations	7.0
521.	Rollover and Withholding on Nonperiodic Pension Distributions	*
COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (P.L. 102-486)		
1911.	Employer-Provided Transportation Benefits	1.0
1912.	Exclusion of Energy Conservation Subsidies Provided by Public Utilities	-1.0
1913a.	Deduction for Clean-Fuel Vehicles and Certain Refueling Property	
1913b.	Credit for Qualified Electric Vehicles (1913a & 1913b)	-2.0
1914.	Income Tax Credit for Electricity Generated Using Certain Renewable Resources	-0.5
1915.	Repeal of Certain Minimum Tax Preferences Relating to Oil and Gas Production	*
1916.	Business Energy Tax Credits for Solar and Geothermal Property	*
1917.	Treatment of Nuclear Decommissioning Funds	*
1918.	Binding Contract for Nonconventional Fuels Production Credit	*
1919.	Tax-Exempt Bonds for Facilities for the Local Furnishing of Electricity	*
1920.	Partial Excise Tax Exemption for Certain Gasoline Mixtures with Ethanol or Other Alcohol	*

* Deferred or not applicable.

FEDERAL INCOME TAX CHANGES - 1992

SUMMARY OF REVENUE IMPACT

1921.	Tax-Exempt Bond Financing of Certain Hydroelectric Generation Facilities	*
1922.	Allowance of Credit for Amounts Transferred from the Trans-Alaska Pipeline Liability Fund	*
1931.	Increase Base Tax Rate on Ozone Depleting Chemicals and Treatment of Certain Ozone Depleting Chemicals	*
1933.	Require Reporting of Taxpayer Identification Numbers of Parties in Seller-Financed Mortgage Transactions	5.0
1934.	Changes in Withholding on Gambling Winnings	*
1935.	Increase Backup Withholding Rate	*
1936.	Classification of Certain Interests in Corporations as Stock or Indebtedness	0.5
1937.	Treatment of Pre-Contribution Gain in Certain Partnership Redemptions	2.0
1938.	Deny Deduction for Travel Expenses Paid or Incurred in Connection with Employment Lasting One Year or More	1.0
1939.	Reporting of Amounts of Property Tax Reimbursements Paid to Sellers of Residences	1.0
1940.	Use of 501(c)(21) Black Lung Trust Assets to Fund Retiree Health Benefits	*
1941.	Inclusion of Property Qualifying for the Marital Deduction in the Gross Estate	*
1942.	Changes in Withholding on Gambling Winnings	*
19141.	Health Benefits for Retired Coal Miners	*

* Deferred or not applicable.

PUBLIC LAW: EMERGENCY UNEMPLOYMENT BENEFITS (PL 102-244)

ACT SECTION: 3

SECTION TITLE: TEMPORARY INCREASE IN AMOUNT OF CORPORATE ESTIMATED TAX PAYMENTS

Prior Federal Law (IRC Sec. 6655)

For 1992, the TAX EXTENSION ACT OF 1991 (PL 102-227) provides that a corporation not using the "100 percent of last year's liability safe harbor" must base its estimated tax payments on 93 percent of its current year tax liability, whether determined on an actual or annualized basis. The applicable percentage would be 94 percent (rather than 93 percent) in 1993, 95 percent in 1995 and 1996 and dropping back to 90 percent in 1997 and thereafter.

Current California Law (Sec. 25952, 25954 & 25954.2)

In 1992, AB 2425 and SB 617 modified California law, effective for income years beginning on or after January 1, 1993, to:

- o Require that the amount of the installment required to be paid is equal to 95 percent of the amount of the tax shown on the return for the income year (rather than 90 percent or the various temporarily increased federal percentages.)
- o Repeal special provisions relating to "large worldwide corporations" thereby increasing the percentage for those corporations from 70 percent to 95 percent.
- o Add exceptions to the penalty for situations in which 95 percent of the tax liability was paid through withholding or when 95 percent or more of the net income for the income year consists of items from which an amount was withheld, and the amount of the first installment equals at least the minimum tax.

The increase to 95 percent applies to all income years beginning on or after January 1, 1993, and does not drop back to some lesser percentage in the future as does the temporary federal provision.

New Federal Law (IRC Sec. 6655)

The mandatory percentage is increased to 95 percent for 1993 and 1994 (rather than 94 percent.) Thus, the mandatory percentage is 95 percent for taxable years 1993 through 1996. Thereafter the mandatory percentage will decrease to 90 percent.

Effective Date of New Federal Law

Applies to taxable years beginning after December 31, 1992.

Impact on California Revenue

Not applicable. California law already requires estimated tax payments equal to 95 percent of the tax.

PUBLIC LAW: UNEMPLOYMENT COMPENSATION AMENDMENTS (PL 102-318)

ACT SECTION: 511

SECTION TITLE: EXTENSION OF PHASEOUT OF PERSONAL EXEMPTIONS

Prior Federal Law (IRC Sec. 151)

For the period through 1995, federal law requires the personal exemption amount to be phased out for taxpayers with adjusted gross income (AGI) above a threshold amount (indexed for inflation), which is based on filing status. For 1992, the threshold amounts are $157,900 for married taxpayers filing joint returns, $78,950 for married taxpayers filing separate returns, $131,550 for unmarried taxpayers filing as head of household, and $105,250 for unmarried taxpayers filing as single.

The total amount of exemptions which may be claimed by a taxpayer is reduced by 2 percent for each $2,500 (or portion thereof) by which the taxpayer's AGI exceeds the threshold (the phaseout rate is 4 percent for married taxpayers filing separate returns).

This provision expires at the end of 1995.

Current California Law (Sec. 17054.1)

Beginning in 1991, personal exemption credits for individuals with federal adjusted gross incomes exceeding a threshold amount are phased-out. The 1992 indexed threshold amounts are $207,200 (joint), $155,400 (head of household), and $103,600 (single).

Each credit is reduced by $6 for each $2,500 exceeding the threshold amount. For example, a married couple with two dependents would have their total exemption credits reduced by $24 for each $2,500 over the threshold amount.

All exemption credits are covered by the phase-out, including credits for self, spouse, dependents, blindness, and age 65.

In the case of a married person filing a separate return, the threshold is $103,600, the reduction $6, and the income increment is $1,250.

The California phaseout is a permanent provision rather than being a temporary provision like the federal reduction.

New Federal Law (IRC Sec. 151)

Extends the temporary phase-out provision through 1996 (a one year extension).

Effective Date of New Federal Law

Applies to taxable year 1996.

Impact on California Revenue

Not applicable. The California phase-out provision is permanent rather than temporary.

PUBLIC LAW: UNEMPLOYMENT COMPENSATION AMENDMENTS (PL 102-318)

ACT SECTION: 512

SECTION TITLE: MODIFY ESTIMATED TAX PAYMENT RULES FOR LARGE CORPORATIONS

Prior Federal Law (IRC Sec. 6655)

As modified by Public Law 102-244, for taxable years 1992 through 1996 a corporation not using the "100 percent of last year's liability safe harbor" must base its estimated tax payments on the applicable percentage of its current year tax liability, whether determined on an actual or annualized basis. The applicable percentage is 93 percent in 1992 and 95 percent in 1993 through 1996 and dropping back to 90 percent in 1997 and thereafter.

Current California Law (Sec. 25952, 25954 and 25954.2)

In 1992, AB 2425 and SB 617 modified California law, effective for income years beginning on or after January 1, 1993, to:

- Require that the amount of the installment required to be paid is equal to 95 percent of the amount of the tax shown on the return for the current income year (rather than 90 percent or the various temporarily increased federal percentages.)

- Repeal special provisions relating to "large worldwide corporations" thereby increasing the percentage for those corporations from 70 percent to 95 percent.

- Add exceptions to the penalty for situations in which 95 percent of the tax liability was paid through withholding or when 95 percent or more of the net income for the income year consists of items from which an amount was withheld, and the amount of the first installment equals at least the minimum tax.

The increase to 95 percent applies to income years beginning on or after January 1, 1993 and does not drop back to some lesser percentage in the future as does the temporary federal provision.

New Federal Law (IRC Sec. 6655)

The UNEMPLOYMENT COMPENSATION AMENDMENTS ACT (PL 102-318) increases the applicable percentage from 93 or 95 percent to 97 percent for taxable years beginning after June 30, 1992, and before 1997. For taxable years beginning after 1996, the applicable percentage would be reduced to 91 percent (rather than 90 percent).

Effective Date of New Federal Law

Applies to taxable years beginning after June 30, 1992.

Impact on California Revenue

Raising or lowering California's current requirement (95 percent) by 2 percent would produce a revenue effect in the first fiscal year of around $7 million.

PUBLIC LAW: UNEMPLOYMENT COMPENSATION AMENDMENTS (PL 102-318)

ACT SECTION: 521 - 523

SECTION TITLE: ROLLOVER AND WITHHOLDING ON NONPERIODIC PENSION DISTRIBUTIONS

Prior Federal Law (IRC Sec. 55, 62, 72, 219, 401, 402, 403, 406, 407, 408, 411, 414, 415, 457, 691, 871, 877, 1441, 3121, 3306, 3402, 3405, 4973, 4980A, 6047, 6652, and 7701(j))

Distributions from tax-qualified pension plans (Sec. 401(a)), qualified annuity plans (Sec. 403(a)), and tax-sheltered annuities (Sec. 403(b)) generally are included in gross income in the year paid or distributed under the rules relating to the taxation of annuities. A total or partial distribution of the balance to the credit of an employee may, under certain circumstances, be rolled over tax free to another plan or annuity or to an individual retirement arrangement (IRA).

For purposes of the rule denying rollover treatment in the case of certain periodic payments, payments made before, with, or after the commencement of the periodic payments are not treated as part of the series of periodic payments.

Income tax withholding on pension distributions is required unless the payee elects not to have withholding apply. If no election is made, tax is withheld from nonperiodic payments at a 10 percent rate, unless the payments are part of a qualified total distribution, in which case tables published by the Internal Revenue Service are used to determine the withholding rate. A qualified total distribution generally is a payment within one year of the entire interest in a plan.

Current California Law (Sec. 17062, 17072, 17081, 17085, 17272, 17501, 17502, 17504, 17506, 17507, 17510, 17512, 17555, 17566, 17731, 18683 and UI Code Sec. 13021)

California is conformed to federal law regarding the inclusion of distributions from pension plans in gross income with certain modifications relating to allowing an adjustment to the amount included in federal income to account for the differences in deductible amounts on the state return before 1987. In addition the penalty amount for premature distributions is 2 1/2 percent for California versus 10 percent for federal purposes. California also allows the use of special federal rules relating to the taxation of lump-sum distributions with modifications to reflect state tax rates.

Pensions, annuities, and other forms of deferred income are wages and subject to state income tax withholding administered by the Employment Development Department. However, individual payees may elect not to have income tax withheld. An election not to have federal taxes withheld applies for purposes of state withholding, unless the payee elects, with the payer's consent, to have the state tax withheld.

New Federal Law (IRC Sec. 55, 62, 72, 219, 401, 402, 403, 404, 406, 407, 408, 411, 414, 415, 457, 691, 871, 877, 1441, 3121, 3306, 3402, 3405, 4973, 4980A, 6047, 6652, and 7701(j))

Under the UNEMPLOYMENT COMPENSATION AMENDMENTS (PL 102-318), any part of the taxable portion of a distribution from a qualified pension or annuity plan or a tax-sheltered annuity (other than a minimum required distribution) can be rolled over tax free to an IRA or another qualified plan or annuity, unless the distribution is one of a series of substantially equal payments made (1) over the life (or joint life expectancies) of the participant and his or her beneficiary, or (2) over a specified period of 10 years or more.

For purposes of the rule denying rollover treatment in the case of certain periodic payments, a single-sum payment that is not substantially equal to the periodic payments that is made before, with, or after the commencement of the periodic payments is not treated as one of the series of periodic payments. For example, if an employee receives 30 percent of his or her accrued benefit in the form of a single-sum distribution upon retirement with the balance payable in the form of an annuity, the amount of the single-sum distribution can be rolled over.

A qualified retirement or annuity plan must permit participants to elect to have any distribution that is eligible for rollover treatment transferred directly to an eligible transferee plan specified by the participant. The plan administrator must provide a written explanation to a recipient of his or her distribution options (including the direct trustee-to-trustee transfer option) within a reasonable period of time before making an eligible rollover distribution. The direct trustee-to-trustee transfer option is considered a distribution option, so that spousal consent and other similar participant and beneficiary protection rules apply. As under present law, a qualified retirement plan is not required to accept a direct trustee-to-trustee transfer.

Withholding is imposed at a rate of 20 percent on any distribution that is eligible to be rolled over but that is not transferred directly to an eligible transferee plan. Payees cannot elect to forego withholding with respect to such distributions.

Plan amendments required under the provision do not have to be made before the first plan year beginning on or after January 1, 1994, if the plan is operated in accordance with the provision and the amendment applies retroactively. In the case of tax-sheltered annuity plans maintained by State and local governments which are prohibited under State law from making direct trustee-to-trustee transfers, the provisions relating to trustee-to-trustee transfers and withholding do not apply to distributions before the earlier of (1) January 1, 1994, or (2) 90 days after the date on which the State law is amended to permit such transfers.

Effective Date of New Federal Law

The provision is effective for distributions after December 31, 1992.

Impact on California Revenue

Deferred. The cash flow effect of any change in withholding depends upon the state withholding rate and the effective date of implementation. Since the federal change has already been implemented (distributions or after January 1, 1993), any change in state withholding would have a different effective date. The revenue estimate cannot be made until a withholding rate and effective date have been determined.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1911

SECTION TITLE: EMPLOYER-PROVIDED TRANSPORTATION BENEFITS

Prior Federal Law (IRC Sec. 132)

Under Treasury regulations, transit passes, tokens, fare cards, vouchers, and cash reimbursements provided by an employer to defray an employee's commuting costs are excludable from the employee's income (for both income and payroll tax purposes) as a de minimis fringe benefit if the total value of the benefit does not exceed $ 21 per month. If the total value of the benefit exceeds $ 21 per month, the full value of the benefit is includible in income.

Parking at or near the employer's business premises that is paid for by the employer is excludable from the income of the employee (for both income and payroll tax purposes) as a working condition fringe benefit, regardless of the value of the parking. This exclusion does not apply to any parking facility or space located on property owned or leased by the employee for residential purposes.

Current California Law (Sec. 17090, 17131, 17134, and 17149)

California law conforms to federal law.

In addition, the following items also may be excluded from a taxpayer's income for state purposes: 1) free or subsidized parking while participating in a ridesharing arrangement; 2) compensation or the fair market value of commuting in a vanpool, private commuter bus or private vanpool, subscription taxipool, or carpool; and 3) compensation or the fair market value of a monthly transit pass used by an employee or his or her dependents.

Starting in 1993, AB 2109 (Stats. 1992, Ch. 554) provides that an employee who receives a cash allowance from an employer under a parking cash-out program must include this money in gross income for California income tax purposes, unless the money is used for ridesharing.

A parking cash-out program is defined as an employer-funded program under which an employer provides a cash allowance to an employee equivalent to the parking subsidy that the employer would otherwise pay to provide the employee with a parking space. A parking subsidy is defined as the difference between the out-of-pocket amount paid by an employer on a regular basis in order to secure the availability of an employee parking space not owned by the employer and the price, if any, charged to an employee for use of that space.

New Federal Law (IRC Sec. 132)

Under the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486), gross income and wages (for both income and payroll tax purposes) does not include qualified transportation fringe benefits. In general, a qualified transportation fringe is:

(1) transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee's residence and place of employment,

(2) a transit pass, or

(3) qualified parking.

Cash reimbursements made by the employer for such expenses may also qualify for the exclusion but only when an employer does not have ready access to vouchers to be given to employees so they can exchange them for transit passes.

The maximum amount of qualified parking that is excludable from an employee's gross income is $ 155 per month (regardless of the total value of the parking). Other qualified transportation fringes are excludable from gross income to the extent that the aggregate value of the benefits does not exceed $ 60 per month (regardless of the total value of the benefits). The $ 60 and $155 limits are indexed for inflation in $5 increments, rounded down to the next lowest multiple of $5.

A commuter highway vehicle is a highway vehicle with the capacity to seat at least 6 adults (not including the driver) and at least 80 percent of the mileage use of which is for transporting employees between their residences and their place of employment using at least one-half of the adult seating capacity of the vehicle (not including the driver). Transportation furnished in a commuter highway vehicle operated by or for the employer is considered provided by the employer.

A transit pass includes any pass, token, farecard, voucher, or similar item entitling a person to transportation on mass transit facilities (whether publicly or privately owned). Types of transit facilities that may qualify for the exclusion include, for example, rail, bus, and ferry.

Qualified parking is parking provided to an employee on or near the business premises of the employer, or on or near a location from which the employee commutes to work by mass transit, in a commuter highway vehicle, or by carpool. As under present law, the exclusion does not apply to any parking facility or space located on property owned or leased by the employee for residential purposes.

Effective Date of New Federal Law

Applies to benefits provided on or after January 1, 1993.

Impact on California Revenue

Based on federal estimates, with consideration to existing differences between state and federal law, conformity to these specific federal changes would result in revenue gains probably in the $1 million range.

This estimate assumes that Sections 17090 (parking cash-out program) and 17149 (ridesharing arrangements) would be retained as differences between state and federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1912

SECTION TITLE: EXCLUSION OF ENERGY CONSERVATION SUBSIDIES PROVIDED BY PUBLIC UTILITIES

Prior Federal Law (None)

Section 8217(i) of the National Energy Conservation Policy Act provided that the value of any subsidy provided by a utility to a residential customer for the purchase or installation of a residential energy conservation measure was excluded from the gross income of the customer. That exclusion expired on June 30, 1989.

Current California Law (Sec. 17138)

Since 1990, California has provided an exclusion from income for amounts received as rebates from a local water agency or supplier for purchasing or installing water conservation water closets or urinals which meet specified performance standards by treating those rebates as a price adjustment on the water bill.

New Federal Law (IRC Sec. 136)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides an exclusion from the gross income of a residential customer of a public utility for the value of any subsidy provided by the utility for the purchase or installation of an energy conservation measure where the subsidy is received by the customer on or after January 1, 1993.

For this purpose, an energy conservation measure is (1) any residential energy conservation measure with respect to a dwelling unit or (2) any commercial energy conservation measure with respect to dwelling units in a building or structure that contains five or more dwelling units.

The term "public utility" includes regulated public utilities, rural electric cooperatives, and utilities that are owned and operated by the Federal Government or a State or local government or any instrumentality or political subdivision thereof.

The term "energy conservation measure" means an installation or modification of an installation which is primarily designed to reduce consumption of electricity or natural gas or improve the management of energy demand.

Starting in 1995, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) broadens the exclusion by applying it to nonresidential property of a commercial or industrial customer of a public utility. The exclusion is limited to:

o 40 percent of the value of any subsidy provided in 1995 by the utility for the purchase or installation of an energy conservation measure;

o 50 percent of the value of any subsidy provided in 1996 by the utility for the purchase or installation of an energy conservation measure; and

o 65 percent of the value of any subsidy provided after 1996 by the utility for the purchase or installation of an energy conservation measure.

For this purpose, an energy conservation measure is (1) any energy conservation measure (as defined above) with respect to property that is not a dwelling unit or (2) any specially defined energy property. The term "specially defined energy property" means:

(i) a recuperator,
(ii) a heat wheel,
(iii) a regenerator,
(iv) a heat exchanger,
(v) a waste heat boiler,
(vi) a heat pipe,
(vii) an automatic energy control system,
(viii) a turbulator,
(ix) a preheater,
(x) a combustible gas recovery system,
(xi) an economizer,
(xii) modifications to alumina electrolytic cells,
(xiii) modifications to chlor-alkali electrolytic cells, or
(xiv) any other property of a kind specified by the Secretary by regulations,

the principal purpose of which is reducing the amount of energy consumed in any existing industrial or commercial process and which is installed in connection with an existing industrial or commercial facility.

The exclusion does not apply to payments made to or from a qualified cogeneration facility or a qualifying small power production facility pursuant to section 210 of the Public Utility Regulatory Policy Act of 1978.

The provision denies a deduction or credit to a taxpayer (or in appropriate cases requires a reduction in the adjusted basis of property of a taxpayer) for any expenditure to the extent that a subsidy related to the expenditure was excluded from the gross income of the taxpayer.

Effective Date of New Federal Law

Applies to subsidies received on or after January 1, 1993.

Impact on California Revenue

Based on federal estimates, conformity by California would result in a revenue loss in the $1 million range for 1993, increasing to the $5 million range by 1995.

Jennifer Allen. Energy Commission

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1913(a)

SECTION TITLE: DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY

Prior Federal Law (None)

Federal law did not provide a special deduction or other income tax benefit for investing in a motor vehicle that may be propelled by a clean-burning fuel or for investing in property that is used to refuel a motor vehicle that may be propelled by a clean-burning fuel.

Current California Law (Sec. 17052.11 and 23603)

Through 1994 state law under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (BCTL), allows a credit for purchasing a new low-emission motor vehicle or retrofitting an existing vehicle to operate on low-emission fuel. The motor vehicle must be certified as a low-emission vehicle by the State Air Resources Board and be registered in California. An electric vehicle is a zero-emission fuel vehicle and thus can qualify for the state credit.

The credit is equal to 55 percent of either the cost of the retrofitting device (including installation charges but excluding interest) or the cost of the new vehicle. With regard to the purchase of a new motor vehicle, the taxpayer must use the difference between the cost of the low-emission vehicle and a comparable vehicle that is not low emission to calculate the credit. The California Energy Commission is responsible for determining this difference. The maximum credit is $3,500 for vehicles that weigh more than 5,750 pounds and $1,000 for automobiles, motorcycles, and two-person passenger vehicles.

The California Energy Commission is responsible for the annual allocation and certification of this credit. Tax credits allocated under the PITL and the BCTL may not exceed $750,000 per year in the aggregate.

New Federal Law (IRC Sec. 179A)

In general

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides a deduction for a portion of the cost of certain motor vehicles that may be propelled by a clean-burning fuel. In addition, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides a deduction of up to $ 100,000

per location for the cost of certain property that is used in the storage of clean-burning fuel or the delivery of clean-burning fuel into the fuel tank of a motor vehicle propelled by such fuel.

Deduction for qualified clean-fuel vehicle property

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) allows a deduction for the cost of qualified clean-fuel vehicle property for the taxable year that the property is placed in service. Qualified clean-fuel vehicle property is defined as a motor vehicle that is produced by an original equipment manufacturer and that is designed so that the vehicle may be propelled by a clean-burning fuel (an original equipment manufacturer's vehicle), but only to the extent of the portion of the basis of the vehicle that is attributable to: (1) an engine which may use the clean-burning fuel; or (2) any property which may be used in the storage or delivery to the engine of the clean-burning fuel or the exhaust of gases from the combustion of the clean-burning fuel.

In addition, qualified clean-fuel vehicle property is defined as any property that is installed on a motor vehicle which is propelled by a fuel that is not a clean-burning fuel for purposes of permitting such vehicle to be propelled by a clean-burning fuel (a retrofitted vehicle), but only if the property is an engine (or modification thereof) which may use the clean-burning fuel or only to the extent that the property may be used in the storage or delivery to the engine of the clean-burning fuel or the exhaust of gases from the combustion of the clean-burning fuel. For this purpose, the cost of the original installation of the engine or any other such property is to be treated as part of the cost of the engine or such property. Qualified clean-fuel vehicle property does not include an electric vehicle that qualifies for the new 10-percent credit for electric vehicles provided in new section 30.

In order for property to qualify as qualified clean-fuel vehicle property, the property must be acquired for use by the taxpayer (and not for resale) and the original use of the property must commence with the taxpayer. In addition, the motor vehicle of which the property is a part must satisfy any applicable Federal or State emissions standards with respect to each fuel by which the vehicle is designed to be propelled or, in the case of property installed on a retrofitted vehicle, the property must satisfy any applicable Federal or State emissions related certification, testing, and warranty requirements.

In the case of any motor vehicle that may be propelled by both a clean-burning fuel and any other fuel, the cost of any qualified clean-fuel vehicle property that may be used by both the clean- burning fuel and the other fuel is to be taken into account in determining the amount of the deduction only to the extent that the cost of such property exceeds the cost of the property which would have been used had the vehicle been propelled solely by the fuel that is not a clean-burning fuel.

The cost that may be taken into account in determining the amount of the deduction with respect to any motor vehicle is limited based on the type of the motor vehicle.

- o In the case of a truck or van with a gross vehicle weight rating that is greater than 26,000 pounds or a bus which has a seating capacity of at least 20 adults (not including the driver), the limitation is $ 50,000.

- o In the case of a truck or van with a gross vehicle weight rating that is greater than 10,000 but not greater than 26,000 pounds, the limitation is $ 5,000.

- o In the case of any other motor vehicle, the limitation is $2,000.

These limitations are reduced for qualified clean-fuel vehicle property that is placed in service after December 31, 2001. The otherwise applicable limitations are reduced by: (1) 25 percent for property that is placed in service during 2002; (2) 50 percent for property that is placed in service during 2003; and (3) 75 percent for property that is placed in service during 2004. No deduction is allowed with respect to qualified clean-fuel vehicle property that is placed in service after December 31, 2004.

Deduction for qualified clean-fuel vehicle refueling property

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) also allows a deduction for the cost of qualified clean-fuel vehicle refueling property for the taxable year that the property is placed in service. Qualified clean-fuel vehicle refueling property is defined to include any property (other than a building or its structural components) that is used for the storage or dispensing of a clean-burning fuel into the fuel tank of a motor vehicle propelled by the fuel, but only if the storage or dispensing (as the case may be) of the fuel is at the point where the fuel is delivered into the fuel tank of the motor vehicle. Qualified clean-fuel vehicle refueling property also includes any property (other than a building or its structural components) that is dedicated to the recharging of motor vehicles propelled by electricity, but only if the property is located at the point where the motor vehicles are recharged. For this purpose, qualified clean-fuel vehicle refueling property generally includes any equipment that is used to provide electricity to the battery of a motor vehicle that is propelled by electricity (e.g., low-voltage recharging equipment, quick (high-voltage) charging equipment, or ancillary connection equipment such as inductive charging equipment), but does not include any property that is used to generate electricity (e.g., solar panels or windmills) and does not include the battery used in a motor vehicle propelled by electricity.

In order for property to qualify as qualified clean-fuel vehicle refueling property, the original use of the property must commence with the taxpayer and the property must be of a character that is subject to the allowance for depreciation (i.e., unlike qualified clean-fuel vehicle property, qualified clean-fuel vehicle refueling property is required to be used in a trade or business of the taxpayer).

The aggregate cost that may be taken into account in determining the amount of the deduction with respect to qualified clean-fuel vehicle refueling property that is placed in service at any location is not to exceed the excess (if any) of (1) $ 100,000, over (2) the aggregate amount taken into account under the provision by the taxpayer (or any related person or predecessor) with respect to property placed in service at such location for all preceding taxable years. For this purpose, a person is treated as related to another person if the person bears a relationship to the other person that is specified in section 267(b) or section 707(b)(1).

Definition of clean-burning fuel and motor vehicle

Clean-burning fuel is defined as natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, electricity, and any other fuel if at least 85 percent of the fuel is methanol, ethanol, any other alcohol, ether, or any combination of the foregoing. A motor vehicle is defined as any vehicle with at least four wheels that is manufactured primarily for use on public streets, roads, and highways (but not including a vehicle operated exclusively on a rail or rails).

Other rules

The basis of any property with respect to which a deduction is allowed under this provision is reduced by the portion of the cost of the property that is taken into account in determining the amount of the deduction that is allowed with respect to the property. In addition, the Treasury Department is required to promulgate regulations that provide for the recapture of the benefit of the deduction for qualified clean-fuel vehicle property or qualified clean-fuel vehicle refueling property if the property ceases to be property eligible for the deduction.

The deduction for qualified clean-fuel vehicle property or qualified clean-fuel vehicle refueling property is not allowed with respect to property that is used predominantly outside the United States or property that is owned or leased by governmental units or certain tax-exempt organizations. In addition, the deduction for such property is not allowed with respect to the portion of the cost of any property that is taken into account under section 179.

The deduction for qualified clean-fuel vehicle property is not subject to the luxury automobile depreciation limitations of section 280F (unlike the deduction allowed under section 179). In addition, the deduction for qualified clean-fuel vehicle property is allowed as an adjustment to gross income rather than as an itemized deduction. Consequently, the deduction is not subject to the 2-percent of adjusted gross income floor that otherwise applies to miscellaneous itemized deductions or to the limitation on

itemized deductions that applies to taxpayers with adjusted gross income in excess of a specified amount ($ 105,250 for taxable years beginning in 1992).

Recapture of deduction

The conference report for this provision states that it is intended that the benefit of the deduction for qualified clean-fuel vehicle property will be recaptured (i.e., included in gross income) under the provision only if at any time within three years after the date that the property is placed in service, the motor vehicle of which the property is a part is modified so that it may no longer be propelled by a clean-burning fuel. The amount of the benefit to be recaptured is to be determined as follows: (1) if the motor vehicle is modified so that it may no longer be propelled by a clean-burning fuel within one year after it is placed in service, then 100 percent of the deduction is to be recaptured; (2) if the motor vehicle is modified so that it may no longer be propelled by a clean-burning fuel within one year after the close of the period described in (1) , then 67 percent of the deduction is to be recaptured; and (3) if the motor vehicle is modified so that it may no longer be propelled by a clean-burning fuel within one year after the close of the period described in (2), then 33 percent of the deduction is to be recaptured.

The adjusted basis of the property is to be increased by the amount of the benefit that is recaptured under the provision. If the property to which the recapture rules apply is of a character that is subject to an allowance for depreciation, then the additional basis is to be recovered over the remaining recovery period for the property beginning with the taxable year of recapture.

The conference report states that in the case of qualified clean-fuel vehicle refueling property, however, recapture under the provision is to occur only if at any time before the end of the recovery period for the property, the property is no longer used predominantly in a trade or business of the taxpayer of dispensing clean-burning fuel into the fuel tank of a motor vehicle propelled by the fuel (or, in the case of property used in the recharging of electric vehicles, the property is no longer used predominantly in a trade or business of the taxpayer of recharging motor vehicles propelled by electricity). The amount of the deduction for clean-fuel vehicle refueling property is to vest ratably over the recovery period for the property.

Effective Date of New Federal Law

The provision applies to property that is placed in service after June 30, 1993, and before January 1, 2005.

Impact on California Revenue

Combined with Act Section 1913(b) - See pages 21-22.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1913(b)

SECTION TITLE: CREDIT FOR QUALIFIED ELECTRIC VEHICLES

Prior Federal Law (None)

Federal law did not contain any credit for the purchase of electric vehicles.

Current California Law (Sec. 17052.11 and 23603)

Through 1994 state law under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (BCTL), allows a credit for purchasing a new low-emission motor vehicle or retrofitting an existing vehicle to operate on low-emission fuel. The motor vehicle must be certified as a low-emission vehicle by the State Air Resources Board and be registered in California. An electric vehicle is a zero-emission fuel vehicle and thus can qualify for the state credit.

The credit is equal to 55 percent of either the cost of the retrofitting device (including installation charges but excluding interest) or the cost of the new vehicle. With regard to the purchase of a new motor vehicle, the taxpayer must use the difference between the cost of the low-emission vehicle and a comparable vehicle that is not low emission to calculate the credit. The California Energy Commission is responsible for determining this difference. The maximum credit is $3,500 for vehicles that weigh more than 5,750 pounds and $1,000 for automobiles, motorcycles, and two-person passenger vehicles.

The California Energy Commission is responsible for the annual allocation and certification of this credit. Tax credits allocated under the PITL and the BCTL may not exceed $750,000 per year in the aggregate.

New Federal Law (IRC Sec. 30)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides an income tax credit equal to 10 percent of the cost of a qualified electric vehicle for the taxable year that the vehicle is placed in service. The maximum amount of the credit allowed with respect to any qualified electric vehicle is not to exceed $ 4,000. The credit is phased out for qualified electric vehicles placed in service after December 31, 2001. The otherwise allowable credit (as determined after the application of the $4,000 per vehicle limitation) is reduced by: (1) 25 percent for property that is placed in service during 2002; (2) 50 percent for property that is placed in service during 2003; and (3) 75 percent for property that is placed in service during 2004. No credit is allowed with respect to a qualified electric vehicle that is placed in service after December 31, 2004.

A qualified electric vehicle is defined as a motor vehicle (1) that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current; (2) the original use of which commences with the taxpayer; and (3) that is acquired for use by the taxpayer and not for resale. A motor vehicle is defined as any vehicle with at least four wheels that is manufactured primarily for use on public streets, roads, and highways (but not including a vehicle operated exclusively on a rail or rails).

The credit for qualified electric vehicles for any taxable year is not to exceed the excess (if any) of (1) the regular tax for the taxable year reduced by the credits allowable under Subpart A and sections 27, 28 and 29 of the Code, over (2) the tentative minimum tax for the taxable year.

The basis of a qualified electric vehicle is reduced by the amount of the credit that is allowable with respect to the vehicle. In addition, the Treasury Department is required to promulgate regulations that provide for the recapture of the credit if the vehicle ceases to be a qualified electric vehicle.

The credit for a qualified electric vehicle is not allowed with respect to property that is used predominantly outside the United States or property that is owned or leased by governmental units or certain tax-exempt organizations. In addition, the credit is not allowed with respect to the portion of the cost of any property that is taken into account under section 179.

Recapture of credit

The Secretary of the Treasury is to promulgate regulations similar to the recapture for the deduction for clean-fuel vehicles and certain refueling property to apply to the credit for qualified electric vehicles (except that the amount of the benefit that is recaptured is to increase the amount of tax due).

Effective Date of New Federal Law

Applies to property placed in service after June 30, 1993.

Impact on California Revenue

Based on federal estimates, with consideration to existing differences between state and federal law, conformity to these specific federal changes would result in revenue losses in the $2 to $3 million range annually. Note: This revenue estimate also includes the impact of conforming to Act Section 1913(a) - See pages 16-20.

This estimate assumes that Sections 17052.11 and 23603 (tax credits for low-emission motor vehicles) would be retained as differences between state and federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1914

SECTION TITLE: INCOME TAX CREDIT FOR ELECTRICITY GENERATED USING CERTAIN RENEWABLE RESOURCES

Prior Federal Law (None)

Current California Law (None)

New Federal Law (IRC Sec. 38 and 45)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides for a production-type credit against income tax liability for electricity produced from either qualified wind energy or qualified "closed-loop biomass" facilities. The credit equals 1.5 cents (adjusted for inflation) per kilowatt hour of electricity produced from these qualified sources during the 10-year period after the facility is placed in service. This production credit is part of the general business credit, subject to the carryforward, carryback, and the limitation rules of the general business credit (except that the production credit from closed-loop biomass facilities may not be carried back to a taxable year ending before January 1, 1993, and the production credit from qualified wind energy facilities may not be carried back to a taxable year ending before January 1, 1994).

"Closed-loop biomass" is defined as the use of plant matter on a renewable basis as an energy source to generate electricity, where the plants are grown for the sole purpose of being used to generate electricity. Accordingly, the credit is not available for the use of waste materials (including, but not limited to, scrap wood, manure, and municipal or agricultural waste) to generate electricity. Moreover, the credit is not available to a taxpayer who uses standing timber to produce electricity.

The credit is proportionately phased out over a three-cent per kilowatt hour range if the national average price of electricity from the renewable source (that is attributable to contracts entered into after December 31, 1989) exceeds a threshold price of 8 cents per kilowatt hour. (This threshold is adjusted for inflation based on the Gross Domestic Product implicit price deflator.) Thus, the credit will not be available if the national average price of electricity from the renewable source is greater than three cents per kilowatt hour above the threshold price.

A facility which has received the business energy credit or the investment credit is not eligible for the production credit. In addition, the credit is reduced proportionately for any governmental grants or subsidized financing received (including the use of tax-exempt bonds).

In order to claim the credit, a taxpayer must own the facility and sell the electricity produced by that facility to an unrelated party. Accordingly, a public utility which owns and operates a qualified facility would be able to claim the credit to the extent that the utility ultimately sells the electricity generated to unrelated parties.

The proportional reduction in credit that results when a taxpayer receives subsidized financing through a governmental program applies whether the subsidized financing is directly or indirectly provided. In particular, governmental programs to compensate financial intermediaries for extending low-interest loans to taxpayers who purchase or construct qualifying facilities are an example of subsidized financing.

Effective Date of New Federal Law

The credit applies to electricity produced by a qualified closed-loop biomass facility placed in service after December 31, 1992, and before July 1, 1999, and to electricity produced by a qualified wind energy facility placed in service after December 31, 1993, and before July 1, 1999.

Impact on California Revenue

Based on the low level of production activity reflected in the federal estimates over the initial years, conformity would probably result in revenue losses ranging from minor to $3 million over the first three years.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1915

SECTION TITLE: REPEAL OF CERTAIN MINIMUM TAX PREFERENCES RELATING TO OIL AND GAS PRODUCTION

Prior Federal Law (IRC Sec. 56, 57, 59, 59A, and 613A)

Taxpayers who pay or incur intangible drilling or development costs (IDCs) in the development of domestic oil or gas properties may elect either to expense or capitalize these amounts. If an election to expense IDCs is made, the taxpayer deducts the amount of the IDCs as an expense in the taxable year the cost is paid or incurred. Generally, if IDCs are not expensed, but are capitalized, they can be recovered through depletion or depreciation, as appropriate; or at the election of the taxpayer, they may be amortized over a 60-month period.

The difference between the amount of a taxpayer's IDC deductions and the amount which would have been currently deductible had IDCs been capitalized and recovered over a 10-year period is an item of tax preference for the alternative minimum tax (AMT) to the extent that this amount exceeds 65 percent of the taxpayer's net income from oil and gas properties for the taxable year (the excess IDC preference). In addition, for purposes of computing the adjusted current earnings (ACE) adjustment of the corporate AMT, IDCs are capitalized and amortized over the 60-month period beginning with the month in which they are paid or incurred.

Independent producers and royalty owners generally are allowed a deduction for percentage depletion in computing their taxable income. A taxpayer's overall deduction for percentage depletion is limited to an amount that is equal to 65 percent of the taxpayer's pre-depletion taxable income for the taxable year. The amount by which the depletion deduction exceeds the adjusted basis of the property is an AMT preference (the "excess percentage depletion preference"). Corporations must use cost depletion in computing their ACE adjustment.

A taxpayer other than an integrated oil company is entitled to an "energy deduction" for certain IDC and depletion items. The energy deduction is the sum of 75 percent of the portion of the IDC preference attributable to qualified exploratory costs and 15 percent of the remaining IDC preference plus 50 percent of the marginal production depletion preference. The energy deduction may not reduce the taxpayer's alternative minimum taxable income by more than 40 percent.

Current California Law (Sec. 17062, 23400, 23456, 23457 and 23459)

California is conformed to the federal rules for computing the alternative minimum tax adjustments for IDC's and the computation of the ACE adjustment for depletion. California, however, never adopted the federal AMT energy deduction, the increase of the federal net income limitation from 50 percent to 100 percent or the federal increase in percentage depletion allowable for marginal wells.

The difference between state and federal law relating to depletion results from the differences between the two laws for regular tax depletion deductions for oil, gas and geothermal wells. For federal purposes percentage depletion for oil and gas wells was eliminated for regular tax purposes for tax years after 1974, with the exception of certain production from domestic gas wells and for independent oil producers and royalty owners. California, in responding to this federal change, did not eliminate or reduce the percentage depletion for regular tax purposes for oil, gas and geothermal wells, but rather placed a limitation on the total amount deductible by a taxpayer. If the total percentage depletion for oil, gas and geothermal wells is less than $1,500,000, there is no limitation. If the amount is in excess of $1,500,000, that total must be reduced by 125% of the excess over $1,500,000.

New Federal Law (IRC Sec. 56, 57, 59, and 59A)

For taxpayers other than integrated oil companies, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) repeals (1) the excess IDC preference and (2) the excess percentage depletion preference for oil and gas. The repeal of the excess IDC preference, however, may not result in more than a 40 percent reduction (30 percent for taxable years beginning in 1993) in the amount of the taxpayer's alternative minimum taxable income computed as if the present-law excess IDC preference had not been repealed.

In addition, for corporations other than integrated oil companies, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) repeals the ACE adjustments for (1) IDCs paid or incurred in taxable years beginning after December 31, 1992, and (2) percentage depletion for oil and gas deducted in taxable years beginning after December 31, 1992.

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) also repeals the minimum tax energy deduction for taxable years beginning after December 31, 1992.

Effective Date of New Federal Law

Except for the ACE treatment of IDC's, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) amendments apply to taxable years beginning after December 31, 1992. In the case of the ACE treatment of IDCs, the amendment applies to

IDCs paid or incurred in taxable years beginning after December 31, 1992.

Impact on California Revenue

Unknown, at this time. The revenue implications of any change in state tax policy for independent oil companies (i.e., producers other than integrated oil companies) would require extensive analysis.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1916

SECTION TITLE: BUSINESS ENERGY TAX CREDITS FOR SOLAR AND GEOTHERMAL PROPERTY

Prior Federal Law (IRC Sec. 38, 46 and 48)

Nonrefundable business energy tax credits are allowed for 10 percent of the cost of qualified solar and geothermal energy property. Solar energy property that qualifies for the credit includes any equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Qualifying geothermal property includes equipment that produces, distributes, or uses energy derived from a geothermal deposit, but, in the case of electricity generated by geothermal power, only up to (but not including) the electrical transmission stage.

The business energy tax credits expired with respect to property placed in service after June 30, 1992.

The business energy tax credits are components of the general business credit. The business energy tax credits, when combined with all other components of the general business credit, generally may not exceed for any taxable year the excess of the taxpayer's net income tax over the greater of (1) 25 percent of net regular tax liability above $ 25,000 or (2) the tentative minimum tax. An unused general business credit generally may be carried back 3 years and carried forward 15 years.

Current California Law (Sec. 17052.5 and 23601.5)

For taxable years beginning before January 1, 1994, California allows a credit equal to 10% of the cost of a solar device for the individual function of producing electricity in excess of 30 watts per device installed in commercial premises located in California. Certification by the State Energy Resources Conservation and Development Commission is required for systems with a generating capacity in excess of 100 kilowatts. If a solar system has a generating capacity in excess of 30 megawatts, a credit is allowed only for taxable years in which a similar federal credit of 10 percent or more is also allowed. The Commission provides an annual list of taxpayers eligible for this credit. This credit may reduce the regular tax below the tentative minimum tax. If the credit exceeds the tax, the credit may be carried over.

New Federal Law (IRC Sec. 48)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) permanently extends the credits for qualified investments in solar and geothermal property.

Effective Date of New Federal Law

The repeal of the termination date is effective June 30, 1992.

Impact on California Revenue

Unknown, at this time. California has provided its own energy related tax incentive in this area for taxable years beginning prior to January 1, 1994. Any change in state policy which would conform to the extended federal provisions in lieu of current state law would require further analysis.

The extension of the federal credit to periods after June 30, 1992, does have an impact upon California revenues since the existing California credit for systems with a generating capacity in excess of 30 megawatts is conditioned upon the existence of a federal credit of 10 percent or more for the same taxable year.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1917

SECTION TITLE: TREATMENT OF NUCLEAR DECOMMISSIONING FUNDS

Prior Federal Law (IRC Sec. 468A)

A taxpayer that is required to decommission a nuclear power plant may elect to deduct certain contributions that are made to a nuclear decommissioning fund. A nuclear decommissioning fund is a segregated fund the assets of which are to be used exclusively to pay nuclear decommissioning costs, taxes on fund income, and certain administrative costs. The assets of a nuclear decommissioning fund that are not currently required for these purposes must be invested in (1) public debt securities of the United States, (2) obligations of a State or local government that are not in default as to principal or interest, or (3) time or demand deposits in a bank or an insured credit union located in the United States. These investment restrictions are the same restrictions which apply to Black Lung trusts that are established under section 501(c)(21) of the Code.

The income of a nuclear decommissioning fund is subject to tax at the highest rate of tax that applies to corporations (34 percent under present law).

Current California Law (Sec. 17551 and 24690)

California is fully conformed to federal law except that the gross income of a nuclear decommissioning fund is subject to tax at the corporate tax rate of 9.3 percent.

New Federal Law (IRC Sec. 468A)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) repeals the present-law investment restrictions that apply to nuclear decommissioning funds. In addition, the act reduces the rate of tax imposed on the income of nuclear decommissioning funds to 22 percent for taxable years beginning in 1994 and 1995 and to 20 percent for taxable years beginning after 1995.

Effective Date of New Federal Law

The provision that repeals the investment restrictions of present law is effective for taxable years beginning after December 31, 1992. The tax rate of 22 percent is effective for taxable years beginning in 1994 and 1995 and the tax rate of 20 percent is effective for taxable years beginning after 1995.

Impact on California Revenue

Unknown, at this time.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1918

SECTION TITLE: BINDING CONTRACT RULE FOR NONCONVENTIONAL FUELS PRODUCTION CREDIT

Prior Federal Law (IRC Sec. 29)

Nonconventional fuels are eligible for a production credit equal to $ 3 per barrel or Btu oil barrel equivalent. (The credit amount generally is adjusted for inflation, except for gas produced from a tight formation.) Qualified fuels must be produced domestically from a well drilled, or a facility placed in service, before January 1, 1993. The production credit is available for qualified fuels sold to unrelated persons before January 1, 2003.

Qualified fuels include (1) oil produced from shale and tar sands, (2) gas produced from geopressured brine, Devonian shale, coal seams, a tight formation, or biomass (i.e., any organic material other than oil, natural gas, or coal (or any product thereof)), and (3) liquid, gaseous, or solid synthetic fuels produced from coal (including lignite), including such fuels when used as feedstocks.

Current California Law (None)

California has never adopted a comparable credit.

New Federal Law (IRC Sec. 29)

Under the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) a facility that produces gas from biomass or produces liquid, gaseous, or solid synthetic fuels from coal (including lignite) generally will be treated as being placed in service before January 1, 1993, if it is placed in service by the taxpayer before January 1, 1997, pursuant to a written binding contract in effect before January 1, 1996. In the case of a facility that produces coke or coke gas, however, this provision applies only if the original use of the facility commences with the taxpayer.

If a facility that qualifies for the above-stated binding contract rule is originally placed in service after December 31, 1992, production from the facility may qualify for the credit if sold before January 1, 2008.

Effective Date of New Federal Law

Applies to facilities placed in service before January 1, 1997.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1919

SECTION TITLE: TAX-EXEMPT BONDS FOR FACILITIES FOR THE LOCAL FURNISHING OF ELECTRICITY

Prior Federal Law (IRC Sec. 142)

Interest on certain private activity bonds is exempt from Federal regular individual and corporate income tax. However, issuance of most such bonds is subject to annual State private activity bond volume limitations. One type of tax-exempt private activity bond is an exempt-facility bond to finance facilities for the local furnishing of electricity.

The use of exempt-facility bonds for this purpose is limited to financing of facilities for electric systems the service area of which does not exceed either (1) two contiguous counties or (2) a city and a contiguous county. The local furnishing exception does not apply to bonds for facilities that are part of an integrated system to supply electricity to a region.

Current California Law (None)

California does not have comparable provisions. Interest on bonds issued by California or its local subdivisions are exempt from California income tax by operation of the California Constitution.

New Federal Law (IRC Sec. 142)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) authorizes the Federal Energy Regulatory Commission (FERC) to order electric utilities (including those qualifying under the local furnishing exception) to provide transmission (wheeling) services to other parties that generate electricity. These FERC orders also may require the utilities to enlarge their transmission systems.

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) further provides that the local furnishing exception is not violated by wheeling activities conducted pursuant to such FERC orders if no tax-exempt bond financing is provided for the non-local furnishing activities.

The determination of whether a facility which is subject to a FERC wheeling order is used in local furnishing activities is to continue to be made on the basis of the facts and circumstances of each case, as under present law.

The escrow requirement for defeasance of outstanding bonds in the event of non-local-

furnishing uses of bond-financed facilities pursuant to the FERC orders is modified to clarify its application to partial uses. Also, this escrow requirement is to apply only to circumstances involving disqualification of outstanding bonds as a result of the FERC orders authorized under the Act; no inference is intended as to the appropriate treatment of bonds the interest on which becomes taxable in other circumstances.

<u>Effective Date of New Federal Law</u>

Effective October 24, 1992.

<u>Impact on California Revenue</u>

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1920

SECTION TITLE: PARTIAL EXCISE TAX EXEMPTION FOR CERTAIN GASOLINE MIXTURES WITH ETHANOL OR OTHER ALCOHOL

Prior Federal Law (IRC Sec. 4081)

Federal excise taxes generally are imposed on gasoline and special motor fuels used in highway transportation and by motorboats (14.1 cents per gallon). A Federal excise tax also is imposed on diesel fuel used in highway transportation (20.1 cents per gallon).

A 5.4-cents-per-gallon excise tax exemption is allowed from the excise taxes on gasoline, diesel fuel, and special motor fuels for mixtures of any of these fuels with at least 10-percent ethanol. A 6-cents-per-gallon excise tax exemption is allowed for mixtures with at least 10-percent alcohol that is other than ethanol. Because blended fuels are generally 10 percent alcohol, a reduction of 5.4 or 6 cents per gallon of gasohol or other blend is equivalent to a subsidy of 54 or 60 cents per gallon of qualifying alcohol.

For purposes of the partial excise tax exemption, the term alcohol includes methanol and ethanol, but does not include alcohol produced from petroleum, natural gas, or coal (including peat), or alcohol with a proof less than 190.

The partial excise tax exemption is scheduled to expire after September 30, 2000.

Current California Law

The Board of Equalization administers the motor vehicle fuel tax.

New Federal Law (IRC Sec. 4081)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) modifies the partial excise tax exemption for gasoline that is mixed with ethanol or other alcohol to extend its application to 5.7- or 7.7-percent alcohol blends. The current 5.4- and 6-cents-per-gallon exemptions for alcohol mixtures are pro-rated to maintain the subsidy level of 54 or 60 cents per gallon, respectively, for ethanol or other alcohol that is mixed with gasoline.

The purpose of this provision, as stated in the legislative history of the Senate amendment, is to provide taxpayers with greater flexibility to mix alcohol with gasoline to meet the mandated targets of the Clean Air Act.

Effective Date of New Federal Law

Gasoline removed or entered after December 31, 1992.

Impact on California Revenue

To be determined by the State Board of Equalization.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1921

SECTION TITLE: TAX-EXEMPT BOND FINANCING OF CERTAIN HYDRO-ELECTRIC GENERATION FACILITIES

Prior Federal Law (IRC Sec. 142)

Interest on certain private activity bonds is exempt from Federal regular individual and corporate income taxes. However, issuance of the bonds is subject to annual State private activity bond volume limitations. One type of tax-exempt private activity bond is an exempt-facility bond. Exempt-facility bonds are bonds the proceeds of which are used to finance the following: airports; docks and wharves; mass commuting facilities or high-speed intercity rail facilities; water, sewage, solid waste, or hazardous waste disposal facilities; facilities for the local furnishing of electricity or gas; local district heating or cooling facilities; and certain low-income rental housing projects.

Current California Law (None)

California does not have comparable provisions. Interest on bonds issued by California or its local subdivisions are exempt from California income tax by operation of the California Constitution.

New Federal Law (IRC Sec. 142)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) authorizes a new type of exempt-facility bond for environmental enhancement of hydroelectric generation facilities. At least 80 percent of the net proceeds of each bond issue must be used to finance property for the promotion of fisheries or other wildlife resources. Qualifying expenditures must be related to a governmentally owned and operated hydroelectric facility and may not include amounts which increase or allow an increase in the capacity of the existing generation equipment. Issuance of these bonds is not subject to the annual State private activity bond volume limitations.

Effective Date of New Federal Law

Bonds issued after October 24, 1992.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1922

SECTION TITLE: ALLOWANCE OF CREDIT FOR AMOUNTS TRANSFERRED FROM THE TRANS-ALASKA PIPELINE LIABILITY FUND INTO THE OIL SPILL LIABILITY TRUST FUND

Prior Federal Law (IRC Sec. 4612)

The Trans-Alaska Pipeline Liability Fund (TAPS Fund) was established by the Trans-Alaska Pipeline System Authorization Act. The TAPS Fund was financed by a fee of five cents per barrel on oil that was loaded on a vessel from the pipeline. Amounts in the TAPS Fund are to be transferred to the Oil Spill Liability Trust Fund (Oil Spill Fund) after all outstanding claims against the TAPS Fund have been resolved. At the time of transfer, contributors to the TAPS Fund are to be provided a credit for amounts paid to the TAPS Fund, and interest accrued on these amounts, prior to January 1, 1987. Each contributor's credit cannot exceed its pro rata share of such amounts (i.e., the contributions and interest prior to January 1, 1987) transferred from the TAPS Fund into the Oil Spill Fund.

The TAPS Fund credit is available only against the excise tax on petroleum products that is used to finance the Oil Spill Fund. Under present law, that excise tax is not applicable after December 31, 1994, or if the unobligated balance in the Oil Spill Fund exceeds $ 1 billion.

Current California Law (None)

Not applicable to California.

New Federal Law (IRC Sec. 4612)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) permits taxpayers to use TAPS credits against regular corporate income taxes to the extent that the credits may not be used against the oil spill excise tax by reason of the lapse of that tax. The TAPS credits used against corporate income taxes cannot be carried back to taxable years before the lapse occurs.

The aggregate income tax credits and petroleum excise tax credits for any taxpayer are limited to an amount not exceeding the petroleum excise tax credits that could have been claimed between December 31, 1989, and the date that the petroleum excise tax expires by lapse of time (currently scheduled for December 31, 1994). The limit is calculated assuming that (i) the balance of the Oil Spill Fund did not exceed $ 1 billion during that period, and (ii) the amounts in the TAPS Fund actually transferred to the

Oil Spill Fund were instead transferred on January 1, 1990. This limitation is in addition to the present-law limitations on a contributor's credit. With regard to the transfer of funds from the Oil Spill Fund to the general fund equal to the amount of the TAPS credits claimed as income tax credits, these transfers are not to be made to the extent they would reduce the balance of the Oil Spill Fund below $ 1 billion.

Effective Date of New Federal Law

Taxable years beginning after October 24, 1992.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTIONS: 1931 and 1932

SECTION TITLE: INCREASE BASE TAX RATE ON OZONE-DEPLETING CHEMICALS AND TREATMENT OF CERTAIN OZONE DEPLETING CHEMICALS

Prior Federal Law (IRC Sec. 4681 and 4682)

An excise tax is imposed on certain ozone-depleting chemicals. The amount of tax generally is determined by multiplying the base tax rate applicable for the calendar year by an ozone-depleting factor assigned to the chemical. Certain chemicals are subject to a reduced rate of tax for years prior to 1994.

Between 1992 and 1995 there are two base tax rates applicable, depending upon whether the chemicals were initially listed in the Omnibus Budget Reconciliation Act of 1989 or whether they were newly listed in the Omnibus Budget Reconciliation Act of 1990. The base tax rate applicable to initially listed chemicals is $1.67 per pound for 1992, $2.65 per pound for 1993 and 1994, and an additional 45 cents per pound per year for each year thereafter. The base tax rate applicable to newly listed chemicals is $1.37 per pound for 1992, $1.67 per pound for 1993, $3.00 per pound for 1994, $3.10 per pound for 1995, and an additional 45 cents per pound per year for each year thereafter.

Current California Law

The Board of Equalization administers the environmental fee imposed on corporations. All corporations with a Standard Industrial Classification code for industries that use, generate, or store hazardous materials or conduct activities in California related to hazardous materials are subject to an annual environmental fee, whether or not they are actually conducting activities related to hazardous materials. The fee is based on the number of employees in California during the previous calendar year.

New Federal Law (IRC Sec. 4681 and 4682)

Base tax amount. -- The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) increases and applies the same base tax amount to both initially listed chemicals and newly listed chemicals. The new base tax amount will be $ 3.35 per pound in 1993, $ 4.35 per pound in 1994, and $ 5.35 per pound in 1995. For years after 1995, the base tax amount will increase by 45 cents per pound per year as under present law.

Rigid foam insulation and halons. -- The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) reduces the applicable percentage for certain ozone-depleting chemicals used in rigid foam insulation and certain halons. In the case of rigid foam insulation the applicable percentage is reduced from 10 percent to 7.46 percent in 1993. For Halon-1211, the new applicable percentage is 2.49 percent for 1993. For Halon-1301, the new applicable percentage is 0.75 percent for 1993. For Halon-2402, the new applicable percentage is 1.24 percent for 1993.

Medical sterilants and propellants for metered dose inhalers. -- The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides for a reduced rate of tax for certain ozone-depleting chemicals used as medical sterilants for 1993 and for ozone-depleting chemicals used as propellants for metered dose inhalers for years after 1992. The reduced rate of tax is $1.67 per pound for qualifying chemicals.

Metered dose inhalers are aerosol devices that deliver precisely-measured doses of therapeutic drugs directly to the lungs. Such devices are used primarily for the treatment of asthma and chronic obstructive pulmonary diseases, including chronic bronchitis and emphysema.

Methyl chloroform. -- The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides for a separate rate of tax for methyl chloroform for sales and uses in 1993. The rate of tax applicable for 1993 is determined by multiplying the base tax amount applicable for the calendar year by the ozone-depleting factor assigned to methyl chloroform, and multiplying this result by 63.02 percent. Thus, the rate of tax applicable for methyl chloroform for 1993 is the base tax amount of $ 3.35 per pound, multiplied by the ozone-depleting factor for methyl chloroform of 0.1, multiplied by 0.6302 for a total of $ 0.211 per pound.

Effective Date of New Federal Law

The provision is effective for taxable chemicals sold or used on or after January 1, 1993. Floor stocks taxes are imposed on taxed chemicals held on the effective dates of changes in the base tax amount.

Impact on California Revenue

To be determined by the State Board of Equalization.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1933

SECTION TITLE: REQUIRE REPORTING OF TAXPAYER IDENTIFICATION NUMBERS OF PARTIES IN SELLER-FINANCED MORTGAGE TRANSACTIONS

Prior Federal Law (IRC Sec. 6109)

Taxpayers are generally allowed an itemized deduction from adjusted gross income for the amount of qualified residence interest paid. If qualified residence interest is paid to an individual, the name and address (but not the taxpayer identification number) of the interest recipient must be reported on Schedule A of the payor's tax return.

Individuals receiving taxable interest in excess of $ 400 are required to report the amounts received and the names (but not the addresses or taxpayer identification numbers) of the payors on Schedule B of the payee's tax return.

Current California Law (Sec. 18681.1 and 18934)

California is generally conformed to federal law; however, names and addresses are included in the state tax return only to the extent that some taxpayers are required to attach a copy of their federal return. Since the state return begins with the amount shown as adjusted gross income on the federal return, the state return does not include a schedule for reporting interest income (federal Schedule B). In the case of itemized deductions, the state computation begins with the amount of itemized deductions shown on the federal return and does not include a schedule comparable to the federal Schedule A.

New Federal Law (IRC Sec. 6109 and 6724)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that if any taxpayer claims a deduction for qualified residence interest on any seller-provided financing, such taxpayer (the buyer) shall include on his or her tax return the name, address, and taxpayer identification number of the person (the seller) to whom the interest is paid or accrued. In general, this information must be furnished on Schedule A of the buyer's tax return for every year in which the buyer deducts this interest.

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) further provides that if any person receives or accrues interest from seller-provided financing, such person (the seller) shall include on his or her tax return the name, address, and taxpayer identification number of the person (the buyer) from whom the interest is received or accrued. In general, this information must be furnished on

Schedule B of the seller's tax return for every year in which the seller is required to include this interest in income.

If any person involved in seller-provided financing is required to include on his or her tax return the taxpayer identification number of another person, such other person is required to furnish his or her taxpayer identification number to such person. Information would not be required to be reported under this provision to the extent it would be duplicative of existing information reporting requirements.

Failure to meet the requirements for information reporting described above are subject to information reporting penalties under section 6723. In general, these penalties are $50 for each failure.

The conference agreement to the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) states that Congress anticipates that all parties to real estate closings will make every effort to inform both buyers and sellers of the requirements of this provision, and will also facilitate (to the maximum extent possible) the exchange of taxpayer identification numbers between buyers and sellers.

Effective Date of New Federal Law

The provision is effective for taxable years beginning after December 31, 1991.

Impact on California Revenue

Federal estimates allow for additional revenues received due to improved reporting of interest income. If federal estimates are realized, California will also experience an increase in revenues, since state computations begin with amounts reported on the federal income tax return.

California can anticipate additional revenues in the $5 million range annually, whether or not it conforms to the changes in federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTIONS: 1934 and 1942

SECTION TITLE: CHANGES IN WITHHOLDING ON GAMBLING WINNINGS

Prior Federal Law (IRC Sec. 3402)

In general, proceeds from a wagering transaction are subject to withholding at a rate of 20 percent if such proceeds exceed $1,000 and the amount of such proceeds is at least 300 times as large as the amount wagered. The proceeds from a wagering transaction are determined by subtracting from the amount received the amount wagered. Any non-monetary proceeds that are received are taken into account at fair market value.

In the case of State-conducted lotteries, proceeds from a wager are subject to withholding at a rate of 20 percent if such proceeds exceed $5,000, regardless of the odds of the wager. This rule applies only if the wager is placed with the State agency conducting the lottery or with its authorized agents or employees.

In the case of sweepstakes, wagering pools, or lotteries other than State-conducted lotteries, proceeds from a wager are subject to withholding at a rate of 20 percent if such proceeds exceed $1,000, regardless of the odds of the wager.

No withholding tax is imposed on winnings from a slot machine, bingo, or keno.

Current California Law (Sec. 18805 and 26131)

California does not currently impose withholding on gambling winnings of individuals who make individual wagers. The normal withholding on nonresidents of California at a 7 percent rate is applied to the "purse" or "prize" won by a nonresident.

New Federal Law (IRC Sec. 3402)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) increases the rate of withholding on gambling winnings from 20 percent to 28 percent. The conference agreement also increases the threshold for withholding on proceeds from a wagering transaction from $ 1,000 to $ 5,000. The additional requirement for withholding that the proceeds of the wager be at least 300 times the amount of the wager applies to the same extent as under present law.

Effective Date of New Federal Law

The provision is effective for payments made after December 31, 1992.

Impact on California Revenue

Unknown, at this time. Any policy change with respect to withholding of state income tax from gambling winnings would require extensive analysis and would be dependent upon the rate of withholding and threshold amount(s).

Any increase in revenues would primarily be an acceleration of tax collections affecting cash flow rather than an increase in the amount of taxes imposed.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1935

SECTION TITLE: INCREASE BACKUP WITHHOLDING RATE

Prior Federal Law (IRC Sec. 3406)

A payor is required to withhold on "reportable payments", such as interest and dividends, at a rate of 20 percent if: (1) the payee fails to furnish his or her taxpayer identification number (TIN) to the payor; (2) the IRS notifies the payor that the payee's TIN is incorrect; (3) a notified payee underreporting has occurred (as described in sec. 3406(c)); or (4) a payee certification failure with respect to reportable payments has occurred (as described in sec. 3406(d)).

Current California Law (None)

California has never adopted provisions relating to backup withholding.

New Federal Law (IRC Sec. 3406)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) increases the backup withholding rate from 20 percent to 31 percent.

Effective Date of New Federal Law

The rate increase is effective for amounts paid after December 31, 1992.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1936

SECTION TITLE: CLASSIFICATION OF CERTAIN INTERESTS IN CORPORATIONS AS STOCK OR INDEBTEDNESS

Prior Federal Law (IRC Sec. 385)

There presently is no definition in the Internal Revenue Code or the income tax regulations which can be used to determine whether an interest in a corporation constitutes debt or equity for Federal income tax purposes. The characterization of an investment in a corporation as debt or equity for Federal income tax purposes generally is determined under principles developed in case law by reference to numerous factors intended to identify the economic substance of the investor's interest in the corporation.

Current California Law (Sec. 17321 and 24451)

California is fully conformed to federal law with no exceptions.

New Federal Law (IRC Sec. 385)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that the characterization (as of the time of issuance) of a corporate instrument as stock or debt by the corporate issuer is binding on the issuer and on all holders. This characterization, however, is not binding on the Secretary of the Treasury. Neither a holder nor an issuer is excused from any interest or penalties that might result under present law from an improper characterization.

Except as provided in regulations, a holder who treats such instrument in a manner inconsistent with such characterization must disclose the inconsistent treatment on such holder's tax return.

The Secretary of the Treasury is authorized to require such information as is deemed necessary to implement the provision.

Effective Date of New Federal Law

Applies to instruments issued after October 24, 1992.

Impact on California Revenue

Based on federal estimates which are very minor, any improvement in the consistent reporting of such interests may generate additional revenue in the $500,000 range annually.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1937

SECTION TITLE: TREATMENT OF PRE-CONTRIBUTION GAIN IN CERTAIN PARTNERSHIP REDEMPTIONS

Prior Federal Law (IRC Sec. 704(c))

Prior federal law generally did not require a partner who contributes appreciated property to a partnership to recognize pre-contribution gain upon a subsequent distribution of other property to that partner even if the value of that other property exceeds the partner's basis in his partnership interest.

If property contributed to a partnership by a partner is subsequently distributed to another partner within 5 years of the contribution, the contributing partner generally recognizes gain as if the property had been sold for its fair market value at the time of the distribution.

Current California Law (Sec. 17851)

California is fully conformed to federal law with no exceptions.

New Federal Law (IRC Sec. 704, 731 and 737)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) requires a partner who contributes appreciated property to a partnership to include pre-contribution gain in income to the extent that the value of other property distributed by the partnership to that partner exceeds his or her adjusted basis in his or her partnership interest. The provision applies whether or not the contributing partner's interest in the partnership is reduced in connection with the distribution. In accordance with the 5-year limitation of present law, the provision applies only if the distribution is made within 5 years after the contribution of the appreciated property.

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides rules for taking into consideration multiple contributions by the same partner within the five-year period and generally permits the netting of pre-contribution losses against pre-contribution gains. Generally, the character of the gain is determined by reference to the character of the net pre-contribution gain.

For example, assume A and B form a partnership. A contributes appreciated property X and B contributes property Y, which has a basis equal to its value at the time of contribution. Y is distributed to A within 5 years, at a time when there have been no intervening distributions or dispositions of property by the partnership. Under the provision, A includes in income his pre- contribution gain with respect to X to the extent the value of Y exceeds A's basis in his partnership interest.

Appropriate basis adjustments are to be made in the basis of the distributee partner's interest in the partnership and the partnership's basis in the contributed property to take account of gain recognized by the distributee partner.

Gain recognition generally is not required to the extent the partnership distributes property which had been contributed by the distributee partner. Rules are provided, however, to prevent avoidance of pre-contribution gain (under this provision and under the recognition provisions of present law) through the use of entities.

Under these rules, if the property distributed consists of an interest in an entity, gain recognition is required to the extent that the value of the interest in the entity is attributable to property contributed to the entity after the interest in it was contributed to the partnership. Similarly, the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that if contributed property is distributed indirectly to a partner other than its contributor, the contributing partner is subject to tax on the pre-contribution gain as if the property had been distributed directly rather than indirectly.

For example, assume that A and B form a partnership. A contributes appreciated property X and B contributes property Y, which is also appreciated. A also contributes the stock of C, a corporation with no substantial assets. Instead of distributing Y to A, the partnership contributes Y to C, then distributes the stock of C back to A. Under the provision, A must include in income pre-contribution gain with respect to X to the extent the value of the C stock (taking into account the value of Y) exceeds his basis in his partnership interest. In addition, B must include in income pre-contribution gain with respect to Y.

The conference agreement for the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) states that the conferees intend that the provision be coordinated with the rules governing partnership terminations (sec. 708). Pre-contribution gain otherwise required to be recognized under the provision is not triggered by a constructive termination under section 708(b)(1)(B). A constructive termination does not change the application of the sharing requirements of 704(c) of present law to pre-contribution gain with respect to property contributed to the partnership before the termination. Partners will recognize gain in connection with any distribution of partnership property within 5 years following the constructive termination, to the extent of their respective shares of the pre-termination appreciation in the value of the partnership property that is not already required to be allocated to the original contributor (if any) of the property.

Effective Date of New Federal Law

The provision applies to partnership distributions on or after June 25, 1992.

Impact on California Revenue

Based on federal estimates, state revenue gains under conformity would be in the $2 million range annually.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1938

SECTION TITLE: DENY DEDUCTION FOR TRAVEL EXPENSES PAID OR INCURRED IN CONNECTION WITH EMPLOYMENT LASTING ONE YEAR OR MORE

Prior Federal Law (IRC Sec. 162)

Unreimbursed ordinary and necessary travel expenses paid or incurred by an individual in connection with temporary employment away from home (e.g., transportation costs, and the cost of meals and lodging) are generally deductible, subject to the two-percent floor on miscellaneous itemized deductions. Travel expenses paid or incurred in connection with indefinite employment away from home, however, are not deductible.

The position of the Internal Revenue Service as to whether employment is temporary or indefinite is as follows:

(1) If a taxpayer anticipates employment to last for less than one year, whether such employment is temporary or indefinite will be determined on the basis of the facts and circumstances.

(2) If a taxpayer anticipates employment to last for one year or more and that employment does, in fact, last for one year or more, there is a presumption that the employment is not temporary but rather is indefinite, and that the taxpayer is not away from home during the indefinite period of employment. However, under certain circumstances, this one-year presumption of indefiniteness may be rebutted where the employment is expected to, and does, last for one year or more, but less than two years.

(3) An expected or actual stay of two years or longer will be considered an indefinite stay, regardless of any other facts and circumstances.

Current California Law (Sec. 17201 and 17270)

California is conformed to prior federal law except that the state has its own rules with respect to the travel expenses of members of the Legislature.

New Federal Law (IRC Sec. 162)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) treats a taxpayer's employment away from home in a single location as indefinite rather than temporary if it lasts for more than one year. Thus, no deduction would be permitted for travel expenses paid or incurred in connection with such employment. As under present law, if a taxpayer's employment away from home in a single location lasts for less than one year, whether such employment is temporary or indefinite would be determined on the basis of the facts and circumstances.

The conference agreement to the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) states that this change is not intended to alter present law with respect to volunteer individuals providing voluntary services to charities described in section 501(c)(3).

Effective Date of New Federal Law

The provision is effective for costs paid or incurred after December 31, 1992.

Impact on California Revenue

Based on federal estimates which are very minor, state revenue gains under conformity would be in the $1 million range annually.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1939

SECTION TITLE: REPORTING OF AMOUNTS OF PROPERTY TAX REIMBURSEMENTS PAID TO SELLERS OF RESIDENCES

Prior Federal Law (IRC Sec. 6045(e))

Individual taxpayers who itemize deductions may deduct State and local real property taxes. Under Code section 164(d)(1), if real property is sold during any real property tax year, the part of the real property tax that is properly allocable to that part of the year that ends on the day before the date of sale is treated as imposed on the seller. The part of the real property tax that is properly allocable to that part of the year that begins on the date of sale is treated as imposed on the buyer.

Under prior federal law, real estate transactions are required to be reported on a return to the IRS and on statements to the customers. In general, the primary responsibility for reporting is on the "real estate reporting person," that is, the person responsible for closing the transaction, including any title company or attorney who closes the transaction. If there is no person responsible for closing the transaction, the real estate reporting person is the first person who exists in the following order: the mortgage lender, the seller's broker, the buyer's broker, or such other person designated in regulations prescribed by the Secretary.

Current California Law (Sec. 18804.10)

California requires that a copy of the federal information return be sent to the Franchise Tax Board at the same time it is sent to the Secretary of the Treasury.

New Federal Law (IRC Sec. 6045(e))

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that in the case of a real estate transaction involving a residence, the real estate reporting person is required to include on an information return and on the customer statements the portion of any real property tax that is treated as a tax imposed on the purchaser. The conference report to the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) states that the conferees expect that the Treasury will promptly provide guidance with respect to the reporting requirement imposed by the bill. In connection therewith, the conferees anticipate that such guidance will permit the real estate reporting person to report such portion by reference to specified line items on the HUD-1 form or any comparable form provided at the closing of the transaction.

Effective Date of New Federal Law

The provision is effective for transactions after December 31, 1992.

Impact on California Revenue

Federal estimates allow for additional revenues received due to improved reporting of property taxes paid. If federal estimates are realized, California will also experience an increase in revenues, since itemized deductions on state income tax forms begin with the amount of itemized deductions reported on the federal income tax return.

California can anticipate additional revenues in the $1 million range annually, whether or not it conforms to the changes in federal law.

<u>PUBLIC LAW:</u> COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

<u>ACT SECTION:</u> 1940

<u>SECTION TITLE:</u> USE OF 501(c)(21) BLACK LUNG TRUST ASSETS TO FUND RETIREE HEALTH BENEFITS

<u>Prior Federal Law (IRC Sec. 501(c)(21))</u>

A qualified black lung benefit trust described in section 501(c)(21) of the Internal Revenue Code is exempt from federal income taxation. In addition, a deduction is allowed for contributions to a qualified black lung benefit trust to the extent such contributions are necessary to fund the trust.

Under prior federal law, no assets of a qualified black lung benefit trust may be used for, or diverted to, any purpose other than (1) to satisfy liabilities, or pay insurance premiums to cover liabilities, arising under the Black Lung Acts, (2) to pay administrative costs of operating the trust, or (3) investment in U.S., State, or local securities and obligations, or in time demand deposits in a bank or insured credit union.

Under prior federal law, excess trust assets may be paid into the national Black Lung Disability Trust Fund, or into the general fund of the U.S. Treasury.

<u>Current California Law (None)</u>

California does not have any specific provisions relating to black lung benefit trusts.

<u>New Federal Law (IRC Sec. 192(c), 501(c)(21) and 4951(f))</u>

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) allows excess assets in qualified black lung benefit trusts to be used to pay accident and health benefits or premiums for insurance for such benefits (including administrative and other incidental expenses relating to such benefits) for retired coal miners and their spouses and dependents. The amount of assets available for such purpose is subject to a yearly limit as well as an aggregate limit. The yearly limit is the amount of assets in excess of 110 percent of the present value of the liability for black lung benefits determined as of the close of the preceding taxable year of the trust. The aggregate limit is the amount of assets in excess of 110 percent of the present value of the liability for black lung benefits determined as of the close of the taxable year of the trust ending prior to the effective date, plus earnings thereon. Each of these determinations is required to be made by an independent actuary.

The amounts used to pay retiree accident or health benefits are not includible in the income of the company, nor is a deduction allowed for such amounts.

Effective Date of New Federal Law

The provision is effective for taxable years beginning after December 31, 1991.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTION: 1941

SECTION TITLE: INCLUSION OF PROPERTY QUALIFYING FOR THE MARITAL DEDUCTION IN THE GROSS ESTATE

Prior Federal Law (IRC Sec. 2056)

A marital deduction against the estate and gift tax generally is permitted for the value of property passing between spouses. No marital deduction is permitted, however, if, upon termination of the spouse's interest, possession or enjoyment of the property passes to another person (the "terminable interest rule"). Certain exceptions to this rule may apply if the spouse receives a general power of appointment over, or an income interest in, a "specific portion" of property (sec. 2056(b)(5), (6), (7)). The spouse is subject to transfer tax on property over which he or she holds a general power of appointment.

A Treasury regulation defines a "specific portion" to be a fractional or percentage share of a property interest (Treas. Reg. sec. 20.2056(b)-5(c)). Finding this regulation invalid, courts have held that the term "specific portion" includes a fixed dollar amount. See Northeastern Pennsylvania National Bank and Trust Co. v. United States, 387 U.S. 213 (1967); Estate of Alexander v. Commissioner, 82 T.C. 34 (1984), aff'd, No. 8401600 (4th Cir. April 3, 1985). Under the court holdings, appreciation in certain marital deduction property may be includible in neither spouse's estate.

Current California Law (None)

The California inheritance tax, in effect since 1893, was repealed on June 8, 1982. However, California imposes two "pick-up" taxes, (1) the estate tax and (2) the generation skipping transfer tax. Neither of these taxes impose a tax burden, because both simply collect a tax that would otherwise go to the Federal government. The California taxes obtain for the State the maximum benefit for the Federal credits that are allowed for State taxes. These laws are administered by the State Controller.

New Federal Law (IRC Sec. 2056(b) and 2523)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that, for purposes of the marital deduction, a "specific portion" only includes a portion determined on a fractional or percentage basis. Thus, a trust does not qualify under the exceptions to the terminable interest rule unless the required income interest and general power of appointment are expressed as a fraction or a percentage of the property.

The conference agreement for the COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) states that it is intended that no inference be drawn from the provision with respect to the definition of "specific portion" under present law. The conference agreement does not generally affect the marital deduction allowed for a pecuniary formula marital deduction bequest. See, e.g., Rev. Proc. 64-19, 1964-1 C.B. 682.

Effective Date of New Federal Law

The provision generally applies to gifts made, and decedents dying, after October 24, 1992. The provision does not apply to a transfer under a will or revocable trust executed before the date of enactment if either (1) on that date the decedent was under a mental disability to change the disposition of his property and did not regain his competence to dispose of such property before the date of death, or (2) the decedent dies within three years after the date of enactment. The provision applies, however, if the will or trust is amended after the date of enactment in any respect that increases the amount of the transfer qualifying for the marital deduction or alters the terms by which the interest passes.

Impact on California Revenue

To be determined by the Office of State Controller.

PUBLIC LAW: COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486)

ACT SECTIONS: 19141 - 19143

SECTION TITLE: HEALTH BENEFITS FOR RETIRED COAL-MINERS

Prior Federal Law (None)

The United Mine Workers of America (UMWA) health and retirement funds were established in 1974 pursuant to an agreement between the UMWA and the Bituminous Coal Operator's Association (BCOA) to provide pension and health benefits to retired coal miners and their dependents. The funds have been maintained for this purpose through a series of collective bargaining agreements. The funds created in 1974 were a restructuring of the original benefit fund, which was established in 1946.

The funds consist of four different plans, each of which is funded through a separate trust. The 1950 Pension Plan provides retirement benefits to miners who retired on or before December 31, 1975, and their beneficiaries. The 1950 Benefit Plan provides health benefits for retired mine workers who receive pensions from the 1950 Pension Plan and their dependents. The 1974 Pension Plan provides retirement benefits to miners who retire after December 31, 1975, and their beneficiaries. The 1974 Benefit Plan provides health benefits to miners who retire after December 31, 1975. It also provides health benefits to miners whose last employers are no longer in business or, in some cases, no longer signatory to the applicable bargaining agreement. These miners are generally referred to as "orphan" retirees.

The Surface Mining Control and Reclamation Act of 1977, as amended, imposes a reclamation fee on coal mining operators, payable quarterly to the Secretary of the Interior for deposit in the Abandoned Mine Reclamation Fund (the AML Fund). The fee generally is the lesser of (1) 35 cents per ton of coal produced by surface coal mining and 15 cents per ton of coal produced by underground mine or (2) 10 percent of the value of the coal at the mine. The fee for lignite is the lesser of 2 percent of the value of the coal at the mine or 10 cents per ton. The reclamation fee is scheduled to expire after September 30, 1995.

Current California Law (None)

California has no comparable provisions.

New Federal Law (IRC Sec. 9701-9721)

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) provides that the 1950 Benefit Plan and the 1974 Benefit Plan are to be merged into a new UMWA Combined Benefit Fund (Combined Fund) to provide health and death benefits for eligible retirees and their dependents. The Combined Fund is to be financed primarily by health benefit premiums, death benefit premiums, and unassigned beneficiaries premiums imposed on assigned operators. The Combined Fund will receive additional funding from transfers from the 1950 Pension Plan and the AML Fund. The amendment also creates a 1992 Benefit Fund to provide benefits for persons not eligible under the Combined Fund.

The COMPREHENSIVE NATIONAL ENERGY POLICY ACT OF 1992 (PL 102-486) extends the abandoned mine reclamation fund fee through September 30, 2004.

Effective Date of New Federal Law

The provisions are effective October 24, 1992.

Impact on California Revenue

Not applicable, since California has not conformed to prior federal law.

EXHIBIT A

EXPIRING TAX PROVISIONS

IRC Section	Federal Expiration	PITL Section	PITL Expiration	BCTL Section	BCTL Expiration	Description and Comments
21	Permanent	17052.6	12/31/92	N/A	N/A	Tax Credit - Child and Dependent Care
28	6/30/92	17057	12/31/92	23609.5	12/31/92	Tax Credit - Orphan Drugs.
42	6/30/92	17058	(Federal)	23610.5	(Federal)	Tax Credit - Low-Income Housing.
120	6/30/92	17157	(Federal)	N/A	N/A	Exclusion - Employer Provided Group Legal Services
127	6/30/92	17151	(Federal)	N/A	N/A	Exclusion - Employer Provided Education
162	6/30/92	17273	(Federal)	N/A	N/A	Deduction - Self-Employed Health Insurance Premiums
864	6/30/92	N/A	N/A	25110	(Federal)	Allocation of Research & Development Expenditures
172	N/A	17276.3	12/31/92	24416.3	12/31/92	Net Operating Loss Deductions (Denial of Deduction)
48	Permanent	17052.5	12/31/93	23601.5	12/31/93	Tax Credit - Solar Energy Systems
51-52	6/30/92	17053.7	12/31/93	23621	12/31/93	Tax Credit - Targeted Jobs.
N/A	N/A	17052.14	12/31/93	23612.5	12/31/93	Tax Credit - Recycling Equipment
N/A	N/A	17052.20	12/31/93	N/A	N/A	Tax Credit - Parent who Stays at Home
N/A	N/A	N/A	N/A	24357.8	12/31/93	Contributions - Technological Equipment to Schools
N/A	N/A	18802.6	12/31/93	N/A	N/A	Cash Received - Action by Attorney General
N/A	N/A	19133	06/30/93	25782	06/30/93	Reimbursement of FTB Costs

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133	N/A	N/A	N/A	24306	12/31/94	Interest on Loans to ESOPs.
170	12/31/94	17201	12/31/94	N/A	N/A	Deduction - Contributions of stock for which market quotations are readily available.
404	N/A	N/A	N/A	24603	12/31/94	Dividends paid to an ESOP
1042	N/A	18042	12/31/94	24954	12/31/94	Sales of Stock to ESOPs
N/A	N/A	17052.11	12/31/94	23603	12/31/94	Tax Credit - Conversion of Vehicle to Use Alcohol Fuel
N/A	N/A	17052.17	12/31/94	23617	12/31/94	Tax Credit - Start-up Costs for Employer Provided Child Care Center
N/A	N/A	17052.18	12/31/94	23617.5	12/31/94	Tax Credit - Employer Provided Child Care Plan

EXHIBIT A

EXPIRING TAX PROVISIONS

IRC Section	Federal Expiration	PITL Section	PITL Expiration	BCTL Section	BCTL Expiration	Description and Comments
68	12/31/95	17077	Permanent	N/A	N/A	Itemized Deductions (Phase-out)
N/A	N/A	17041	12/31/95	N/A	N/A	Tax Rates - Regular Tax
N/A	N/A	17053	12/31/95	23605	12/31/95	Tax Credit - Employer Sponsored Ridesharing
N/A	N/A	17053.1	12/31/95	N/A	N/A	Tax Credit - Nonemployer Sponsored Vanpool
N/A	N/A	17053.5	12/31/95	N/A	N/A	Tax Credit - Renter's (Phase-out)
N/A	N/A	17062	12/31/95	N/A	N/A	Tax Rates - Alternative Minimum Tax
N/A	N/A	18504	12/31/95	N/A	N/A	Voluntary Contribution - Children's Trust Fund
N/A	N/A	18513	12/31/95	N/A	N/A	Voluntary Contribution - Senior Citizens
N/A	N/A	18516.3	12/31/95	N/A	N/A	Voluntary Contribution - Veterans
N/A	N/A	18525	12/31/95	N/A	N/A	Voluntary Contribution - Fish, Wildlife, & Plants
N/A	N/A	18545	12/31/95	N/A	N/A	Voluntary Contribution - Alzheimer's Disease
N/A	N/A	18765	12/31/95	N/A	N/A	Voluntary Contribution - Election Campaign Fund
N/A	N/A	19004	12/31/95	N/A	N/A	Collection of Delinquent Child Support
151	12/31/96	17054	Permanent	N/A	N/A	Personal Exemptions (Phase-out)
N/A	N/A	17053.8	12/31/96	23622	12/31/96	2-Factor Apportionment Factor (EX/PA/LARZ)
N/A	N/A	17053.9	12/31/96	23623	12/31/96	2-Factor Apportionment Factor (EX/PA/LARZ)
172	N/A	17276.2	12/31/96	24416.2	12/31/96	2-Factor Apportionment Factor (EX/PA/LARZ)
6655	12/31/96	N/A	N/A	25563	Permanent	Estimated Tax Requirements (95%)
N/A	N/A	18549	12/31/96	N/A	N/A	Voluntary Contributions - Breast Cancer
41	6/30/92	17052.12	12/31/97	23609	12/31/97	Tax Credit - Research.
N/A	N/A	17052.15	12/31/97	23612.6	12/31/97	Hiring Credit - LA Revitalization Zone
N/A	N/A	17053.10	12/31/97	23625	12/31/97	Hiring Credit - LA Revitalization Zone
N/A	N/A	17053.17	12/31/97	23623.5	12/31/97	Hiring Credit - LA Revitalization Zone
N/A	N/A	17233	12/31/97	24385	12/31/97	Hiring Credit - LA Revitalization Zone
N/A	N/A	17266	12/31/97	24356.4	12/31/97	Expensing of Business Proprery - LA Revit. Zone