

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 313

August 25, 1966

DEDUCTIONS: AMOUNTS PAID TO STATE UNEMPLOYMENT INSURANCE FUND

Syllabus:

Regulation 17204(f) effective June, 1961 provides that amounts withheld from employees' wages and paid to the State Unemployment Insurance Fund (Unemployment Compensation Disability Fund) pursuant to the California Unemployment Insurance Act are deductible but employees' contributions to a fund established under a voluntary plan for unemployment compensation disability benefits are nondeductible personal expenses. The regulation follows the federal rulings construing Internal Revenue Code provisions similar to those enacted into the Personal Income Tax Law. I.T. 3966, 1949-2 Cum. Bull. 27; I.T. 3967, 1949-2 Cum. Bull. 33.

The Revenue Act of 1964 amended Section 164(a) of the Internal Revenue Code to curtail the deduction of taxes in some respects. Stats. 1964, Ch. 140, amended Section 17204(a) of the Personal Income Tax Law to conform to the federal section. As to the effect of the statutory amendment on employee disability contributions, the Internal Revenue Service has advised us by a letter ruling dated August 10, 1965 that the amendment has effected no change in treatment. Contributions to the State Fund, as required by Section 984 of the Unemployment Insurance Code, are deductible as taxes by individuals who itemize their deductions. However, contributions made by employees to a fund established under a voluntary plan for the payment of disability benefits, as authorized by Section 3251 of the Insurance Code, are personal expenses and are not deductible.

It is concluded that the provisions of Regulation 17204(f) continue to be applicable for years to which Section 17204(a) as amended in 1964 applies.