

Revenue Estimates of Conforming to 2005 – 2008 Federal Provisions

The following tables provide the revenue estimates for conforming to various provisions of the Internal Revenue Code as of January 1, 2009.

Items that impact the measure of tax (Tax Revenue) are summed for each year, as are items that do not impact the measure of tax (Penalty and Interest). Penalty and Interest provisions are identified by an asterisk (*).

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

SUMMARY OF REVENUE ESTIMATES

Summary of Conformity Revenue Estimates				
Assumed Enactment After June 30, 2009				
Conformity Provisions	2008-09	2009-10	2010-11	2011-12
Tax Revenue Totals		-\$65,813,000	\$1,546,000	\$7,617,000
Penalty and Interest Totals	\$1,300,000	\$10,875,000	\$11,200,000	\$12,650,000
Totals	\$1,300,000	-\$54,938,000	\$12,746,000	\$20,267,000

2005 Revenue Tables

Table 2 – Conformity Revenue Estimates for Disaster Mitigation Payments Act (PL 109-7) For Amounts Received or Dispositions Made Before, On, Or After April 15, 2005 Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
1	Proper Tax Treatment of Certain Disaster Mitigation Payments		\$0	\$0	\$0

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
1308	Electric Transmission Property Treated As 15-year Property		-\$100,000	-\$200,000	-\$300,000
1309	Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975		\$0	\$0	\$0
1310	Modification to Special Rules For Nuclear Decommissioning Cost		-\$3,700,000	-\$2,500,000	-\$2,200,000
1325	Natural Gas Distribution Lines Treated As 15-Year Property		-\$500,000	-\$600,000	-\$900,000
1326	Natural Gas Gathering Lines Treated As 7-Year Property		-\$30,000	-\$20,000	-\$20,000
1328	Determination of Small Refiner Exception to Oil Depletion Deduction		-\$900,000	-\$700,000	-\$700,000
1363	Modification of Recapture Rules for Amortizable Section 197 Intangibles		\$800,000	\$600,000	\$700,000

Table 5 – Conformity Revenue Estimates for GO Zone Act of 2005 (PL 109-135) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
303 *	Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions		\$0	\$0	\$0
401	Tax Technical Provisions		\$0	\$0	\$0

2005 Totals	2008-09	2009-10	2010-11	2011-12
Total 2005 Tax Revenue		-\$4,430,000	-\$3,420,000	-\$3,420,000
Total 2005 Penalty/Interest		\$0	\$0	\$0
Total 2005		-\$4,430,000	-\$3,420,000	-\$3,420,000

2006 Revenue Tables

Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
Title II	OTHER PROVISIONS				
201	Clarification of Taxation of Certain Settlement Funds	Included in TRHCA 2006 below in section 409			
202	Modification of Active Business Definition under Section 355	Included in TRHCA 2006 below in section 410			
204	Capital Gains Treatment for Certain Self-Created Musical Works	Included in TRHCA 2006 below in section 412			
207	Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights		\$40,000	\$20,000	-\$20,000
209	Modification of Treatment of Loans to Qualified Continuing Care Facilities	Included in TRHCA 2006 below in section 425			
Title V	REVENUE OFFSET PROVISIONS				
501	Application of Earnings Stripping Rules to Partners Which are Corporations		\$0	\$0	\$0
507	Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies		\$700,000	\$500,000	\$500,000
510	Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income		\$7,600,000	\$6,400,000	\$7,100,000

Table 3 – Conformity Revenue Estimates for Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income (PL 109-264) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
1	Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income		Baseline	Baseline	Baseline

Table 4– Conformity Revenue Estimates for PPA of 2006 (PL 109-280) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
Title I	REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS				
112	Minimum Funding Standards; Funding Rules for Single-Employer Defined Benefit Pension Plans		Baseline	Baseline	Baseline

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)
(continued)

Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
113	Benefit Limitations Under Single-Employer Plans		Baseline	Baseline	Baseline
Title II	FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS				
211	Funding Rules for Multiemployer Defined Benefit Plans		Baseline	Baseline	Baseline
212	Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status		Baseline	Baseline	Baseline
221	Sunset of Additional Funding Rules		Baseline	Baseline	Baseline
Title VIII	PENSION RELATED REVENUE PROVISIONS				
Subtitle C	Improvements in Portability, Distributions, and Contribution Rules				
827	Penalty-Free Withdrawals from Retirement Plans for Individuals Called to Active Duty for at Least 179 Days		Included in Section 107 of the HEART Act of 2008		
828	Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees		-\$300,000	-\$200,000	-\$200,000
831	Allowance of Additional IRA Payments in Certain Bankruptcy Cases		-\$350,000	-\$100,000	-\$80,000
833	Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives		-\$1,000,000	-\$2,000,000	-\$2,000,000
Subtitle F	Other Provisions				
863	Treatment of Death Benefits from Corporate-Owned Life Insurance		\$0	\$0	\$0
866	Exemption of Income from Leveraged Real Estate Held by Church Plans		-\$38,000	-\$18,000	-\$15,000
868	Gratuitous Transfer for Benefits of Employees		\$0	\$0	\$0

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280) (continued)					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
Title XII	PROVISIONS RELATING TO EXEMPT ORGANIZATIONS				
Subtitle A	Charitable Giving Incentives				
1201	Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes ¹		Baseline	Baseline	Baseline
1203	Basis Adjustment to Stock of S Corporation Contributing Property ²		Baseline	Baseline	Baseline
Subtitle B	Reforming Exempt Organizations				
Part 1	General Reforms				
1211	Reporting on Certain Acquisitions of Interests on Insurance Contracts in Which Certain Exempt Organizations Hold an Interest		Baseline	Baseline	Baseline
1213	Reform of Charitable Contributions of Certain Easements in Registered Historic Districts and Reduced Deduction for Portion of Qualified Conservation Contribution Attributable to Rehabilitation Credit		\$450,000	\$350,000	\$350,000
1214	Charitable Contributions for Taxidermy Property		\$150,000	\$100,000	\$100,000
1215	Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use		Baseline	Baseline	Baseline

¹ 1201 - Although now expired for taxable years beginning on or after January 1, 2008, this federal provision results in ongoing Baseline revenue losses for California. Ongoing Baseline losses result from “required minimum distributions” in future years being reduced. In future years, RMD’s are less than otherwise because the account value of an IRA is reduced due to direct contributions made to charities during the two-year window provided by the now expired federal provision.

² 1203 - Although now expired for taxable years beginning on or after January 1, 2008, this federal provision results in ongoing Baseline revenue losses for California. The now expired federal provision resulted in a basis adjustment of a lesser amount than under present law. Ongoing Baseline losses result from less gain on subsequent S corporation stock sales due to a shareholder having a high basis in the stock.

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280) (continued)					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
1216	Limitation of Deduction for Charitable Contributions of Clothing and Household Items		Baseline	Baseline	Baseline
1217	Modification of Recordkeeping Requirements for Certain Charitable Contributions		Baseline	Baseline	Baseline
1218	Contributions of Fractional Interests in Tangible Personal Property		\$350,000	\$250,000	\$250,000
1219 *	Provisions Relating to Substantial and Gross Overstatements of Valuations		\$200,000	\$100,000	\$100,000
1220	Additional Standards for Credit Counseling Organizations		\$300,000	\$200,000	\$200,000
1222	Definition of Convention or Association of Churches		\$150,000	\$150,000	\$150,000
1223	Notification Requirement for Entities Not Currently Required to File		\$150,000	\$150,000	\$150,000

Table 5 – Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
Title IV	OTHER PROVISIONS				
407 *	Frivolous Tax Submissions		\$200,000	\$100,000	\$100,000
409	Clarification of Taxation of Certain Settlement Funds Made Permanent – Effective in Taxable Year 2011 ³		-\$250,000	-\$90,000	-\$400,000
410	Modification of Active Business Definition Under Section 355 Made Permanent – Effective in Taxable Year 2011 ⁴		-\$500,000	-\$400,000	-\$500,000
412	Capital Gains Treatment for Certain Self-Created Musical Works Made Permanent ⁵		-\$150,000	-\$20,000	-\$40,000
417	Exclusion of Gain from Sale of Principal Residence by Certain Employees of the Intelligence Community	Included in Section 113 of the HEART Act of 2008			
418	Sale of Property by Judicial Officers		-\$20,000	-\$10,000	-\$10,000

³ 409 - Includes revenue from Act Section 201 of the TIPRA of 2005.

⁴ 410 - Includes revenue from Act Section 202 of the TIPRA of 2005.

⁵ 412 - Includes revenue from Act Section 204 of the TIPRA of 2005.

Table 5– Conformity Revenue Estimates for TRHCA of 2006 (PL 109-432) (continued)					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
425	Loans to Qualified Continuing Care Facilities Made Permanent – Effective in Taxable Year 2011 ⁶		-\$50,000	-\$40,000	-\$70,000
426	Technical Corrections		\$0	\$0	\$0
2006 Totals		2008-09	2009-10	2010-11	2011-12
Total 2006 Tax Revenue			\$7,232,000	\$5,242,000	\$5,465,000
Total 2006 Penalty/Interest			\$400,000	\$200,000	\$200,000
Total 2006			\$7,632,000	\$5,442,000	\$5,665,000

⁶ 425 - Includes revenue from Act Section 209 of TIPRA 2005.

2007 Revenue Tables

Table 1 - Small Business and Work Opportunity Tax Act of 2007 (PL 110-28) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
8215	Family business tax simplification		Baseline	Baseline	Baseline
8233	Recapture of bad debt reserves		\$1,000,000	-\$300,000	-\$1,300,000
8234	Treatment of sale of interest in a qualified subchapter S subsidiary		-\$100,000	-\$80,000	\$90,000
8236	Permit interest deduction to an electing small business trust to acquire S corporation stock		-\$200,000	-\$150,000	-\$150,000
8241	Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income		\$6,500,000	\$4,500,000	\$4,500,000
8242 *	Modify interest suspension under 6404(g) from 18 to 36 months	\$1,300,000	\$3,200,000	\$4,100,000	\$4,500,000
8245 *	Increase in penalty for bad checks and money orders		\$500,000	\$500,000	\$500,000
8246 *	Understatement of taxpayer liability by return preparers		\$0	\$600,000	\$600,000

Table 3 - Virginia Tech Victims and Family Assistance Act (HR 4118, PL 110-141) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
1	Exclude from income payments from Hokie Spirit Memorial Fund		-\$150,000	-\$150,000	-\$150,000

Table 4 - Mortgage Forgiveness Debt Relief Act of 2007 (HR 3648, PL 110-142) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
4	Change in tests to qualify as cooperative housing corporation		-\$80,000	-\$80,000	-\$80,000
5	Exclusion from income for benefits provided to volunteer EMS and firefighters		-\$6,000,000	-\$3,000,000	-\$1,000,000
6	Modify the prohibition against full-time students from qualifying for LIHTC unit		-\$2,000	-\$2,000	-\$2,000

Table 4 - Mortgage Forgiveness Debt Relief Act of 2007 (HR 3648, PL 110-142)
(continued)

Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
7	Allow surviving spouse to exclude from gross income up to \$500,000 of the gain from sale of principal residence if the sale occurs within 2 years of the death of the spouse		-\$300,000	-\$200,000	-\$300,000
8 *	Increase penalty for failure to file partnership returns		\$3,200,000	\$1,800,000	\$1,900,000
9 *	Impose a penalty for failure to file S corporation returns		\$200,000	\$800,000	\$1,350,000

2007 Totals	2008-09	2009-10	2010-11	2011-12
Total 2007 Tax Revenue	\$0	\$668,000	\$538,000	\$1,608,000
Total 2007 Penalty/Interest	\$1,300,000	\$7,100,000	\$7,800,000	\$8,850,000
Total 2007	\$1,300,000	\$7,768,000	\$8,338,000	\$10,458,000

2008 Revenue Tables

Table 2 - Conformity Revenue Estimates for HHHHA of 2008 (Title XV of PL 110-246) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
15302	Two-Year Extension of Special Rule Encouraging Contributions of Capital Gain Real Property For Conservation Purposes		-\$1,300,000	No Impact	No Impact
15303	Deduction for Endangered Species Recovery Expenditures		-\$700,000	-\$700,000	-\$900,000
15344	Three Year Depreciation for Race Horses That are Two Years Old or Younger ⁷		-\$900,000	-\$1,000,000	-\$1,000,000
15351	Limitation of Excess Farm Losses of Certain Taxpayer		\$1,400,000	\$4,000,000	\$4,100,000
15353	Information Reporting for Commodity Credit Corporation Transactions		\$0	\$0	\$0

Table 3 - Conformity Revenue Estimates for HEARTA of 2008 (PL 110-245) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
106	Special Period of Limitation When Uniformed Services Retired Pay is Reduced as a Result of Award of Disability Compensation		Baseline	Baseline	Baseline
107	Distribution from Retirement Plans to Individuals Called to Active Duty ⁸		-\$8,000	-\$6,000	-\$8,000
109	Contributions of Military Death Gratuities to Roth IRAs and Education Savings Accounts		-\$12,000	-\$7,000	-\$7,000
110	Suspension of 5-Year Period during Service with the Peace Corps		-\$6,000	-\$4,000	-\$4,000
112	State Payments to Service Members Treated as Qualified Military Benefits		\$0	\$0	\$0
113	Permanent Exclusion of Gain from Sale of a Principle Residence by Certain Employees of the Intelligence Community		-\$7,000	-\$7,000	-\$7,000

⁷ This is the revenue estimate for conforming under personal income tax law only. The revenue estimate for conforming under corporate tax law is -\$900,000, -\$900,000, and -\$1,000,000 for fiscal years 2009-10, 2010-11, and 2011-12, respectively.

⁸ 107-Includes revenue from Act Section 827 of the PPA of 2006.

Table 3 - Conformity Revenue Estimates for HEARTA of 2008 (PL 110-245) (continued)					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
114	Special Disposition Rules for Unused Benefits in Health Flexible Spending Arrangements of Individuals Called to Active Duty		\$0	\$0	\$0
303*	Increase in Minimum Penalty on Failure to File a Return of Tax		No Impact	\$150,000	\$350,000

Table 4- Conformity Revenue Estimates for HERA of 2008 (PL 110-289) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
3001	Temporary Increase in Volume Cap for Low-Income Housing Credits		\$0	\$0	\$0
3002	Determination of Credit Rate		\$0	\$0	\$0
3003	Modification to Definition of Eligible Basis		\$0	\$0	\$0
3004	Other Simplification and Reform of Low-Income Housing Tax Incentives		\$0	\$0	\$0
3005	Treatment of Military Pay		\$0	\$0	\$0
3091	Returns relating to Payments made in Settlement of Payment Card and Third-Party Network Transactions		Baseline	Baseline	Baseline
3092	Gain from Sale of Principal Residence Allocated to Nonqualified Use Not Excluded from Income		\$1,200,000	\$3,000,000	\$4,100,000

Table 5 - Conformity Revenue Estimates for Hubbard Act of 2008 (PL 110-317) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
9	Repeal of Dollar Limitation on Contributions to Funeral Trusts		\$50,000	\$40,000	\$40,000

Table 6 - Conformity Revenue Estimates for EESA of 2008 (PL 110-343) Assumed Enactment After June 30, 2009					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
Division A, Title III - Tax Provisions					
302	Special Rules for Tax Treatment of Executive Compensation of Employers Participating in the Troubled Assets Relief Program		Indeterminate	Indeterminate	Indeterminate
Division B, Title I, Subtitle A - Energy Production Incentives					
116	Certain Income and Gains Relating to Industrial Source Carbon Dioxide Treated as Qualifying Income for Publicly Traded Partnerships		-\$40,000	-\$30,000	-\$50,000
Division B, Title II - Energy Production Incentives					
208	Certain Income and Gains Relating to Alcohol Fuels and Mixtures, Biodiesel Fuels and Mixtures, and Alternative Fuels and Mixtures Treated as Qualifying Income for Publicly Traded Partnerships		-\$300,000	-\$200,000	-\$250,000
Division B, Title III - Energy Conservation and Efficiency Provisions					
306	Accelerated Recovery Period for Depreciation of Smart Meters and Smart Grid Systems ⁹		-\$200,000	-\$300,000	-\$400,000
Division C, Title II - Extension of Individual Tax Provisions					
204	Additional Standard Deduction for Real Property Taxes for Nonitemizers		-\$32,000,000	No Impact	No Impact
Division C, Title III - Extension of Business Tax Provisions					
306	Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations		-\$800,000	No Impact	No Impact
307	Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property		-\$1,800,000	-\$150,000	-\$150,000

⁹ This is the revenue estimate for conforming under personal income tax law only. The revenue estimate for conforming under corporate tax law is -\$800,000, -\$900,000, and -\$1,800,000 for fiscal years 2009-10, 2010-11, and 2011-12, respectively.

Table 6 - Conformity Revenue Estimates for EESA of 2008 (PL 110-343) (continued)					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
317	Seven-Year Cost Recovery Period for Motorsports Racing Track Facility ¹⁰		-\$1,800,000	-\$250,000	-\$100,000
323	Enhanced Charitable Deductions for Contributions of Food Inventory		-\$2,800,000	\$0	\$0
324	Extension of Enhanced Charitable Deduction for Contributions of Book Inventory		-\$960,000	\$0	\$0
Division C, Title V, Subtitle A – General Provisions					
505	Certain Farming Business Machinery and Equipment Treated as 5-Year Property ¹¹		-\$2,700,000	-\$1,600,000	-\$1,400,000
506*	Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer		-\$125,000	-\$250,000	-\$250,000
Division C, Title VII, Subtitle A - Heartland and Hurricane Ike Disaster Relief					
703	Reporting Requirements Relating to Disaster Relief Contributions		\$0	\$0	\$0
Division C, Title VII, Subtitle A - Heartland and Hurricane Ike Disaster Relief					
706	Losses Attributable to Federally Declared Disasters		-\$25,600,000	-\$3,600,000	\$0

Table 7 - Conformity Revenue Estimates for WRERA of 2008 (PL 110-458) Assumed Enactment After June 30, 2009					
Title I, Subtitle B, Other Provisions					
Act Section	Provisions	2008-09	2009-10	2010-11	2011-12
124	Treatment of Certain Reimbursements from Governmental Plans for Medical Care		\$0	\$0	\$0
127*	Modification of Penalty for Failure to File Partnership Returns		\$2,100,000	\$1,900,000	\$2,000,000
128*	Modification of Penalty for Failure to File S Corporation Returns		\$1,400,000	\$1,400,000	\$1,500,000

¹⁰ This is the revenue estimate for conforming under personal income tax law only. The revenue estimate for conforming under corporate tax law is -\$1,900,000, -\$250,000, and -\$100,000 for fiscal years 2009-10, 2010-11, and 2011-12, respectively.

¹¹ This is the revenue estimate for conforming under personal income tax law only. The revenue estimate for conforming under corporate tax law is -\$11,700,000, -\$7,000,000, and -\$6,100,000 for fiscal years 2009-10, 2010-11, and 2011-12, respectively.

2008 Totals	2008-09	2009-10	2010-11	2011-12
Total 2008 Tax Revenue		-\$69,283,000	-\$814,000	\$3,964,000
Total 2008 Penalty/Interest		\$3,375,000	\$3,200,000	\$3,600,000
Total 2008		-\$65,908,000	\$2,386,000	\$7,564,000

Summary of Conformity Revenue Estimates				
Assumed Enactment After June 30, 2009				
Conformity Provisions	2008-09	2009-10	2010-11	2011-12
Tax Revenue Totals		-\$65,813,000	\$1,546,000	\$7,617,000
Penalty and Interest Totals	\$1,300,000	\$10,875,000	\$11,200,000	\$12,650,000
Totals	\$1,300,000	-\$54,938,000	\$12,746,000	\$20,267,000