

**AB 1561 (Calderon)
Omnibus Conformity Bill**

As Amended June 14, 2007

This bill would change California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2007, and thereby, in general, conform to the numerous changes made in federal income tax law during that two-year period. In addition, this bill would conform with modifications to several additional federal income tax items.

The tables, below, entitled 2005 and 2006 Conformity Tables list federal Act sections that impact provisions of the California Personal Income Tax Law, Administration of Franchise and Income Tax Laws, and Corporation Tax Law and the conformity action agreed upon during an interested parties meeting on federal conformity.

This bill is a tax levy. It would be effective immediately, and unless otherwise specified, it would apply to taxable years beginning on or after January 1, 2007.

Revenue Impact:

2005-06 Conformity Total Revenue Estimates

	2007-08	2008-09	2009-10
Conformity Year			
2005	\$5,300,000	-\$3,750,000	-\$8,750,000
2006	\$100,000	\$6,950,000	\$8,150,000
Total Revenue Estimate	+\$5,400,000	+\$3,200,000	+\$600,000

Staff Recommendation: Sponsor/Support

Status: Senate Revenue and Taxation Committee

2005 Conformity Decisions

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, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1	Proper Tax Treatment of Certain Disaster Mitigation Payments	9	X	

Table 3 – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1308	Electric Transmission Property Treated As 15-year Property	38	X	X
1309	Expansion of Amortization For Certain Atmospheric Pollution Control Facilities In Connection With Plants First Placed in Service after 1975	40	X	
1310	Modification to Special Rules For Nuclear Decommissioning Cost	41	X	
1323	Temporary Expensing for Equipment Used in Refining Liquids Fuels	50		X
1324	Pass Through to Owners of Deduction for Capital Costs Incurred By Small Refiner Cooperatives in Complying With EPA Sulfur Regulations	54		X
1325	Natural Gas Distribution Lines Treated As 15-Year Property	57	PIT	CORP
1326	Natural Gas Gathering Lines Treated As 7-Year Property	59	PIT	CORP
1328	Determination of Small Refiner Exception to Oil Depletion Deduction	67	X	
1329	Amortization of Geological and Geophysical Expenditures	68	X	

Table 3 Continued – Conformity Revenue Estimates for ETIA of 2005 (PL 109-58) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1331	Energy Efficient Commercial Buildings Deduction	71		X
1351	Expansion of Research Credit	101		X
1363	Modification of Recapture Rules for Amortizable Section 197 Intangibles	107	X	

Table 5 – Conformity Revenue Estimates for GO Zone Act of 2005 (PL 109-135) Assumed Enactment After June 30, 2007				
		FTB's 2005 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
101-F	Expensing for Certain Demolition and Clean-up Costs	182		X
101-O	Treatment of Public Utility Disaster Losses	203		X
303	Modification of Effective Date of Exception from Suspension Rules for Certain Listed and Reportable Transactions	253	X	
305	Disclosures of Certain Tax Return Information	256		X
401-423	Tax Technical Provisions	261	X	

2006 Conformity Decisions

These tables contain only items for which a conformity decision was necessary.

Table 1 – Conformity Revenue Estimates for TIPRA of 2005 (PL 109-222)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Title II	OTHER PROVISIONS			
201	Clarification of Taxation of Certain Settlement Funds	23	X	
202	Modification of Active Business Definition under Section 355	25	X	
204	Capital Gains Treatment for Certain Self-Created Musical Works	31	X	
207	Amortization of Expenses Incurred in Creating or Acquiring Music or Music Copyrights	38	X	
209	Modification of Treatment of Loans to Qualified Continuing Care Facilities	43	X	
501	Application of Earnings Stripping Rules to Partners Which are Corporations	50	X	
Title V	REVENUE OFFSET PROVISIONS			
503	5-Year Amortization of Geological and Geophysical Expenditures for Certain Major Integrated Oil Companies	53	X	
507	Section 355 Not to Apply to Distributions Involving Disqualified Investment Companies	65	X	
510	Increase in Age of Minor Children Whose Unearned Income is Taxed as if Parent's Income	75	X	

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)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
1	Clarification of Treatment of Self-Employment for Purposes of the Limitation on State Taxation of Retirement Income	101	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
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	103	X	
Title I	REFORM OF FUNDING FOR SELF-EMPLOYED DEFINED BENEFIT PENSION PLANS			
113	Benefit Limitations Under Single-Employer Plans	125	X	
Title II	FUNDING RULES FOR MULTIEMPLOYER DEFINED BENEFIT PENSION PLANS			
211	Funding Rules for Multiemployer Defined Benefit Plans	143	X	
212	Additional Funding Rules for Multiemployer Plans in Endangered or Critical Status	151	X	
221	Sunset of Additional Funding Rules	177	X	
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	290	X	

Table 4 – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
828	Waiver of 10% Early Withdrawal Penalty Tax on Certain Distributions of Pension Plans for Public Safety Employees	293	X	
831	Allowance of Additional IRA Payments in Certain Bankruptcy Cases	298	X	
833	Inflation Indexing of Gross Income Limitations on Certain Retirement Savings Incentives	301	X	
Subtitle D	Health and Medical Benefits			
844	Treatment of Annuity and Life Insurance Contracts with a Long-Term Care Insurance Feature	315		X
Subtitle F	Other Provisions			
863	Treatment of Death Benefits from Corporate-Owned Life Insurance	335	X	
866	Exemption of Income from Leveraged Real Estate Held by Church Plans	345	X	
868	Gratuitous Transfer for Benefits of Employees	348	X	
Title XII	PROVISIONS RELATING TO EXEMPT ORGANIZATIONS			
Subtitle A	Charitable Giving Incentives			
1201	Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes	401	X	
1202	Extension of Modification of Charitable Deduction for Contribution of Food Inventory	410	X	
1203	Basis Adjustment to Stock of S Corporation Contributing Property	413	X	
1204	Extension of Modification of Charitable Deduction for Contribution of Book Inventory	415	X	
1205	Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations	417	X	
1206	Encouragement of Contributions of Capital Gains Real Property Made for Conservation Purposes	420	X	

Table 4 Continued – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
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	429	X	
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	437	X	
1214	Charitable Contributions for Taxidermy Property	443	X	
1215	Recapture of Tax Benefit for Charitable Contributions of Exempt Use Property Not Used for an Exempt Use	446	X	
1216	Limitation of Deduction for Charitable Contributions of Clothing and Household Items	451	X	
1217	Modification of Recordkeeping Requirements for Certain Charitable Contributions	455	X	
1218	Contributions of Fractional Interests in Tangible Personal Property	457	X	
1219	Provisions Relating to Substantial and Gross Overstatements of Valuations	460	X	
1220	Additional Standards for Credit Counseling Organizations	465	X	
1222	Definition of Convention or Association of Churches	479	X	
1223	Notification Requirement for Entities Not Currently Required to File	481	X	

Table 4 Continued – Conformity Revenue Estimates for PPA of 2006 (PL 109-280)				
		FTB's 2006 Annual Report Page No.	Decision	
Act Section	Provisions		Conform	Not Conform
Part 2	Improved Accountability of Donor Advised Funds			
1231-1235	Excise Taxes Relating to Donor Advised Funds, Excess Benefit Transactions Involving Donor Advised Funds and Sponsoring Organizations, Excess Business Holdings of Donor Advised Funds, Returns of, and Application for Recognition by Sponsoring Organizations	492		X
Part 3	Improved Accountability of Supporting Organizations			
1241-1245	Requirements for Supporting Organizations, Excess Benefit Transactions Involving Supporting Organizations, Excess Business Holding of Supporting Organizations, Treatment of Amounts Paid to Supporting Organizations by Private Foundations, and Returns of Supporting Organizations	510		X