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October 18, 1989

FTB Notice 89-528
410:BRL:CN-89-528

Re: Corporate Partners - Recomputation of Depreciation

The Bank and Corporation Tax Law does not permit the deduction for depreciation to be computed under MACRS. The Personal Income Tax Law allows MACRS depreciation. Advice has been requested whether corporate partners of partnerships which have elected MACRS depreciation must recompute their distributive shares of partnership income to account for the depreciation difference between MACRS and those methods allowed for corporations.

Revenue and Taxation Code §17858, added by Sec. 55.5 of A.B. 802 (Stats. 1989, Ch. __), provides:

For purposes of this part and Part 11 (commencing with Section 23001) any election relating to the computation of depreciation shall be made by the partnership and each partner shall take into account his or her distributive share of the amount computed in accordance with that election.

Section 165 of that same bill provides that Section 55.5 of the act is declaratory of existing law and shall apply to taxable years beginning on or after January 1, 1987.

Therefore, for partnership taxable years beginning on or after January 1, 1987, a corporate partner is not required to recompute its distributive share of partnership income where the partnership properly elected the MACRS method of depreciation.

DRAFTING INFORMATION

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NOTE: ((---)) = Indicates obsolete information.