STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: McNerney	Sponsor:	Bill Number: SB 711
	Related Bills: See Legislative History	Amended: March 26, 2025, and April 29, 2025

SUBJECT

Conformity Act of 2025

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and the Corporate Tax Law (CTL) do the following:

Provision No. 1- Modify Conformity to Low-Income Housing Credit

Section 1 of the bill would amend the low-income housing credit against the gross premiums tax under the Insurance Taxation provisions of the Revenue and Taxation Code (RTC), which is not administered by the Franchise Tax Board (FTB). These changes would not affect the FTB and are not discussed in this analysis.

Provision No. 2 - Conform to the IRC

Sections 2-57, and 59-118 of the bill would change the California RTC's general "specified date" of conformity to the Internal Revenue Code (IRC) from January 1, 2015, to January 1, 2025, for taxable years beginning on or after January 1, 2025, and generally conform to the numerous changes to federal income tax laws during the ten year period, except as otherwise provided. Additionally, this bill would conform to the change made by section 208 of Public Law 113-295, to IRC sections 6721 and 6722 made prior to January 1, 2015. (See Sec. 71 of the bill.)

Provision No. 3 - Modify Conformity to the Limitation on Like-Kind Exchanges to Real Property

Section 58 of the bill would add a sunset date for California's modified conformity on like-kind exchanges, relating to the adjusted gross income (AGI) limitation for specified filing statuses.

SUMMARY OF REVISION

This revised analysis updates the "Economic Impact – Summary Revenue Table" and the "Economic Impact" sections of FTB's analysis of this bill as amended on March 26, 2025, and April 29, 2025. Specifically, the "Revised Economic Impact – Summary Revenue Table," includes updates to the "2017 Total" and "Grand Total" and represents updates to the "Economic Impact – Summary Revenue Table" and the "Revised Revenue Table for Conformity to 2017 Federal Provisions - Section 14222 - Certain Related Party Amounts Paid or Accrued In Hybrid Transactions or With Hybrid Entities" and the "Totals" under the "Revised Economic Impact" represent the updates to the "Economic Impact" sections of FTB's analysis of this bill as amended on March 26, 2025, and April 29, 2025. The remainder of FTB's analysis of this bill as amended on March 26, 2025, and April 29, 2025, still applies.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 25, 2025, amendments removed provisions of the bill relating to the Education Code and replaced them with the provisions discussed in this analysis.

The April 29, 2025, amendments added provisions related to the general specified date discussed in this analysis and made other nonsubstantive changes.

This is FTB's first analysis of the bill and only addresses the provisions that would impact the FTB.

REASON FOR THE BILL

The reason for the bill is to simplify the preparation of California income tax returns, the return-filing process, and the administration of California income tax laws.

Revised Economic Impact – Summary Revenue Table

Fiscal Year	2025-2026	2026-2027	2027-2028
Provision No. 1 - Modify Conformity to Low-Income Housing Credit	N/A	N/A	N/A
Provision No. 2 - Conformity to the IRC			
2015 Total	$26,950,000	$23,950,000	$23,200,000

Fiscal Year	2025-2026	2026-2027	2027-2028
2016 Total	\a	\a	\a
2017 Total	$273,750,000	$227,670,000	$175,070,000
2018 Total	-$7,400,000	-$8,500,000	-$11,000,000
2019 Total	-$1,200,000	-$800,000	-$800,000
2020 Total	-$46,100,000	-$29,800,000	-$30,900,000
2021 Total	\a	\a	\a
2022 Total	-$9,600,000	-$20,800,000	-$38,500,000
2023 Total	-	-	-
2024 Total	\a	\a	\a
Grand Total	**$236,400,000**	**$191,720,000**	**$117,070,000**
\a - The impact of the individual provisions on the General Fund would be a revenue gain/loss of less than $100,000. In 2023, there were no changes to the IRC that would have impacted the RTC and therefore, FTB did not have a 2023 summary of federal income tax income report.			
Provision No. 3 - Modify Conformity to the Limitation on Like-Kind Exchanges to Real Property	See Economic Impact under Analysis Provision No. 3	See Economic Impact under Analysis Provision No. 3	See Economic Impact under Analysis Provision No. 3

Effective/Operative Date

As an urgency measure, this bill would be effective immediately upon enactment. Provisions 2 and 3 (Sections 2 through 118) would generally be operative for taxable years beginning on or after January 1, 2025, except as otherwise provided.

ANALYSIS

Analysis Provision No. 1:

Low-Income Housing Credit (Section 1 of the Bill)

This provision would amend the low-income housing credit against the gross premiums tax under the Insurance Taxation provisions of the RTC which is not administered by FTB. These changes would not affect the FTB and are not discussed in this analysis.

Analysis Provision No. 2:

Conformity to the IRC (Sections 2-57, and 59-118 *of the Bill)*

This provision would change the California RTC's general "specified date" of conformity to the IRC from January 1, 2015, to January 1, 2025, for taxable years beginning on or after January 1, 2025. Changing the specified date would mean that the RTC would conform to IRC changes made from January 1, 2015, through December 31, 2024, to IRC sections that have been previously incorporated by reference. In other words, California tax laws would conform to the changes made to federal tax laws during that ten-year period to the extent California conforms to those laws by reference, except as otherwise provided.

This provision would also make numerous changes either to specifically not conform to or to modify certain provisions in the IRC. In addition, technical changes regarding cross references and deletion of unnecessary language that was used to conform to federal law changes after January 1, 2015, and prior to January 1, 2025, would be made by this provision.

The following tables list:

- The federal act sections and section titles that impact provisions of the PITL, the Administration of Franchise and Income Tax Laws (AFITL), and the CTL;
- The beginning page number or webpage link in the FTB's annual report where that provision is discussed and the SB 711 section number; and
- The change under this provision -- whether SB 711 would conform, modify, or not conform to that federal change.

These tables contain only items for which a conformity decision is necessary. For certain federal provisions, California law automatically conforms to a federal law change and those provisions are not listed or discussed in this analysis. Additionally, those federal provisions that are not applicable to the PITL, the AFITL, or the CTL are not listed or discussed in this analysis.

2015

Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (Public Law 114-41)						
Act Section #	**Section Title**	**2015 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
2006(a)(2)(A)	Tax Return Due Dates	31	96	X		

Protecting Americans from Tax Hikes Act of 2015 (PATH Act)

(Public Law 114-113)

Act Section #	Section Title	2015 FTB's SOFITC Report Page # or Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
111(a)(1)	Extension and Modification of Special Rule for Contributions of Capital Gain Real Property Made for Conservation Purposes	107	37, 97			X
124	Extension and Modification of Increased Expensing Limitations and Treatment of Certain Real Property as Section 179 Property	137	39, 95			X
126(a)	Extension of Exclusion of 100 Percent of Gain on Certain Small Business Stock	142	116			X

127(a)	Extension of Reduction in S-Corporation Recognition Period for Built-In Gains Tax	145	88		X	
143(a)(2), (b)(6)(I)	Extension and Modification of Bonus Depreciation	168	55, 113			X
151(b)	Extension and Modification of Exclusion from Gross Income of Discharge of Qualified Principal Indebtedness	178	22			X
189	Extension of Special Allowance for Second Generation Biofuel Plant Property	230	36			X
331	Deductibility of Charitable Contributions to Agricultural Research Organizations	333	37			X
343	Exclusion from Gross Income of Certain Clean Coal Power Grants to Non-Corporate Taxpayers	360	26			X

2016

21st Century Cures Act (Public Law 114-255)						
Act Section #	**Section Title**	**2016 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
18001(a)(2)	Exception from Group Health Plan Requirements for Qualified Small Employer Health Reimbursement Arrangements	12	17			X

2017

An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018

(TAX CUTS AND JOBS ACT (TCJA))

(Public Law 115-97)

Act Section #	Section Title	2017 FTB's SOFITC Report Page # or Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
11002(d)(1) (PP) (QQ)	Inflation Adjustments Based on Chained CPI	22	71	X		
11011	Deduction for Qualified Business Income of Pass-Thru Entities	23	29			X
11023(a)	Increased Limitation for Certain Charitable Contributions	41	37			X
11027	Temporary Reduction in Medical Expense Deduction Floor	62	35			X
11028	Relief for 2016 Disaster Areas	63	30			X

11042(a)	Limitation on Deduction for State and Local, Etc., Taxes	77	33			X
11043	Limitation on Deduction for Qualified Residence Interest	79	34			X
11044(a)	Modification of Deduction for Personal Casualty Losses	81	30			X
11045	Suspension of Miscellaneous Itemized Deductions	82	13			X
11047(a)	Suspension of Exclusion for Qualified Bicycle Commuting Reimbursement	86	23			X
11048(a)	Suspension of Exclusion for Qualified Moving Expense Reimbursement	88	24			X
11049	Suspension of Deduction for Moving Expenses	89	28			X
11050	Limitation on Wagering Losses	90	31			X

11051(a), (b)(1)(C)	Repeal of Deduction for Alimony Payments	92	45, 57	X		
12002(a)	Credit for Prior Year Minimum Tax Liability of Corporations	110	12, 77			X
13001(b)(2)(A)	21-Percent Corporate Tax Rate	116	117			X
13001(b)(2)(N)	21-Percent Corporate Tax Rate	116	88			X
13101	Modifications of Rules for Expensing Depreciable Business Assets	121	39, 95			X
13202(a)	Modifications to Depreciation Limitations on Luxury Automobiles and Personal Use Property	141	28, 93			X
13204	Applicable Recovery Period for Real Property	147	36			X
13205	Use of Alternative Depreciation System for Electing Farming Businesses	153	36			X

13206(a)	Amortization of Research and Experimental Expenditures	156	98			X
13206(d)(2)	Amortization of Research and Experimental Expenditures (Related to Certain expenses for which credits are allowable)	156	40, 103			X
13301(b)(1)	Limitation on Deduction for Interest	167	47, 108			X
13301(a)	Limitation on Deduction for Interest	167	90			X
13301(b)(3)	Limitation on Deduction for Interest	167	48, 106			X
13302(a)(1)	Modification of Net Operating Loss Deduction	173	43, 99			X
13304	Limitation on Deduction by Employers of Expenses for Fringe Benefits	178	28, 102			X
13309(a)(2)	Partnership Interests Held in Connection with Performance of Investment Services	190	61			X

13314(a)-(b)	Certain Self-Created Property Not Treated as a Capital Asset	203	62, 118			X
13402(b)(1)(B)	Rehabilitation Credit Limited to Certified Historic Structures	206	5, 85			X
13501	Treatment of Gain or Loss of Foreign Persons from Sale or Exchange of Interests in Partnerships Engaged In Trade or Business within the United States	213	66		X	
13512(b)(1)	Repeal of Small Life Insurance Company Deduction	224	56, 112			X
13543(a)-(b)	Modification of Treatment of S Corporation Conversions to C Corporations	258	15, 87, 114			X
13823(b)	Opportunity Zones	347	59			X

14102(e)	Special Rules Relating to Sales or Transfers Involving Specified 10-Percent Owned Foreign Corporations	377	46, 104			X
14222	Certain Related Party Amounts Paid or Accrued in Hybrid Transactions or With Hybrid Entities	413	101	X		
14401(b)(2)	Base Erosion and Anti-Abuse Tax	433	68			X

2018

BIPARTISAN BUDGET ACT OF 2018 (Public Law 115-123)						
Act Section #	**Section Title**	**2018 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
40201(a)	Extension and Modification of Exclusion from Gross Income of Discharge of Qualified Principal Indebtedness	28	22			X

Consolidated Appropriations Act, 2018 (Public Law 115-141)						
Act Section #	**Section Title**	**2018 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
Div. T 103(a)(2)	Average Income Test for Low-Income Housing Credit	N/A	6, 84	X		
Div. U, Title I 101(c)	Research Credit	162	4, 83		X	
Div. U, Title III 301(a)(2)	Amendments Relating to the Bipartisan Budget Act of 2015	299	63	X		

2019

Taxpayer First Act (Public Law 116-25)						
Act Section #	**Section Title**	**2019-Part I FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
2301	Electronic Filing of Returns	60	63	X		

Further Consolidations Appropriations Act, 2020 (Public Law 116-94)						
Act Section #	**Section Title**	**2019-Part II FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
Division Q Title I Subtitle A 101(a)	Exclusion from Gross Income of Discharge of Qualified Principal Residence Indebtedness	134	22			X
Division Q Title I Subtitle A 103(a)	Reduction in Medical Expense Deduction Floor	141	35			X

2020

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136)						
Act Section #	**Section Title**	**20202 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
2303(a)(1), (a)(2)(A), (C), (b)(1), (c)(2)	Modifications for Net Operating Losses	Summary of Federal Income Tax Changes FTB.ca.gov	16, 43, 99, 115			X

2304(a), (b)	Modification of Limitation on Losses for Taxpayers Other than Corporations	Summary of Federal Income Tax Changes FTB.ca.gov	54			X
2306(a)	Modification of Limitation on Business Interest	Summary of Federal Income Tax Changes FTB.ca.gov	90			X
4003(h)(2)	Emergency Relief and Taxpayer Protections	Summary of Federal Income Tax Changes FTB.ca.gov	48, 106	X		

Consolidated Appropriations Act, 2021 (CAA 2021)

(Public Law 116-260)

Act Section #	Section Title	2020 FTB's SOFITC Report Page # or Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
101	Reduction in Medical Expense Deduction Floor	Summary of Federal Income Tax Changes FTB.ca.gov	35	X		

104(b)(1)	Transition from Deduction for Qualified Tuition and Related Expenses to Increased Income Limitation on Lifetime Learning Credit	Summary of Federal Income Tax Changes FTB.ca.gov	32	X		
114	Exclusion from Gross Income of Discharge of Qualified Principal Residence Indebtedness	Summary of Federal Income Tax Changes FTB.ca.gov	22			X
201(a)	Minimum Low-Income Housing Tax Credit Rate	Summary of Federal Income Tax Changes FTB.ca.gov	6, 84			X
212	Certain Charitable Contributions Deductible by Non-Itemizers	Summary of Federal Income Tax Changes FTB.ca.gov	38			X
213	Modification of Limitations on Charitable Contributions	Summary of Federal Income Tax Changes FTB.ca.gov	38			X

Division N – Additional Coronavirus Response and Relief Subtitle B – COVID-related Tax Relief Act of 2020 Title II – Assistance to Individuals, Families, and Businesses 281	Election to Waive Application of Certain Modifications to Farming Losses	Summary of Federal Income Tax Changes FTB.ca.gov	44, 100			X
Division N – Additional Coronavirus Response and Relief Subtitle B – COVID-related Tax Relief Act of 2020 Title III - Continuing the Paycheck Protection Program and Other Small Business Support 304(a)	Additional Eligible Expenses	Summary of Federal Income Tax Changes FTB.ca.gov	18, 89	X		

Division EE – Taxpayer Certainty and Disaster Tax Relief Act of 2020 Subtitle C – Extension of Certain Other Provisions Title III—Disaster Tax Relief 302	Special Disaster-Related Rules for Use of Retirement Funds	Summary of Federal Income Tax Changes FTB.ca.gov	14	X		
Division EE – Taxpayer Certainty and Disaster Tax Relief Act of 2020 Subtitle C – Extension of Certain Other Provisions Title III—Disaster Tax Relief 304	Other Disaster-Related Tax Relief Provisions	Summary of Federal Income Tax Changes FTB.ca.gov	30			X

2021

American Rescue Plan Act of 2021 (ARPA) (Public Law 117-2)						
Act Section #	**Section Title**	**2021 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
9041(a)	Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers	Summary of Federal Income Tax Changes FTB.ca.gov	54			X
9631(a)	Refundability and Enhancement of Child and Dependent Care Tax Credit	Summary of Federal Income Tax Changes FTB.ca.gov	3			X
9708	Expansion of Limitation on Excessive Employee Remuneration	Summary of Federal Income Tax Changes FTB.ca.gov	41			X

2022

Inflation Reduction Act of 2022 (Public Law 117-169)						
Act Section #	**Section Title**	**2022 FTB's SOFITC Report Page # or Website Link**	**Bill Provision #**	**Decision**		
				Conform	**Modify**	**Not Conform**
10101(a)(4)(B)(ii), (f)	Corporate Alternative Minimum Tax	Summary of Federal Income Tax Changes FTB.ca.gov	11, 16, 82, 115			X
10201	Excise Tax on Repurchase of Corporate Stock	Summary of Federal Income Tax Changes FTB.ca.gov	91	X		
11003(b)	Excise Tax Imposed on Drug Manufacturers During Noncompliance Periods	N/A	92	X		
13303(b)	Energy Efficient Commercial Buildings Deduction	Summary of Federal Income Tax Changes FTB.ca.gov	49, 105			X

13703	Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology	Summary of Federal Income Tax Changes FTB.ca.gov	36			X
13903	Reinstatement of Limitation Rules for Deduction for State and Local, etc. Taxes	Summary of Federal Income Tax Changes FTB.ca.gov	33			X
13903	Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers	Summary of Federal Income Tax Changes FTB.ca.gov	54			X
13904	Extension of Limitation on Deduction for State and Local, Etc., Taxes	Summary of Federal Income Tax Changes FTB.ca.gov	33			X

Consolidated Appropriations Act, 2023
(Public Law 117-328)

Act Section #	Section Title	2022 FTB's SOFITC Report Page # or Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
108	Indexing IRA Catch-Up Limit	Summary of Federal Income Tax Changes FTB.ca.gov	51	X		
109 (a)-(c)	Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63	Summary of Federal Income Tax Changes FTB.ca.gov	51	X		
114(a)-(b)	Deferral of Tax for Certain Sales of Employer Stock to Employee Stock Ownership Plan Sponsored by S Corporation	Summary of Federal Income Tax Changes FTB.ca.gov	60	X		
117	Contribution Limit for SIMPLE Plans	Summary of Federal Income Tax Changes FTB.ca.gov	51	X		
126(a)	Special Rules for Certain Distributions from Long-Term Qualified Tuition Programs to Roth IRAs	Summary of Federal Income Tax Changes FTB.ca.gov	20, 21, 86			X

126 (b)	Special Rules for Certain Distributions from Long-Term Qualified Tuition Programs to Roth IRAs	Summary of Federal Income Tax Changes FTB.ca.gov	50			X
309(a)	Exclusion of Certain Disability-Related First Responder Retirement Payments	Summary of Federal Income Tax Changes | FTB.ca.gov	25	X		

2024

VSO Equal Tax Treatment (VETT) Act (Public Law 118-146)						
Act Section #	**Section Title**	**2024 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
2	Deductibility Of Charitable Contributions to Certain Organizations for Members of The Armed Forces	Summary of Federal Income Tax Changes | FTB.ca.gov	N/A		X	

Federal Disaster Tax Relief Act of 2023 (FDTRA) (Public Law 118-148)						
Act Section #	**Section Title**	**2024 FTB's SOFITC Report Page # or Website Link**	**SB 711 Section #**	**Decision**		
				Conform	**Modify**	**Not Conform**
2	Extension of Rules For Treatment Of Certain Disaster-Related Personal Casualty Losses	Summary of Federal Income Tax Changes | FTB.ca.gov	30			X
3	Exclusion From Gross Income for Compensation For Losses Or Damages Resulting from Certain Wildfires	Summary of Federal Income Tax Changes | FTB.ca.gov	27			X
4	East Palestine Disaster Relief Payments	Summary of Federal Income Tax Changes | FTB.ca.gov	19			X

Federal/State Law

See the FTB's summary of federal income tax changes reports for 2015 to 2024. (Note that there is no link to the "Summary of Federal Income Tax Changes – 2023" because there are no applicable changes to the IRC from that year.)

Implementation Considerations

Implementing this bill would occur during the FTB's annual updates.

Technical Considerations

On page 82, line 24, remove the term "of this code".

On page 82, line 35, remove the letter "s" from the word "employees".

On page 97, lines 33-34, replace "Division EE of Title III" with "Title III of Division EE".

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 154 (Ting, Chapter 359, Statutes of 2015) changed California's specified date of conformity to federal income tax law from January 1, 2009, to January 1, 2015, for taxable years beginning on and after January 1, 2015.

SB 410 (Wolk, Chapter 14, Statutes of 2010) changed California's specified date of conformity to federal income tax law from January 1, 2005, to January 1, 2009, for taxable years beginning on and after January 1, 2010.

AB 115 (Klehs, Chapter 691, Statutes of 2005) changed California's specified date of conformity to federal income tax law from January 1, 2001, to January 1, 2005, for taxable years beginning on and after January 1, 2005.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

This bill would impact the FTB's systems, resulting in programming, processing, forms, and form instruction revisions as well as the need for taxpayer outreach. However, FTB's costs to implement this bill have yet to be determined. As the bill continues to move through the legislative process, costs will be determined.

REVISED ECONOMIC IMPACT

Revenue Estimate

Based on data and assumptions discussed below, the revenue impact from this provision would be as shown in the following tables. Each year has its own subtotal, and total summaries of all years are provided at the end. These tables contain federal provisions where California law conforms to a federal law change based on the specified date and will continue to conform as of the new specified date. These provisions are not included in the decision table above. This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this provision.

Revenue Table for Conformity to 2015 Federal Provisions				
Act Section	**Provision**	**2025-26**	**2026-27**	**2027-28**
Don't Tax Our Fallen Public Safety Heroes Act (HMHA) (Public Law 114-14)				
2	Exclusion of Certain Compensation Received by Public Safety Officers and Their Dependents	\a	\a	\a
Trade Preferences Extension Act (TPEA) (Public Law 114-27)				
806	Penalty for Failure to File Correct Information Returns and Provide Payee Statements - Regarding 1. Failure to file correct information returns. 2. Failure to furnish correct payee statements	\a	\a	\a
Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (STVHCCIA) (Public Law 114-41)				
2006	Tax Return Due Dates	\a	\a	\a

Bipartisan Budget Act of 2015 (BBA) (Public Law 114-74)				
1102	Partnership Interests Created by Gift	$7,000,000	$4,300,000	$4,300,000
Consolidated Appropriations Act, 2016 (CAA) (Public Law 114-113)				
114	Extension of Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations	-$600,000	-$400,000	-$350,000
115	Extension of Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property	-$12,000,000	-$8,200,000	-$8,900,000
202	Safe Harbor for De Minimis Error on Information Returns and Payee Statements - Regarding 1. Failure to file correct information returns. 2. Failure to furnish correct payee statements	\a	\a	\a
301	Exclusion for Amounts Received Under the Work Colleges Program	\a	\a	\a
305	Clarification of Special Rule for Certain Government Plans	\a	\a	\a
309	Prevention of Extension of Tax Collection Period for Members of the Armed Forces Who Are Hospitalized as a Result of Combat Zone Injuries	\a	\a	\a
311	Restriction on Tax-Free Spinoffs Involving REITS	$21,000,000	$20,000,000	$20,000,000

320	Modification of REIT Earnings and Profits Calculation to Avoid Duplicate Taxation	\a	\a	\a
344	Clarification of Valuation Rule for Early Termination of Certain Charitable Remainder Unitrusts	$550,000	$350,000	$350,000
345	Prevention of Transfer of Certain Losses from Tax Indifferent Parties	$11,000,000	$7,900,000	$7,800,000
314 - 315	Repeal of Preferential Dividend Rule for Publicly Offered REITS and Authority for Alternative Remedies to Address Certain REIT Distribution Failures	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		$26,950,000	**$23,950,000**	**$23,200,000**

Revenue Table for Conformity to 2016 Federal Provisions				
Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
The US Appreciation for Olympians and Paralympians Act (USAOP) (Public Law 114-239)				
2	Olympic and Paralympic Medals and United States Olympic Committee (USOC) Prize	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		\a	**\a**	**\a**

Revised Revenue Table for Conformity to 2017 Federal Provisions				
Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
Tax Cuts and Jobs Act (TCJA) (Public Law 115-97)				
11051	Alimony	$8,800,000	$6,900,000	$8,700,000
13207	Expensing of Certain Costs of Replanting Citrus Plants Lost by Reason of Casualty	-$350,000	-$200,000	-$90,000
13221	Taxable Inclusion All Events Test	$100,000,000	$100,000,000	$55,000,000
13306	Deduction for Fines and Penalties	$800,000	$600,000	$600,000
13307	Denial of Deduction for Settlements Subject to Nondisclosure Agreements Paid In Connection with Sexual Harassment or Sexual Abuse	$60,000	$50,000	$40,000
13308	Deduction for Local Lobbying expenses	$5,900,000	$4,000,000	$4,100,000
13310	Prohibition on Cash, Gift Cards, and Other Non-tangible Personal Property as Employee Achievement Awards	$200,000	$100,000	$100,000
13311	Elimination of Deduction for Living Expenses Incurred by Members of Congress	$40,000	$20,000	$20,000
13312	Contributions to capital	$38,000,000	$21,000,000	$18,000,000

13502	Partnership Interest Built-in Loss	$6,900,000	$4,100,000	$4,100,000
13503	Partner's Distributive Share	$13,800,000	$8,200,000	$8,200,000
13521	Clarification of Tax Basis of Life Insurance Contracts	$2,700,000	$1,700,000	$1,800,000
13522	Exception to Transfer for Valuable Consideration Rules	Combined with Section 13521	Combined with Section 13521	Combined with Section 13521
13541	Expansion of Qualifying Beneficiaries of an Electing Small Business Trust	-$3,200,000	-$2,300,000	-$2,600,000
13542	Charitable Contribution Deduction for Electing Small Business Trusts	Combined with Section 13541	Combined with Section 13541	Combined with Section 13541
13603	Equity Grants	-$3,200,000	-$2,100,000	-$2,200,000
13702	UBTI	$23,000,000	$19,000,000	$18,000,000
13704	Repeal of Deduction for Amounts Paid in Exchange for College Athletic Event Seating Rights	$4,800,000	$3,000,000	$3,100,000
13705	Repeal of Substantiation Exception in Case of Contributions Reported by Donee	\a	\a	\a
13801	Production Period for Beer, Wine, and Distilled Spirits	Combine with PL 116-260, Sec. 106	Combine with PL 116-260, Sec. 106	Combine with PL 116-260, Sec. 106
14221	Limitations on Income Shifting Through Intangible Property Transfers - 1. Foreign corporations. 2. Allocation of income and deductions among taxpayers	$9,600,000	$8,000,000	$7,600,000

14222	Certain Related Party Amounts Paid or Accrued in Hybrid Transactions or With Hybrid Entities	$65,000,000	$55,000,000	$50,000,000
14303	Source of Income from Sales of Inventory Determined Solely on Basis of Production Activities	$900,000	$600,000	$600,000
Total		**2025-26**	**2026-27**	**2027-28**
		$273,750,000	**$227,670,000**	**$175,070,000**

Revenue Table for Conformity to 2018 Federal Provisions				
Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
Consolidated Appropriations Act, 2018 (CAA) (Public Law 115-141)				
Division T – Revenue Provisions Sec. 103	Low-Income Housing Credit and Average Income Test	\a	\a	\a
Division U - Tax Technical Corrections Title I – Tax Technical Corrections Sec. 101 Amendments Relating to the PATH Act	(b) Transit Parity	\a	\a	\a

Division U - Tax Technical Corrections Title I – Tax Technical Corrections Sec. 101 Amendments Relating to the PATH Act	(c) Research Credit: Repeal of Alternative Incremental Credit	-$7,400,000	-$8,500,000	-$11,000,000
Division U - Tax Technical Corrections Title I – Tax Technical Corrections Sec. 101 Amendments Relating to the PATH Act	(f) Failure to Furnish Correct Payee Statements - Regarding 1. Failure to file correct information returns. 2. Failure to furnish correct payee statements	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		-$7,400,000	**-$8,500,000**	**-$11,000,000**

Revenue Table for Conformity to 2019 Federal Provisions				
Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
Taxpayer First Act (TFA) (Public Law 116-25)				
1202	Exclusion of Interest Received in Action to Recover Property Seized by the IRS Based on Structuring Transaction	\a	\a	\a
National Defense Authorization Act for Fiscal Year 2020 (Public Law 116-92)				
Section 1122	Prohibition on Criminal History Inquiries Prior to Conditional Offer for Federal Employment	\a	\a	\a
Further Consolidated Appropriations Act, 2020 (FCAA) (Public Law 116-94)				
Div. J Sec. 901	Special Rules for Certain Monthly Workers' Compensation Payments and Other Payments for Department of State Personnel Under Chief of Mission Authority	\a	\a	\a
Div. O Sec 107	Repeal of Maximum Age for Traditional IRA Contributions - Regarding Retirement Savings	-$1,200,000	-$800,000	-$800,000
Div. Q Sec 144	Certain Provisions Related to Beer, Wine, and Distilled Spirits - Regarding Capitalization and Inclusion in Inventory Costs of Certain Expenses	Combine with PL 116-260, Sec. 106	Combine with PL 116-260, Sec. 106	Combine with PL 116-260, Sec. 106
Total		**2025-26**	**2026-27**	**2027-28**
		-$1,200,000	**-$800,000**	**-$800,000**

Revenue Table for Conformity to 2020 Federal Provisions				
Act Section	**Provision**	**2025-26**	**2026-27**	**2027-28**
Coronavirus Aid, Relief, and Economic Security Act (CARES) (Public Law 116-136)				
Div. A Sec. 3702	Inclusion of Certain Over-The-Counter Medical Products as Qualified Medical Expenses - Regarding 1. Contributions by employer to accident and health plans. 2. Archer MSAs	-$40,000,000	-$26,000,000	-$27,000,000
Consolidated Appropriations Act, 2021(CAA) (Public Law 116-260)				
103	Benefits Provided To Volunteer Firefighters And Emergency Medical Responders	-$5,300,000	-$3,200,000	-$3,300,000
106	Certain Provisions Related to Beer, Wine, and Distilled Spirits - Regarding Capitalization and Inclusion in Inventory Costs of Certain Expenses	-$800,000	-$600,000	-$600,000
Total		**2025-26**	**2026-27**	**2027-28**
		-$46,100,000	**-$29,800,000**	**-$30,900,000**

Revenue Table for Conformity to 2021 Federal Provisions				
Act Section	**Provision**	**2025-26**	**2026-27**	**2027-28**
Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58)				
80501	Modification of Automatic Extension of Certain Deadlines in the Case of Taxpayers Affected by Federally Declared Disasters	\a	\a	\a
80504	Authority to Postpone Certain Tax Deadlines by Reason of Significant Fires	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		\a	**\a**	**\a**

Revenue Table for Conformity to 2022 Federal Provisions				
Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
Consolidated Appropriations Act, Division T - SECURE 2.0 Act of 2022 (SECURE 2.0) (Public Law 117-328)				
108	Indexing IRA Catch-Up Limit	-$1,300,000	-$1,300,000	-$1,500,000
109	Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63	-$2,400,000	-$3,600,000	-$6,100,000
114	Deferral of Tax for Certain Sales of Employer Stock to Employee Stock Ownership Plan Sponsored by S Corporation	$0	$0	-$5,900,000

117	Contribution Limit for Simple Plans	-$5,900,000	-$3,900,000	-$4,000,000
309	Exclusion of Certain Disability-Related First Responder Retirement Payments	$0	-$12,000,000	-$21,000,000
331	Special Rules for Use of Retirement Funds in Connection with Qualified Federally Declared Disasters - Regarding Annuities; Certain Proceeds of Endowment and Life Insurance Contracts	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		-$9,600,000	**-$20,800,000**	**-$38,500,000**

Revenue Table for Conformity to 2024 Federal Provisions

Act Section	**Section Title**	**2025-26**	**2026-27**	**2027-28**
VSO Equal Tax Treatment (VETT) Act 2024 (Public Law 118-146)				
2	Deductibility of Charitable Contributions to Certain Organizations for Members of the Armed Forces	\a	\a	\a
Total		**2025-26**	**2026-27**	**2027-28**
		\a	**\a**	**\a**

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

Analysis Provision No.3: *Sunset of Modified Conformity to the Limitation on Like-Kind Exchanges to Real Property (Section 58 of the Bill)*

This provision would add a sunset date to the Tax Cuts and Jobs Act (TCJA) modifications with respect to like-kind exchanges for:

1. A taxpayer who is a head of household, a surviving spouse, or spouses filing a joint return with adjusted gross income, as defined in Section 17072, of five hundred thousand dollars ($500,000) or more for the taxable year in which the exchange begins; or
2. For any other taxpayer with adjusted gross income, as defined in Section 17072, of two hundred fifty thousand dollars ($250,000) or more for the taxable year in which the exchange begins.

Federal/State Law

Generally effective for like-kind exchanges after December 31, 2017, property eligible for like-kind exchanges are limited to real property that is not held primarily for sale. However, under a transition rule, the prior law like-kind exchange rules applied to exchanges of personal property if the taxpayer has either disposed of the relinquished property or acquired the replacement property on or before December 31, 2017.

Under California law, with respect to individuals, this provision only applies to:

1. A taxpayer who is a head of household, a surviving spouse, or spouses filing a joint return with adjusted gross income, as defined in Section 17072, of five hundred thousand dollars ($500,000) or more for the taxable year in which the exchange begins; or
2. For any other taxpayer with adjusted gross income, as defined in Section 17072, of two hundred fifty thousand dollars ($250,000) or more for the taxable year in which the exchange begins.

If a taxpayer does not meet one of the qualifications described above, the pre-TCJA IRC section 1031-like-kind exchange rules, unless otherwise modified by the RTC, continue to apply.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 91 (Burke, et. al, Ch. 39, Statues 2019) conformed to several provisions of the TCJA, including conforming with modifications to the limitation on like-kind exchanges to real property.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

This provision of the bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue gain:

Estimated Revenue Impact of SB 711 SEC. 56 as Amended April 29, 2025
Assumed Enactment after June 30, 2025

($ in Millions)

Fiscal Year	Revenue
2025-2026	+$110
2026-2027	+$65
2027-2028	+$65

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

This estimate is based upon a proration of the Joint Committee on Taxation (JCT) federal tax expenditure estimate for deferral of gain on like kind exchanges. In taxable year 2025, the expected revenue gain from removing the AGI exceptions would be $70 million.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS (All Provisions)

None noted.

SUPPORT/OPPOSITION (All Provisions)

Senate Rules Committee, May 26, 2025:

Support

California Society of Enrolled Agents
California Taxpayers Association
Spidell Publishing, Inc.

Opposition

None.

ARGUMENTS (All Provisions)

Senate Floor analysis, May 26, 2025:

Proponents

According to the author, "Senate Bill 711 makes it easier for people and businesses to file their taxes by updating California's Revenue and Taxation Code to conform, conform with modification, or not conform to changes that Congress has made to the Internal Revenue Code since January 1, 2015. There are more than 1,000 changes the state has not yet acted on, which frustrates taxpaying Californians when they find that state and federal tax laws treat the same issue in opposite ways. This bill is a consensus measure, and SB 711 Page 5 implements recommendations intended to conform in a fiscally responsible manner that avoids policy disputes."

Opponents

None on file.

LEGISLATIVE CONTACT

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