



Bill Analysis

Author: McNerney

Sponsor:

Bill Number: SB 711

Related Bills: See Legislative
History

Amended: July 7, 2025, and
September 2, 2025

SUBJECT

Conformity Act of 2025

SUMMARY

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

Provision No. 1 - Conform to the IRC

Sections 1-57 and 59-119 of the bill would change the Revenue and Taxation Code's (RTC) 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 provision would conform to the changes made by Section 208 of Public Law 113-295, to IRC sections 6721 and 6722 made prior to January 1, 2015. (See Section 71 of the bill).

Provision No. 2 - 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.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

Provision No. 1 - Conform to the IRC

The July 7, 2025, amendments made the following changes to Provision No. 1 (formerly Provision No. 2 of the Franchise Tax Board's (FTB) analysis of the bill as amended on March 26 and April 29, 2025):

- Added a provision for the timing of the income recognition relating to credit card transaction fees (Sections 52 and 110 of the bill). This provision would exclude specified credit card transaction fees (credit card late fees, credit card cash advance fees, or interchange fees) from special ordering rule for certain items of income under the United States (U.S.) Treasury Regulations section 1.451-3 (see also Tax Cuts and Jobs Act (TCJA), Public Law 115-97, section 13221). For California purposes, this would allow taxpayers to use the original issue discount timing rules, instead of the applicable financial statement income inclusion rules for these payment fees.
- Added a provision to conform with modification to the federal real estate investment trust (REIT) prohibited transaction tax by imposing a 12.5% tax on REIT prohibited transaction income for California purposes (Section 116 of the bill).

Both amendments relate to the general specified date that would change the 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.

The September 2, 2025, amendments (former Sections 1, 6, and 84) removed provisions relating to the low-income housing credit and renumbered the bill's remaining provisions. The September 2 amendments also made the following changes to Provision No. 1 – Conform to the IRC:

- Provided that certain provisions related to alimony would not apply for divorce or separation instruments executed after December 31, 2025, or for divorce or separation instruments executive on or before December 31, 2025, but made certain modifications after that date (Sections 15, 28, 45, and 57).
- Added an operative date for sales of stock to employee stock ownership plans or certain cooperatives (Section 60).
- Removed the provision relating to distribution of stock and securities of a controlled corporation to conform to IRC section 355 as of the specified date of January 1, 2025 (Section 106).
- Removed the provision to conform with modification to the federal REIT prohibited transaction tax (Section 116).
- Made other technical, nonsubstantive changes (Sections 36 and 69).

Provision No. 2 - Modify Conformity to the Limitation on Like-Kind Exchanges to Real Property

The July 7 and September 2 amendments did not impact Provision No. 2.

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.

Effective/Operative Date

As an urgency measure, this bill would be effective immediately upon enactment and would generally be operative for taxable years beginning on or after January 1, 2025, except as otherwise provided.

ANALYSIS

Analysis Provision No. 1

Conform to the IRC (Sections 1-57 and 59-119 of the Bill)

In General

This provision would change the 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 also be made by this provision.

The following tables list:

- The federal act sections and section titles that impact provisions of the PITL, the AFITL, and the CTL;
- The beginning page number or webpage link in the FTB's annual report where that provision is discussed, 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 #	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
2006(a)(2)(A)	Tax Return Due Dates	31	95	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 #	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, 96			X
124	Extension and Modification of Increased Expensing Limitations and Treatment of Certain Real Property as Section 179 Property	137	39, 94			X
126(a)	Extension of Exclusion of 100 Percent of Gain on Certain Small Business Stock	142	117			X
127(a)	Extension of Reduction in S-Corporation Recognition Period for Built-In Gains Tax	145	87		X	

143(a)(2), (b)(6)(I)	Extension and Modification of Bonus Depreciation	168	55, 114			X
151(b)	Extension and Modification of Exclusion from Gross Income of Discharge of Qualified Principal Indebtedness	178	21			X
189	Extension of Special Allowance for Second Generation Biofuel Plant Property	230	36			X
311	Restriction on Tax-Free Spinoffs Involving REITS	299	106	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	25			X

2016

21 st Century Cures Act of 2016 (Public Law 114-255)						
Act Section #	Section Title	2016 FTB's SOFITC Report Page #	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	16			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 of 2017 (TCJA))

(Public Law 115-97)

Act Section #	Section Title	2017 FTB's SOFITC Report Page #	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	11			X
11047(a)	Suspension of Exclusion for Qualified Bicycle Commuting Reimbursement	86	22			X
11048(a)	Suspension of Exclusion for Qualified Moving Expense Reimbursement	88	23			X
11049	Suspension of Deduction for Moving Expenses	89	27			X
11050	Limitation on Wagering Losses	90	31			X

11051(a), (b)(1)(B) and (C)	Repeal of Deduction for Alimony Payments	92	15, 28, 45, 57	X		
12002(a)	Credit for Prior Year Minimum Tax Liability of Corporations	110	10, 77			X
13001(b)(2)(A), (N)	21-Percent Corporate Tax Rate	116	87, 118			X
13101	Modifications of Rules for Expensing Depreciable Business Assets	121	39, 94			X
13202(a)	Modifications to Depreciation Limitations on Luxury Automobiles and Personal Use Property	141	27, 92			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	97			X
13206(d)(2)	Amortization of Research and Experimental Expenditures (Related to Certain expenses for which credits are allowable)	156	40, 102			X
13221	Certain Special Rules for Taxable Year of Inclusion	162	52, 110		X	
13301(a)	Limitation on Deduction for Interest	167	89			X
13301(b)(1)	Limitation on Deduction for Interest	167	47, 108			X
13301(b)(3)	Limitation on Deduction for Interest	167	48, 105			X
13302(a)(1)	Modification of Net Operating Loss Deduction	173	43, 98			X
13304	Limitation on Deduction by Employers of Expenses for Fringe Benefits	178	27, 101			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, 119			X
13402(b)(1)(B)	Rehabilitation Credit Limited to Certified Historic Structures	206	4, 84			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, 113			X
13543(a)-(b)	Modification of Treatment of S Corporation Conversions to C Corporations	258	13, 86, 115			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, 103			X
14222	Certain Related Party Amounts Paid or Accrued in Hybrid Transactions or With Hybrid Entities	413	100	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 #	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	21			X

Consolidated Appropriations Act, 2018

(Public Law 115-141)

Act Section #	Section Title	2018 FTB's SOFITC Report Page #	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
Div. U, Title I 101(c)	Research Credit	162	3, 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 of 2019**

(Public Law 116-25)

Act Section #	Section Title	2019-Part I FTB's SOFITC Report Page #	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 #	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	21			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 of 2020 (CARES Act)

(Public Law 116-136)

Act Section #	Section Title	20202 FTB's SOFITC Report 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	SOFITC Analysis of 116-136 §2303	14, 43, 98, 116			X
2304(a), (b)	Modification of Limitation on Losses for Taxpayers Other than Corporations	SOFITC Analysis of 116-136 §2304	54			X
2306(a)	Modification of Limitation on Business Interest	SOFITC Analysis of 116-136 §2306	89			X
4003(h)(2)	Emergency Relief and Taxpayer Protections	SOFITC Analysis of 116-136 §4003	48, 105	X		

Consolidated Appropriations Act, 2021 (CAA 2021)

(Public Law 116-260)

Act Section #	Section Title	2020 FTB's SOFITC Report Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
101	Reduction in Medical Expense Deduction Floor	SOFITC Analysis of 116-260 §101	35	X		
104(b)(1)	Transition from Deduction for Qualified Tuition and Related Expenses to Increased Income Limitation on Lifetime Learning Credit	SOFITC Analysis of 116-260 §104	32	X		
114	Exclusion from Gross Income of Discharge of Qualified Principal Residence Indebtedness	SOFITC Analysis of 116-260 §114	21			X
212	Certain Charitable Contributions Deductible by Non-Itemizers	SOFITC Analysis of 116-260 §212	38			X
213	Modification of Limitations on Charitable Contributions	SOFITC Analysis of 116-260 §213	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	SOFITC Analysis of 116-260 §281	44, 99			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	SOFITC Analysis of 116-260 §304	17, 88	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	SOFITC Analysis of 116-260 §302	12	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	SOFITC Analysis of 116-260 §304	30			X

2021

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

2022

Inflation Reduction Act of 2022 (Public Law 117-169)						
Act Section #	Section Title	2022 FTB's SOFITC Report Website Link	Bill Provision #	Decision		
				Conform	Modify	Not Conform
10101(a)(4)(B)(ii), (f)	Corporate Alternative Minimum Tax	SOFITC Analysis of 117-169 §10101	9, 14, 82, 116			X
10201	Excise Tax on Repurchase of Corporate Stock	SOFITC Analysis of 117-169 §10201	90	X		
11003(b)	Excise Tax Imposed on Drug Manufacturers During Noncompliance Periods	N/A	91	X		
13303(b)	Energy Efficient Commercial Buildings Deduction	SOFITC Analysis of 117-169 §13303	49, 104			X

13703	Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology	SOFITC Analysis of 117-169 §13703	36			X
13903	Reinstatement of Limitation Rules for Deduction for State and Local, etc. Taxes	SOFITC Analysis of 117-169 §13903	33			X
13903	Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers	SOFITC Analysis of 117-169 §13903	54			X
13904	Extension of Limitation on Deduction for State and Local, Etc., Taxes	SOFITC Analysis of 117-169 §13904	33			X

Consolidated Appropriations Act, 2023

(Public Law 117-328)

Act Section #	Section Title	2022 FTB's SOFITC Report Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
108	Indexing IRA Catch-Up Limit	SOFITC Analysis of 117-328 §108	51	X		
109 (a)-(c)	Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63	SOFITC Analysis of 117-328 §109	51	X		
114(a)- (b)	Deferral of Tax for Certain Sales of Employer Stock to Employee Stock Ownership Plan Sponsored by S Corporation	SOFITC Analysis of 117-328 §114	60	X		
117	Contribution Limit for SIMPLE Plans	SOFITC Analysis of 117-328 §117	51	X		
126(a)	Special Rules for Certain Distributions from Long-Term Qualified Tuition Programs to Roth IRAs	SOFITC Analysis of 117-328 §126(a)	19, 20, 85			X
126 (b)	Special Rules for Certain Distributions from Long-Term Qualified Tuition Programs to Roth IRAs	SOFITC Analysis of 117-328 §126(b)	50			X

309(a)	Exclusion of Certain Disability-Related First Responder Retirement Payments	SOFITC Analysis of 117-328 §309	24	X		
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2024

<p align="center"><u>VSO Equal Tax Treatment (VETT) Act of 2024</u></p> <p align="center">(Public Law 118-146)</p>

Act Section #	Section Title	2024 FTB's SOFITC Report Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
2	Deductibility Of Charitable Contributions to Certain Organizations for Members of The Armed Forces	SOFITC Analysis of 118-146 §2	N/A		X	

Federal Disaster Tax Relief Act of 2023 (FDTRA) (Public Law 118-148)

Act Section #	Section Title	2024 FTB's SOFITC Report Website Link	SB 711 Section #	Decision		
				Conform	Modify	Not Conform
2	Extension of Rules For Treatment Of Certain Disaster-Related Personal Casualty Losses	SOFITC Analysis of 118-148 §2	30			X
3	Exclusion From Gross Income for Compensation For Losses Or Damages Resulting from Certain Wildfires	SOFITC Analysis of 118-148 §3	26			X
4	East Palestine Disaster Relief Payments	SOFITC Analysis of 118-148 §4	18			X

Federal/State Law

For federal and state law explanations, see the FTB's Summary of Federal Income Tax Changes reports for 2015 to 2024. (Note there is no Summary of Federal Income Tax Changes report for 2023 because there were no changes to the IRC impacting the RTC that year.)

Implementation Considerations

None noted.

Technical Considerations

None noted.

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

FTB anticipates minimal costs to implement this provision.

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. Due to the number of years between specified date conformity, the revenue 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. Many of the federal provisions below are not reflected 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	\$4,200,000	\$9,500,000	\$14,000,000
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	\$110,000,000	\$75,000,000	\$50,000,000
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
		\$279,150,000	\$205,270,000	\$175,370,000

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 U - Tax Technical Corrections Title I – Tax Technical Corrections Sec. 101 Amendment s 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)				
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

Summary Revenue Table

Fiscal Year	2025-2026	2026-2027	2027-2028
2015 Total	\$26,950,000	\$23,950,000	\$23,200,000
2016 Total	\a	\a	\a
2017 Total	\$279,150,000	\$205,270,000	\$175,370,000
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	N/A	N/A	N/A
2024 Total	\a	\a	\a
Grand Total	\$241,800,000	\$169,320,000	\$117,370,000

\a The impact of the individual provisions on the General Fund would be a revenue gain or loss of less than \$100,000.

In 2023, there were no changes to the IRC that would have impacted the RTC and therefore, there was no revenue impact.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

Analysis Provision No. 2:***Modify 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 qualifications for the application of TCJA's 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 AGI, as defined in Section 17072, of \$500,000 or more for the taxable year in which the exchange begins; or
2. For any other taxpayer with AGI, as defined in Section 17072, of \$250,000 or more for the taxable year in which the exchange begins.

This provision would sunset for taxable years beginning on or after January 1, 2025.

Federal/State Law***Federal Law***

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

State Law

California conforms to the federal law changes applicable to like-kind exchanges after December 31, 2017, for exchanges completed after January 10, 2019.

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 AGI, as defined in Section 17072, of \$500,000 or more for the taxable year in which the exchange begins; or
2. For any other taxpayer with AGI, as defined in Section 17072, of \$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, Chapter 39, Statutes of 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 would not significantly impact FTB's costs.

ECONOMIC IMPACT*Revenue Estimate*

This provision would result in the following revenue gain:

Estimated Revenue Impact of SB 711 Provision No. 2 as Amended September 2, 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's 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 Floor analysis dated September 9, 2025.

Support

California Society of Certified Public Accountants
California Society of Enrolled Agents
California Taxpayers Association
Silicon Valley Leadership Group
Spidell Publishing, Inc.

Opposition

None on file.

ARGUMENTS (ALL PROVISIONS)

Senate Floor analysis dated September 9, 2025.

Proponents

None on file.

Opponents

None on file.

LEGISLATIVE CONTACT

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