CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 1577

Introduced by Assembly Member Burke

February 22, 2019

An act to add Sections 17131.8 and 24308.6 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1577, as amended, Burke. Income taxes: federal CARES Act: gross income: loan forgiveness.

~~The~~

(1) The Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income.

Existing federal law, the federal CARES Act, *and its subsequent amendments in the Paycheck Protection Program and Health Care Enhancement Act and the Paycheck Protection Program Flexibility Act of 2020,* among other things, authorizes forgiveness of indebtedness for eligible recipients with covered loans, as defined, in an amount equal to the sum of the recipient's payroll costs, interest on mortgage

obligations, rent obligations, and utility payments, subject to specified conditions and during a specified time period. Existing federal law excludes any amounts of covered loans forgiven under the CARES Act from gross income for federal income tax purposes.

This bill, for taxable years beginning on or after January 1, 2020, would exclude from gross income, for state income tax purposes, any covered loan amount forgiven pursuant to ~~the federal CARES Act.~~ *those federal acts.*

~~This~~

(2) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 17131.8 is added to the Revenue and
2 Taxation Code, to read:
3 17131.8. (a) For taxable years beginning on and after January
4 1, 2020, gross income does not include any covered loan amount
5 forgiven pursuant to Section 1106 of the Coronavirus Aid, Relief,
6 and Economic Security Act (Public Law ~~116–136).~~ *116-136),*
7 *pursuant to the Paycheck Protection Program and Health Care*
8 *Enhancement Act (Public Law 116-139), or pursuant to the*
9 *Paycheck Protection Program Flexibility Act of 2020 (Public Law*
10 *116-142).*
11 *(b) Any credit or deduction otherwise allowed under this part*
12 *for any amount paid or incurred by the taxpayer upon which this*
13 *exclusion is based shall be reduced by the amount of the exclusion*
14 *allowed under this section.*
15 ~~(b)~~
16 *(c)* For purposes of this section, "covered loan" has the same
17 meaning as in Section 1106 of the Coronavirus Aid, Relief, and
18 Economic Security Act (Public Law 116–136).
19 SEC. 2. Section 24308.6 is added to the Revenue and Taxation
20 Code, to read:
21 24308.6. (a) For taxable years beginning on and after January
22 1, 2020, gross income does not include any covered loan amount
23 forgiven pursuant to Section 1106 of the Coronavirus Aid, Relief,
24 and Economic Security Act (Public Law ~~116–136).~~ *116-136),*
25 *pursuant to the Paycheck Protection Program and Health Care*

1　*Enhancement Act (Public Law 116-139), or pursuant to the*
2　*Paycheck Protection Program Flexibility Act of 2020 (Public Law*
3　*116-142).*
4　　*(b) Any credit or deduction otherwise allowed under this part*
5　*for any amount paid or incurred by the taxpayer upon which this*
6　*exclusion is based shall be reduced by the amount of the exclusion*
7　*allowed under this section.*
8　　~~(b)~~
9　　*(c)* For purposes of this section, "covered loan" has the same
10　meaning as in Section 1106 of the Coronavirus Aid, Relief, and
11　Economic Security Act (Public Law 116–136).
12　　SEC. 3.　This act provides for a tax levy within the meaning of
13　Article IV of the California Constitution and shall go into
14　immediate effect.

O