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AB-1577 Income taxes: federal CARES Act: gross income: loan forgiveness. (2019-2020)

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Assembly Bill No. 1577

CHAPTER 39

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.

[Approved by Governor September 09, 2020. Filed with Secretary of State September 09, 2020.]

LEGISLATIVE COUNSEL'S DIGEST

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

(1) The Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally define "gross income" as income from whatever source derived, except as specifically excluded, and provide 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 those federal acts.

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

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17131.8 is added to the Revenue and Taxation Code, to read:

17131.8. (a) For taxable years beginning on and after January 1, 2020, gross income does not include any covered loan amount forgiven pursuant to Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136), pursuant to the Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139), or pursuant to the Paycheck Protection Program Flexibility Act of 2020 (Public Law 116-142).

(b) Any credit or deduction otherwise allowed under this part for any amount paid or incurred by the taxpayer upon which this exclusion is based shall be reduced by the amount of the exclusion allowed under this section.

(c) For purposes of this section, "covered loan" has the same meaning as in Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116–136).

SEC. 2. Section 24308.6 is added to the Revenue and Taxation Code, to read:

24308.6. (a) For taxable years beginning on and after January 1, 2020, gross income does not include any covered loan amount forgiven pursuant to Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116-136), pursuant to the Paycheck Protection Program and Health Care Enhancement Act (Public Law 116-139), or pursuant to the Paycheck Protection Program Flexibility Act of 2020 (Public Law 116-142).

(b) Any credit or deduction otherwise allowed under this part for any amount paid or incurred by the taxpayer upon which this exclusion is based shall be reduced by the amount of the exclusion allowed under this section.

(c) For purposes of this section, "covered loan" has the same meaning as in Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116–136).

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.