

ROUNDUP OF MAJOR 2012 LEGISLATIVE AND OTHER CHANGES

Corporation franchise (income) and personal income taxes

Proposition 39 single sales factor apportionment. Voters at the 2012 November elections approved Proposition 39, which requires the use of single-factor apportionment for most businesses for taxable years beginning on or after January 1, 2013. (§1801; §1854). Special rules apply to qualified taxpayers in the cable industry. (§1801.)

Proposition 30 personal income tax rate increase. Voters at the 2012 November elections approved an increase in personal income tax rates for high-income earners by creating three new tax brackets effective for taxable years beginning on or after January 1, 2012, and before January 1, 2019. (§2304).

Compact provisions repealed. California has repealed its Multistate Tax Compact (MTC) provisions, effective 6-27-2012. (§1804).

Gillette decision. In *Gillette v. FTB*, the California Court of Appeal held that multistate taxpayers may elect to single-weight their sales factor in a three-factor formula to apportion income to California, rather than the mandatory four factor formula that provides a double-weighting of sales. (§1851).

Disaster losses. Losses sustained in County of Santa Cruz as a result of the severe storms that occurred in March 2011 and in the Counties of Los Angeles and San Bernardino as a result of the severe winds that occurred in November 2011 may, at the taxpayer's election, be taken into account for the taxable year immediately preceding the taxable year in which the disaster occurred. (§607; §1714).

Revocation of exemption for charities. The FTB must mail a notice of its intent to revoke the exemption of a charitable corporation for failure to file a registration or the required reports unless the charitable corporation files all past and currently due documents within 120 days. (§2303).

Information return for exempt organizations. Small tax-exempt organizations with average gross receipts of \$50,000 are exempt from the annual information return filing requirement. (§2006).

2012 tax tables. The personal income tax tables must be used by taxpayers with taxable incomes under \$100,000 (§2303).

2012 tax rate schedules. The individual tax rate schedules are adjusted for inflation for computing the tax on 2012 returns (§2304).

2012 personal and dependency credits. The 2012 personal/dependency credits and credit reduction amounts are set as adjusted for inflation (§112).

Renter's credit. The adjusted gross income requirements for the 2012 renter's credit are set (§120).

Excess state disability insurance credit. The 2013 withholding rate and wage amounts for purposes of the excess state disability insurance are set (§1121; §1604).

Joint custody/senior Head of household credits. The 2012 dollar credit amount for the joint custody head of household and the adjusted gross income requirements for the senior head of household credit are set (§1123).

Mileage allowances. 2012 mileage allowances for charitable use of autos, medical and moving expense purposes are set (§1503).

Itemized deductions. The 2012 overall limits on itemized deductions are set (§1601).

Standard deduction. The standard deduction amounts for 2012 are set (§1602).

Medical expenses. California follows the 2012 federal mileage allowance as medical expense (§1603).

Alternative minimum tax exemption. The alternative minimum tax exemption and phaseout amounts for individuals are set (§12308).

Return filing thresholds. The threshold income amounts for filing 2012 individual tax returns are adjusted for inflation (§12401).

FTB collection cost recovery fees. The Franchise Tax Board's collection cost recovery fees for 2012-2013 are set (§12531).

Property taxes

Disabled veterans' exemption amounts. The disabled veterans' 2013 exemption amounts are adjusted for inflation (§12706).

Timber yield tax. The timber yield tax rate for calendar year 2013 remains at 2.9% (§12712).

Cotenancy interest transfers. Transfers of a cotenancy interest, from one cotenant to the other at death, do not constitute a change of ownership (§12714).

Sales and use taxes

Proposition 30 sales tax increase. Voters at the 2012 November elections approved a temporary additional state sales-use tax of 0.25%, effective 1-1-2013 through 12-31-2016 (§12801).

Added sales tax on diesel fuels. An additional state sales-use tax is imposed on the gross receipts of any retailer from the sale of all diesel fuel (§12801; §12816).

New sales tax on lumber products or engineered wood products. An additional state sales-use tax is imposed on the sales of lumber products or engineered wood products in-state (§12801; §12816).

Bad debt deduction. 2012 legislation removed the requirement that a proper election for claiming the deduction or refund for worthless must be filed with the State Board of Equalization before claiming the bad debt deduction or refund (§2807).

Water common carriers' exemption extended. The exemption for sales of fuel and petroleum products to water common carriers is extended (§2811).

Green Tech exemption expanded. The Green Tech exemption applies to advanced manufacturing (§2812).

Vehicle auctioneers or dismantlers. Sales by persons engaged in selling certain motor vehicles at auction or dismantlers are presumed taxable sales at retail (§2813).

Compact provisions repealed. California has repealed its Multistate Tax Compact (MTC) provisions, effective 6-27-2012, including the MTC credit for taxes paid to other states (§2815).

New nexus rules. The new click-through or Amazon law nexus or affiliates nexus rules are effective (§2806).

Local sales tax rate changes. Many localities changed their local sales and use tax rates (§2816).

SBE collection cost recovery fee. The State Board of Equalization's collection cost recovery fees are set (§2820).

Unemployment-Disability Insurance

State disability insurance rate. For the year 2013 the State Disability Insurance (SDI) contribution rate remains at 1% (§2908).

Miscellaneous Taxes & Fees

Diesel fuel tax rate-interstate users. The diesel fuel tax rate for interstate users (IFTA) for calendar year 2013 is increased (§3008).

Emergency telephone users surcharge. The emergency telephone users surcharge rate is set for 2013 (§3036).

Environmental fee charts. The environmental fee charts are updated to reflect rates for the 2012 & 2013 calendar years (§3037).

Insurance Companies Doing Business in California

CO-OPs insurers. Admitted Consumer Operated and Oriented Plans (CO-OPs) insurers are subject to premium taxes (§3108).