

Corporation Tax

**Accelerated Depreciation of
Research and Experimental Costs**

Description:

Research and experimental expenditures may be deducted currently, or may be amortized over a 60-month period at the election of the taxpayer.

Statutory Authority:

Revenue and Taxation Code Sections 17201 and 24365 which conform to Internal Revenue Code Sections 59 and 174

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

**Number of Taxpayers/Number of
Returns:**

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Film Credit

Description:

Provides a nonrefundable franchise or personal income tax credit to qualified taxpayers who produce a motion picture in California or relocate a television series or independent film to California. The credits are allocated and certified by the California Film Commission. The annual allocation of credits is capped at \$100 million.

Statutory Authority:

Revenue and Taxation Code Sections 17053.85 and 23685

Sunset Date:

July 1, 201□

Legislative Intent:

None specified

Beneficiaries:

Corporations and Individuals

**Number of Taxpayers/Number of
Returns:**

Not available

Comparable Federal Benefit:

None

Corporation Tax

Low-Income Housing Credit

Description:

A tax credit is allowed for a portion of the costs of investing in qualified low-income rental housing. The aggregate amount of the credit is capped, and specific credits are allocated to applicants by the California Tax Credit Allocation Committee. Credits are allocated to developers who, in turn, sell them to investors in exchange for project funding. All projects receiving the California credit must also receive the parallel federal credit.

Statutory Authority:

Revenue and Taxation Code Sections 17058 and 23610.5 in conformity with Internal Revenue Code Section 42

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals, unincorporated and incorporated businesses

Number of Taxpayers/Number of Returns:

For the 2010 tax year, 400 personal income tax returns and 32 corporation tax returns claimed this credit.

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Hiring Credit

Description:

Provides that a qualified employer can take a credit against their tax of \$3,000 for each increase in qualified full-time employees during the tax year. The total allowable credits for all tax years is \$400 million.

Statutory Authority:

Revenue and Taxation Code Sections 17053.80 and 23623

Sunset Date:

Remains in effect until December 1 of the calendar year after the year in which the cumulative credit limit of \$400 million has been reached. As of August 31, 2013, the cumulative amount of credit generated on personal income tax and corporation income tax returns totaled \$180 million.

Legislative Intent:

None Specified

Beneficiaries:

Small businesses

Number of Taxpayers/Number of Returns:

Not Available

Comparable Federal Benefit:

None

Corporation Tax

Employee Stock Ownership Plans (ESOP)

Description:

Employers that provide employee stock ownership plans are allowed a deduction for dividends paid to an ESOP, when those dividends are paid by the ESOP to participants or are used to retire ESOP debt. Also, capital gains on the sale of stock to an ESOP are deferred if the proceeds are used to acquire a similar type of security.

Statutory Authority:

Revenue and Taxation Code Sections 18042 and 24601-24612 which generally conform to Internal Revenue Code Sections 401-424 and 1042

Sunset Date:

None

Legislative Intent:

This provision was intended to broaden employee ownership of California businesses, as well as prevent undue recordkeeping burdens and costs of compliance by being out of conformity with federal law.

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Percentage Depletion of Mineral and Other Natural Resources

Description:

Taxpayers may deduct a fixed percentage of gross income for resource depletion, which is generally more than the deduction that would be allowed under the normal cost-depletion method. The percentage depends upon the type of resource, and the depletion allowance cannot be more than 50 percent of the taxpayer's related net income prior to the depletion deduction, or more than 100 percent for oil and gas properties.

Statutory Authority:

Revenue and Taxation Code Sections 17681 and 24831 which conform to Internal Revenue Code Sections 611, 612, 613, and 613A

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Credit Union Treatment

Description:

Credit unions are exempt from state income and franchise taxes. Since credit unions are nonprofit, membership organizations, only their "nonmember" income (such as investment income on excess deposits or miscellaneous sources of income, such as ATM fees charged to nonmembers) would be taxed in the absence of this exemption.

Statutory Authority:

Revenue and Taxation Code Section 23153

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Non-profit cooperative associations

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Corporation Tax

Expensing of Timber Growing Costs

Description:

Expenses of growing timber fall into three categories. Some must be capitalized and recovered through cost depletion as the timber is cut. Some are fully deductible. Others may be used only to offset the proceeds of sale.

A. Capitalized costs – Preparation of the site including brush removal, cost of seedlings, and labor and tool expense, including depreciation of equipment used in planting, are capital expenditures and are added to the basis of the timber. These costs are recovered under cost depletion as the timber is cut.

B. Fully deductible – Expenditures incurred for silvicultural practices, such as weeding, cleaning, or noncommercial thinning, are currently deductible business expenses. Reforestation expenses (on property located in California) of up to \$10,000 on any one timber property may be expensed in any year, and the balance of reforestation expenses above this amount may be amortized for 84 months.

C. Offset proceeds of sale –The cost of land improvements, such as road grading, ditching, and firebreaks, are capitalized into the basis of the land; they are not added to the basis of the timber and are recovered as an offset against the sales proceeds when the land is sold. Expenses related to the sale of the timber must be offset against the sales proceeds.

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Expensing of Timber Growing Costs (continued)

Statutory Authority:

Revenue and Taxation Code Sections 17201, 17278.5, 17681, 24343, 24373.2, and 24831 which conform to Internal Revenue Code Sections 162, 194, and 611

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This provision conforms to federal law.

Corporation Tax

Reforestation

Description:

Under this program, taxpayers can amortize over seven years up to \$10,000 per year of qualifying reforestation expenditures. These expenditures include the direct costs of forestation and reforestation, such as site preparation, seeds, labor and equipment.

Statutory Authority:

Revenue and Taxation Code Section 17278.5 and 24372.5 which conforms to Internal Revenue Code Section 194

Sunset Date:

None

Legislative Intent:

The program's intent is to speed up the reforestation of depleted timberlands.

Beneficiaries:

Individuals and incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

This treatment conforms to federal practice, except that the benefit is limited to reforestation activities located in California.

Sales and Use Taxes

Food Products

Description:

Sales of food for human consumption are not generally subject to the sales and use taxes. However, this exemption does not generally include hot prepared food, food sold and consumed at or on the seller's facility, or food sold for consumption where there is an admission charge.

Statutory Authority:

Revenue and Taxation Code Section 6359

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Gas, Electricity, and Water

Description:

Gas, electricity, and water delivered through mains, lines, or pipes are exempt from tax. Water sold in bulk quantities of 50 gallons or more and liquefied petroleum gas delivered for use in a residence is also exempt.

Statutory Authority:

Revenue and Taxation Code Section 6353

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Prescription Medicine

Description:

Medicine that is prescribed for an individual and furnished by a registered pharmacist is exempt from tax. This exemption also includes such things as orthotic and prosthetic devices and parts.

Statutory Authority:

Revenue and Taxation Code Sections 6369 and 6369.1

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, and Medicines

Description:

Sales of animals which are generally used for human food, as well as the feed and drugs used for those animals is exempt from tax. Also, seeds and plants that are normally used for human food and fertilizer for those plants are exempt from tax.

Statutory Authority:

Revenue and Taxation Code Section 6358

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals and businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Candy, Confectionery, Snack Foods, and Bottled Water

Description:

Candy, gum, confectionery, snack foods, and bottled water are not subject to the sales and use taxes.

Statutory Authority:

Revenue and Taxation Code Section 6359

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Individuals

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Custom Computer Programs

Description:

The transfer of custom computer programs, other than a basic operational program, and separate charges for custom modifications to existing prewritten programs are excluded from the definition of "sale." Therefore, these computer programs are not subject to the sales and use taxes.

Statutory Authority:

Revenue and Taxation Code 6010.9

Sunset Date:

None

Legislative Intent:

This provision was intended to provide an incentive for the development and utilization of computer software.

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Fuel Sold to Common Carriers

Description:

Sales of fuel and petroleum products to air common carriers for international flights are exempt from tax.

Statutory Authority:

Revenue and Taxation Code Section 6357.5

Sunset Date:

None

Legislative Intent:

This provision was intended to allow domestic fuel producers to compete equally with foreign producers, who are exempt under federal law from state sales taxes on airline fuel used in international travel.

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None

Sales and Use Taxes

Farm Equipment and Machinery

Description:

Sales of farm equipment, machinery, and their parts are exempt from the 5 percent state sales and use tax when sold to qualified persons engaged in the business of producing and harvesting agricultural products.

Statutory Authority:

Revenue and Taxation Code 6356.5

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

In 2011-12, 14,740 returns claimed this exemption.

Comparable Federal Benefit:

None

Sales and Use Taxes

Diesel Fuel Used in Farming and Processing

Description:

Sales of diesel fuel are exempt from the 5 percent state sales and use tax when that fuel is consumed during the activities of a farming or food processing business. Farming business includes transporting farm products to the marketplace.

Statutory Authority:

Revenue and Taxation Code 6357.1

Sunset Date:

None

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

In 2011-12, 882 returns claimed this exemption.

Comparable Federal Benefit:

None

Sales and Use Taxes

Water Common Carriers

Description:

The sale of fuel and petroleum products is exempt when sold to a water common carrier for immediate shipment outside this state.

Statutory Authority:

Revenue and Taxation Code Section 6385

Sunset Date:

January 1, 2024

Legislative Intent:

Not specified

Beneficiaries:

Businesses

Number of Taxpayers/Number of Returns:

Not available

Comparable Federal Benefit:

None



2013-14

