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Federal Conformity in the Personal Income Tax, Major Tax Legislation of 1983 Volume 4

Assembly Revenue and Taxation Committee

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MAJOR TAX LEGISLATION OF 1983
VOLUME 4

**FEDERAL CONFORMITY
IN THE
PERSONAL INCOME TAX**

**AB 36 (Hannigan)
Chapter 488 of 1983
and
SB 813 (Hart)
Chapter 498 of 1983**



Prepared by Staff of the
ASSEMBLY REVENUE AND TAXATION COMMITTEE

THOMAS M. HANNIGAN
Chairman

July 1983

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Volume 4

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Chairman

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Major Tax Legislation
of 1983
Volume 4
Federal Conformity in the
Personal Income Tax

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Introduction

In 1983, the California Legislature took major steps to simplify the state personal income tax and achieve a higher degree of conformity with the federal income tax statutes.

AB 36 (Hannigan), Chapter 488, and SB 813 (Hart), Chapter 498, together enacted significant structural changes in the state's personal income tax laws and brought well over 400 individual items into conformity with federal treatment.

This paper summarizes the history of the legislative action on federal conformity, provides background on the 1983 legislation, and summarizes the provisions and fiscal effects of the two bills. It is the fourth paper in a series describing major tax legislation of 1983.

History of Federal Conformity Efforts

The California Legislature has subscribed to a so-called "selective" approach to federal income tax conformity since the enactment of the state personal income tax in 1933.

Under the "selective" approach to conformity, the Legislature attempts to achieve the highest degree of consistency with federal law to the extent practical and desirable, but exercises its authority to modify or reject federal changes through the regular legislative process. In addition, the Legislature maintains the freedom to adopt provisions which have no federal counterpart, in order to meet special state needs.

Since 1976, task forces of legislative and agency staff operating under the auspices of the Assembly Revenue and Taxation Committee have been established to review federal tax law changes immediately after their enactment and to recommend to the Legislature full, partial, or no conformity. Implementing legislation has taken effect the year following the federal change.

The option of enacting "automatic" conformity to federal tax law has been attractive to many observers over the years and numerous studies and legislative proposals have been put forth. However, serious doubts about the desirability of using that approach in California have repeatedly stalled measures seeking to implement automatic conformity.

Very briefly, those doubts have included the following:

- Automatic conformity unavoidably requires the state to surrender its control of tax policy to the U. S. Congress and the IRS.
- Significant shifts in state tax burdens would occur under automatic conformity, because of the present major differences in the two laws.
- Automatic conformity to annual federal tax law changes could have substantial effects on the state budget and could cause severe revenue instability.
- There is a strong body of opinion which holds that automatic conformity would constitute an unconstitutional delegation of the state's legislative power to Congress, and thus a constitutional amendment would be required to implement it.
- Automatic conformity may not produce great "simplicity" gains for most taxpayers, since the federal tax itself is quite complicated and since many taxpayers already use the short form and the standard deduction.

Appendix I summarizes legislation and related studies, on both selective and automatic approaches to federal conformity, which have occurred since the mid-1970s.

In 1981, Assemblyman Robert Naylor authored ACR 58, which requested the Franchise Tax Board to prepare a study of the feasibility of simplifying personal income tax returns. In December of 1981, the Franchise Tax Board issued its report "Procedural Conformity, A Study of Proposals For Easing The Burden of Preparing California Income Tax Returns". The 1983 legislation described in this report was a direct outgrowth of those 1981 efforts.

1982-83 Federal Conformity Task Force

In August 1982, Assemblyman Wadie P. Deddeh, then Chairman of the Assembly Revenue and Taxation Committee, appointed a 23-member Federal Conformity Task Force to review all the differences between state and federal tax laws as they read at the end of 1982. The Task Force was composed of representatives of private sector organizations, executive agency staffs and legislative staffs. Membership is listed in Appendix II.

The charge of the Task Force was not to make a recommendation on each and every item of nonconformity, but rather to review each item and segregate them into three areas:

- Candidates For Conformity. Items where state divergence from federal law is unnecessary, insignificant or bothersome, and where there should be negligible tax policy, administrative or revenue impacts of conformity.
- Policy Issues. Items where there may be good arguments for conforming, but where there are tax policy, administrative, or revenue concerns that warrant legislative attention. Items were to be placed in this category regardless of whether Task Force members believed California should or should not conform.
- Not Applicable. Items which are not candidates for conformity because they are inapplicable, revenue loss would outweigh all possible offsets, they are impractical, or they represent a recently resolved legislative issue.

The charge to the Task Force was to review personal income tax conformity items only.

The Task Force divided its work into two segments, the first to review all nonconformity items existing through 1981, and the second to review the changes in federal tax law enacted in the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. The Task Force's recommendations were brought to the Assembly Revenue and Taxation Committee during the spring of 1983, and the Committee's actions were implemented in two bills, AB 36 (Hannigan) and AB 399 (Hannigan). In July of 1983, the contents of AB 399 were amended into SB 813 (Hart), to provide much of the funding for the Legislature's 1983 education reform measure.

Overview of 1983 Federal Conformity Achievements

In enacting the two 1983 bills, the Legislature accomplished the following:

- A significant structural change in California's personal income tax laws. State tax law is now referenced to the Federal Internal Revenue Code, with only the differences between the two spelled out in our law.
- Conformity to approximately 330 items of non-conformity that existed through 1981.

- Conformity to approximately 100 federal law provisions enacted in the TEFRA of 1982.
- Identification of over 300 nonconformity items which are not applicable under the criteria described above.
- Referral of about 50 significant conformity policy issues to further study by the Assembly Revenue and Taxation Committee during the fall 1983 interim period.
- An agenda for the future. Structural and procedural changes will ensure comprehensive annual review by the Legislature of new changes in federal tax laws.

These accomplishments are described more fully below.

AB 36 - What It Does

- Makes Fundamental Change in Structure of Tax Code

AB 36 restructures the personal income tax to reference the Federal Internal Revenue Code, with only the California differences separately stated.

This integrated approach was adopted based on the belief that the prior approach to conformity created confusion for a number of reasons:

- a. Even when the state has copied the federal wording, the formats are different, which makes them appear to be different.
- b. The state frequently splits the federal section into several state sections, thus implying a difference and causing difficulty in determining whether actual differences exist.
- c. Where state and federal law use different concepts of the tax treatment in a certain area, no warning is given to the reader that substantive differences exist and the state intends to be different.

The advantages of the integrated approach are:

- a. The number of state code sections is significantly reduced by eliminating unnecessary duplication.

- b. Each of the factors listed above, contributing to confusion regarding whether the state and federal laws were the same or different, is significantly reduced under this methodology.
- c. This approach establishes the concept that the state is the same as the federal except where significantly different. The Legislature's option for future decisions regarding federal tax legislation will focus on identification of areas where conformity is not desired, because of a significant state tax policy issue. Thus, state and federal tax laws cannot drift apart through inaction.

- Sets 1981 As Federal Code Reference Date

A critical part of the code structure change is the reference to the Internal Revenue Code as of a specific date. AB 36 provides that all references in it to the Internal Revenue Code (IRC) are to that code as it read on December 31, 1981. This approach anticipates that there will be annual state legislation to move the IRC reference forward one year to reflect the most recent federal tax acts, and at the same time incorporate any items to which the Legislature does not wish to conform.

- Eliminates 330 Nonconformity Items

Most of the approximately 330 items of federal conformity enacted in AB 36 are technical or inconsequential. However, among the more important changes are:

- a. Adoption of the federal "zero bracket" system, which incorporates the standard deduction and requires rewriting of brackets. Full indexing, as required by a 1982 initiative statute, is retained in California law as an item of nonconformity.
- b. Transfer of the political contribution checkoff from the Elections Code to the Revenue and Taxation Code.
- c. Provisions which allow deductions for personal residences when rented to a family member on an "arms-length" basis.
- d. A deduction for farm land clearing expenses, at the lesser of \$5,000 or 25% of farm income.

- e. Limitations on a tax credit for qualifying metal finishers.
- f. Provisions repealing dependent credits for individuals who are residents of the Canal Zone or Panama.
- g. A reduction in basis (for capital gains purposes) of an auto upon which the Federal Gas Guzzler Tax was imposed.
- h. Provisions which allow depreciation of property replacing historical structures in the same manner as provided by California law for other structures, rather than straight-line depreciation.

Recall that, when reading AB 36, the conformity items cannot be "seen", for the most part, because they are adopted by reference. What can be "seen" are the nonconformity items which are listed as exceptions to the basic IRC reference.

- Requires Reports on Future Federal Tax Acts

AB 36 requires that annually on January 10, the Franchise Tax Board must submit a report to the Legislature on all federal tax law changes enacted during the prior year. The report is to include estimates of the fiscal effect of conformity, and is to be made available to the public. AB 36 states legislative intent that the policy committee of each House hold at least one public hearing on that report.

AB 36 also requires that any bill which proposes to change the IRC reference dates (which would thereby automatically conform to federal changes) shall be analyzed by the Franchise Tax Board. The report is to be made available to the public.

- Fiscal Effect A "Wash"

The provisions of AB 36 cause minor increases and decreases in personal income tax revenue attributable to a number of individual conformity items, but the overall impact is believed to be substantially a "wash" to the state.

SB 813 - What It Does

SB 813 enacts selective conformity to 1982 federal tax act changes.

In 1982, Congress passed a major tax bill, HR 4961, titled the Tax Equity and Fiscal Responsibility Act (TEFRA). Several minor tax bills were also enacted by Congress that year.

Observers have called TEFRA the most substantial revision of the Internal Revenue Code in history. It encompassed numerous changes affecting both individual and corporate taxpayers, including important modifications of the 1981 Economic Recovery Tax Act (ERTA). The major goal of TEFRA was to increase federal revenues to offset partially a twelve digit federal budget deficit.

TEFRA also contained significant revisions of administrative and procedural matters. New and increased penalties were adopted, as well as additional requirements relating to partnership audits, informational requirements, tax withholding and abusive tax shelters.

(Recall that SB 813 incorporated all the items originally introduced in AB 399, Hannigan, plus additional items from the last Assembly Revenue and Taxation Committee hearing on TEFRA which had not yet been amended into AB 399.)

Specifically, SB 813:

- Builds On Structural Changes Made in AB 36

Building on the integrated approach begun in AB 36, SB 813 moves the Federal IRC reference date forward to January 15, 1983, incorporates conformity items by reference, and lists specifically those items designated for nonconformity or deferred for further study.

- Conforms to 100 TEFRA Items

A substantial number of the individual TEFRA items conformed to in SB 813 are minor or technical in nature. However, major tax policy and fiscal effects accompany the seven general groups of items listed in Table 1 on the next page. Together, they produce a first-year revenue gain of \$95 million, growing thereafter. The items are described in detail in the following text.

A list of action taken on all 350 items in 1982 federal tax law changes is included in Appendix III.

TABLE 1

Summary Fiscal EffectConformity to 1982 Federal Tax Acts in SB 813 (Hart)Major Revenue Provisions^{1/}

	<u>In Millions</u>	
	<u>1983-84</u>	<u>1984-85</u>
"Tax-Gap" Compliance Provisions	\$50.0	\$ 75.0
Medical Expenses Deduction ^{2/}	0	0
Casualty Loss Deduction	0	50.0
Construction Period Interest and Taxes	25.0	25.0
Original Issue Discount and Stripped Coupon Bonds	5.0	10.0
Corporate Mergers and Acquisitions	15.0	20.0
Withholding for Real Estate Agents and Direct Sellers	Unknown	Unknown ^{3/}
	<hr/>	<hr/>
TOTAL	\$95.0	\$180.0

^{1/} All other provisions have either unknown effect or minor gain or loss.

^{2/} This identical provision was previously chaptered in AB 223 (Chapter 323), the 1983-84 Budget Trailer Bill, and the \$65 million 1983-84 revenue gain was attributed to that bill.

^{3/} Department of Finance estimates this provision will result in a 1982-83 loss of \$10 million and a 1983-84 loss of \$5 million.

Detailed Description of Major Tax Policy And Revenue Provisions
of SB 813

● "Tax Gap" Compliance Provisions--\$50 Million in 1983-84

Prior California law included various penalties, reporting requirements, and other provisions designed to govern compliance with state tax laws.

SB 813 enacted a number of new and stricter compliance provisions targeted at areas where serious patterns of underpayment and nonpayment had emerged. The compliance provisions include a penalty for promoting abusive tax shelters, a penalty for substantial understatement of tax liability, penalties for making frivolous returns and frivolous tax appeals, penalties for evading tax and filing false or fraudulent documents, improved information reporting requirements, tightening requirements on tax-exempt bonds, and others. These are operative in 1983 and thereafter.

● Medical Expenses Deduction--\$65 Million in 1983-84

Under prior California law, personal income taxpayers who itemize were allowed to deduct the following medical expenses:

- (1) One-half of health insurance premiums up to \$150.
- (2) All other unreimbursed medical expenses in excess of three percent of adjusted gross income (AGI) including health insurance premiums not included in (1).
- (3) Drug and medicine expenses, to be included in the second category, provided the expenses exceed one percent of AGI.

SB 813 made the following changes:

- (1) The separate deduction for one-half of health insurance premiums up to \$150 was eliminated, effective in 1983 and thereafter. Insurance premiums are allowed as unreimbursed medical expenses in (2) below.
- (2) Medical expenses in excess of five percent AGI (federal measure) are deductible.

- (3) The one percent floor for drugs and medicine is eliminated in 1984. Expenses for drugs are allowed as unreimbursed expenses in (2) above, but are limited to prescription medicine and insulin.

(Note: This provision is also included in AB 223, the Budget Trailer Bill.)

The rationale for all of these changes was:

- (a) There are substantial simplification benefits for taxpayers in having the state medical expenses deduction be exactly the same as calculated for federal tax purposes.
- (b) An increasing number of taxpayers have claimed the deduction in recent years, which created a disincentive to control health care spending and exacerbated the problem of rising medical care costs.
- (c) Many medical expenses which are small in relation to income do not significantly reduce the ability to pay taxes.
- (d) The separate deduction for health care premiums and the one percent floor on drugs complicated the computation of the deduction.
- (e) The elimination of the deduction for nonprescription drugs conformed practice to the coverage of most private health insurance policies. Additionally, expenses for these items are not likely to represent "catastrophic" or "extraordinary" medical costs.

● Casualty Loss Deduction--Not Operative in 1983-84

Under prior California law, a deduction was allowed for losses resulting from casualty or theft and not compensated by insurance or otherwise. The deduction was limited to the portion of each loss in excess of \$100. The amount of the loss was the lower of 1) the value of loss in the property, or 2) the property's adjusted basis.

SB 813 provided that the deduction for casualty and theft losses is allowed only for the amount of losses exceeding 10 percent of the taxpayer's adjusted gross income. As in prior law, the loss must exceed \$100. This provision is operative for the 1984 tax year and thereafter.

This change was intended to reduce complexity and audit problems. One of the major problems was distinguishing between deductible expenditures for sudden losses and nondeductible expenditures for losses due to gradual deterioration. Further, the loss floor of \$100 had not been raised since 1964. Finally, the deduction offset a higher percentage of loss for high-bracket than low-bracket taxpayers, even though the latter are less able to purchase insurance and are more needy of assistance. It is intended that the new threshold reduce the number of users but maintain the deduction for losses which significantly affect an individual's ability to pay taxes.

- Construction Period Interest and Taxes--\$25 Million in 1983-84

Prior law permitted corporations to deduct interest and property taxes incurred while real property was being constructed. (A firm constructing an office building over a period of two years could deduct against its income from other activities the interest and property taxes with respect to the structure.)

SB 813 required that these interest and property tax expenses be amortized over the life the structure, effective 1983 and thereafter.

The rationale was that these expenses are a part of the cost of the asset (the building) and ought to be amortized along with the other costs incurred in constructing the building.

- Original Issue Discount Bonds--\$3 Million in 1983-84

Under prior law, interest on Original Issue Discount Bonds was computed by simply dividing the difference between the issue price and the maturity value by the term of the bond. This had the effect of greatly exaggerating the amount of interest recognized early in the life of the bond.

SB 813 required that the interest be computed by determining the interest rate which the discount represents, and then applying that rate to the issue price, effective 1983 and thereafter. This prevents the "loading up" of the interest in the first years of the bond's term.

Example: A thirty year \$10,000 face value bond is issued for \$121,700. Under prior law the issuer would be entitled to deduct \$329,000 as interest, almost three times the issue price. Under current law, the

interest will be computed as though the insurer had borrowed the issue value (\$121,700) at a particular interest rate. In this example, the interest rate is 15.83%, and the first year's interest would be $15.38\% \times \$121,700 = \$19,265$.

- Stripped Coupon Bonds--\$2 Million in 1983-84

Under prior law, when the coupons (representing periodic interest) were removed from a coupon bond and the bond sold, the seller could claim a loss for the amount of the coupons removed, despite the fact that the seller retains the coupons. This had created an artificial tax loss.

Example: A \$100,000 bond is stripped of its coupons and is sold for \$8,000. The seller can claim a \$92,000 loss in the year of the sale even though he or she owns the coupons.

SB 813 prevented artificial losses by requiring that the "basis" (or value for tax purposes) be allocated between the stripped bond and the remaining coupons.

- Corporate Mergers and Acquisitions--\$15 Million in 1983-84

Under prior law, various rules governed corporate mergers and acquisitions. Among them were:

- a. Corporations could, in partial liquidation actions, distribute to shareholders, under certain conditions, certain assets with no tax liability to the corporation and favorable capital gains treatment for shareholders.
- b. A number of exceptions were permitted to the general rule that when a corporation sells an asset which has appreciated during the ownership of that asset, the corporation must pay a tax on the appreciated value.
- c. In a number of cases, corporate acquisitions involving asset purchases were allowed more generous treatment than acquisitions involving stock purchase.

SB 813 made changes generally aimed at making mergers and acquisitions more tax-neutral events. Specifically:

- a. The partial liquidation rules allowing favorable distributions to shareholders were repealed. This was based on the belief that certain transactions

qualifying as partial liquidations were not readily distinguishable from dividend distributions and should be treated as such.

- b. The exceptions related to sale of appreciated assets were repealed.
- c. The differences in treatment between acquisitions of assets and acquisitions of stocks were eliminated.

- Withholding For Real Estate Agents and Direct Sellers--
Unknown Fiscal Effect

Background. Employers are required to withhold personal income taxes from the wages of "employees" and must make contributions for employees to the Unemployment Insurance Fund. Also, employees are subject to a payroll tax for the Disability Insurance Fund.

Employment Development Department regulations specify that real estate licensees and direct sellers who are compensated by commission and meet specified conditions are independent contractors, not employees.

SB 813 established two categories of statutory non-employees: real estate agents and direct sellers. Both must meet certain criteria.

The changes were intended to clarify the status of real estate licensees and direct sellers who work as independent contractors rather than employees, by specifically excluding them from unemployment and disability insurance taxes and from personal income tax withholding. The bill is intended to codify existing practice, not to change the existing coverage of real estate licensees or direct sellers.

Future Federal Conformity Projects

In the fall of 1983, the Assembly Revenue and Taxation Committee will hold a series of hearings to examine approximately 50 items of nonconformity referred by the Committee to interim study. Those items, falling into 19 general topic areas, are listed in Appendix IV.

In January, 1984, the first annual report from the Franchise Tax Board will be due, covering federal tax actions made during 1983.

APPENDIX I

Prior Reports on
Federal Conformity in the
Personal Income Tax

Prior Reports On
Federal Conformity In The Personal Income Tax

The following publications are those published by the Assembly Revenue and Taxation Committee since the mid-1970s on the subject of federal conformity. The numbered publications are available from the Assembly Publications Office, P. O. Box 90, State Capitol, Sacramento, California 95814, (916) 445-4874. Checks should be made out to the State of California; 6% sales tax should be added.

Analysis of Legislation Enacting Conformity to Selected Items of the Federal Economic Recovery Tax Act of 1981

No. 953; November 1982; 65 pages; \$6.00

Report summarizing federal conformity items from the Economic Recovery Tax Act (ERTA) of 1981 enacted in five bills chaptered during the 1982 Session of the Legislature. Describes each federal provision, comparable federal law, fiscal effect of conformity, and reasons for change. Includes cross-reference chart which indexes ERTA and Internal Revenue Code sections to the bills and the Revenue and Taxation Code sections.

Conformity to Federal Income Tax Law: Report of the 1981 Federal Conformity Tax Force on the Federal Economic Recovery Tax Act of 1981

No. 885; Fall 1981; 167 pages; \$7.50

Briefing book for joint interim hearings of the Assembly and Senate Revenue and Taxation Committees during Fall 1981. Includes analysis of each item of the Federal Economic Recovery Tax Act (ERTA) of 1981. Describes each federal provision, comparable California law, fiscal effect of conformity, and policy issues of conformity. The briefing book was prepared by a bi-partisan legislative-executive staff task force.

Conformity to Federal Income Tax Law: Constitutional Authority for Automatic Federal Conformity: SCA 14 (Mills)

No. 878; October 29, 1981; 114 pages; \$6.40

Briefing book for Committee interim hearing on October 29, 1981. Describes various forms of federal conformity and issues of constitutionality, simplicity, tax burden shifts, budget instability, and others. Appendices include Legislative Counsel Opinions and other detailed material.

Federal Income Tax Conformity

No. 808; October 22, 1980; 309 pages; \$9.60

Briefing book for Committee interim hearing on October 22, 1980. Analysis of various proposals for automatic conformity in terms of simplicity, tax policy, tax shifts, budget instability and revenue loss. Detailed appendices analyze all major differences between California and federal law, and constitutional issues involved. Includes 1978 income tax data.

Report of the Task Force on California Conformity With the Federal Revenue Act of 1978 And the Energy Tax Act

February 1, 1979; 122 pages

The findings and recommendations of a legislative-executive branch staff task force regarding proposed income and inheritance tax changes, which subsequently formed the basis of AB 93 (1979).

Tax Reform Act of 1977: Assembly Bill 302

September 26, 1977; 96 pages

Enrolled bill analysis of AB 302 (W. Brown) of 1977, which enacted partial conformity to the Federal Tax Reform Act of 1976. That legislation was a product of the Task Force report issued in January 1977.

Report of the Task Force on California Conformity With the Federal Tax Reform Act of 1976

No. 704; January 28, 1977; 132 pages

The findings and recommendations of a legislative-executive branch staff task force regarding proposed income and inheritance tax changes, which subsequently formed the basis of AB 302 (1979).

APPENDIX II

Membership
1982-83 Federal Conformity Task Force

MEMBERSHIP
1982-83 Federal Conformity Task Force

Bruce Allen
California Society of
Certified Public Accounts

Steve Barrow
California Tax Reform
Association

Cliff Allenby
Department of Finance
Financial Research Unit

Ann Carlson, Assembly Fellow
Assembly Revenue and Taxation
Committee

Don Collin
California Building Industry
Association

David Doerr, Chief Consultant
Assembly Revenue and Taxation
Committee

John Geoghegan
California Manufacturers
Association

Gerald Goldberg,
Executive Officer
Franchise Tax Board

Vance Hansen, Consultant
Senate Revenue and Taxation
Committee

Martin Helmke
Senate Office of Research

Les Howe
California Retailers Assn.

Mary Jane Jagodzinski,
Consultant
Assembly Ways and Means
Committee

Joe Janelli
California Farm Bureau
Federation

Jim Kennedy
California Chamber of
Commerce

Roger Kluth, Consultant
Senate Revenue and
Taxation Committee

Robert C. Livsey, Chairman
Taxation Section of
San Francisco Bar Assn.

Robin Quiros
Office of Assembly Minority
Leader, Bob Naylor

Blair Reynolds
California Bankers Assn.

Peter Schaafsma,
Principal Program Analyst
Legislative Budget Committee

Dan Weitzman,
Deputy Legislative Counsel
Office of Legislative
Counsel

Kirk West, Secretary
Business, Transportation
and Housing Agency

Linda Wilson, Consultant
Assembly Revenue and
Taxation Committee

Ellen Worcester, Consultant
Assembly Revenue and
Taxation Committee

APPENDIX III

Item-By-Item Summary

Conformity to 1982 Federal Tax Acts
Enacted in SB 813 (Hart)
Chapter 498 of 1983

ITEM-BY-ITEM SUMMARY
CONFORMITY TO
1982 FEDERAL TAX ACTS
ENACTED IN
SB 813 (HART)
CHAPTER 498 OF 1983

1. Tax Gap Portions of TEFRA

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
<u>A. Abusive Tax Shelters and Tax Protesters</u>			
A1. Penalty for Promoting Abusive Tax Shelters	320	Policy	Conform
A2. Action To Enjoin Promoters of Abusive Tax Shelters	321	Conform	Conform
A3. Procedural Rules for New Penalties	322	Policy	Conform
A4. Penalty for Substantial Under- statement	323	Policy	Conform
A5. Penalty for Abetting Understatement	324	Policy	Conform
A6. Penalty for Frivolous Returns	326	Conform	Conform
A6a. Penalty for Frivolous Tax Appeal Proceedings	292	Conform	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
<u>B. Increased Criminal Penalties</u>			
B1. Attempt to Evade or Defeat Tax	329	N/A	N/A
B2. Willful Failure to File Return	329	Conform (on bank and corporation penalty) (on personal income tax penalty)	Conform N/A
B3. Willful Filing of False or Fraudulent	329	Conform (on penalty Policy (on broadened language)	Conform Conform
B4. False or Fraudulent Documents- or information	329	N/A	N/A
<u>C. Other Penalties</u>			
C1. Failure to File Timely Return	318	N/A	N/A
C2. Fraud Civil Penalty	325	Conform	Conform
C3. Understatement of Tax Liability by Tax Preparers	Not TEFRA	Policy	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
C4. Various Penalties For Tax Preparers	Not TEFRA	N/A	N/A
C5. Procedural Rules For Penalties For Preparers	Not TEFRA	N/A	N/A
C6. Failure to File a Partner ship Return	Not TEFRA	Conform	Conform
<u>D. Pension Provisions</u>			
D1. Allocation of Income Between Personal Service Corporations and Employee-Owners	250	Conform	Conform
<u>E. Pension and Retirement Withholding</u>	334	Items Deferred	Deferred
<u>F. Information Reporting</u>			
F1. Interest Reporting	309	Conform	Conform
F2. Definitions of "Broker," "Customers," and "Barter Exchange"	311	N/A	N/A
F3. Summons for Third-party Record Keepers	311	Policy	Do Not Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
F4. Reporting on Services and Direct Sales Payments	312	Policy	Do Not Conform
F5. Reporting of Tips	314	Policy	Do Not Conform
F6. Failure to Provide Information and File Returns	315	Policy	Conform
F7. Failure to Provide Social Security Number	316	Conform	Conform
F8. Withholding Where Social Security Number Not Provided	317	Conform	Conform
<u>G. Magnetic Media Reporting</u>			
G1. Regulations For Requiring Magnetic Media Returns	319	N/A	N/A
<u>H. Improved Information Reporting</u>			
H1. Rules For Determining Whether Industrial Development Bond Interest Is Exempt	310	N/A	N/A
H2. Denial of Interest Deduction on Bonds Not in Proper Form	310	Conform	Conform
H3. Denial of Loss Deductions on Obligations			

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
Not in Proper Form	310	Conform	Conform
H4. Denial of Certain Adjustments on Obligations Not in Registered Form	310	Conform	Conform
H5. Denial of Capital Gains On Obligations Not in Registered Form	310	Conform	Conform
H6. Excise Tax on Issuer of Obligation Not in Registered Form	310	N/A	N/A
H7. Requires Registration of Certain Bond Issues	310	N/A	N/A
<u>I. Jeopardy Assessments</u>			
I1. Large Amounts of Cash	330	Conform	Conform
<u>J. Transactions Outside the U.S. or Involving Foreign Persons</u>			
J1. Regulations For Withholding on Nonresident Aliens and Foreign Corporations	342	N/A	N/A
<u>K. Miscellaneous Tax Gap Provisions</u>			
K1. Identifying Numbers on Tax	Not		

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
Returns	TEFRA	Conform	Conform
K2. Definition of Tax Preparers	Not TEFRA	(Addressed in AB 2656 Ch. 700 of 1982)	No Action Needed
K3. Injunctions Against Tax Preparers	Not TEFRA	N/A	N/A
K4. Date By Which Criminal Proceedings Must be Instituted	Not TEFRA	Conform	Conform
K5. Suspension of Statute of Limitations While Motion To Quash is Pending	Not TEFRA	Conform (on Statute Suspension) Policy (on Subpoena procedure)	Conform Do Not Conform

2. Provisions Affecting Individuals, Businesses, and Corporations

L. Items Pertaining to Individuals

L1. Limits Medical Expenses Deduction	202	Policy	Conform
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<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
L2. Limits Casualty Losses Deduction	203	Policy	Conform, Operative 1984 tax year
L3. Clarifies Flexible Premium Life Insurance Income Exclusion	266	Policy	Conform
L4. Modifies Deduction for Payments to Foreign Officials	288	Policy	Do Not Conform
L5. Expands Taxation of Unemployment Compensation	611	Policy	Do Not Conform
L6. Preference Tax	201	Future Policy	Interim Study
L7. Estimated Tax	328	Future Policy	Interim Study
L8. National Research Service Awards	285	Conformity	Conform
<u>M. Items Affecting Businesses</u>			
M1. Requires Capitalization of Construction Period Interest and Taxes for Corporations	207	Policy	Conform
M2. Changes Amortization of Bond Discount	231	Policy	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
M3. Limits Tax Advantages for Stripped Coupon Bonds	232	Policy	Conform
M4. Expands Targeted Jobs Credit	233	Policy	Conform In Part
M5. Exempts from Withholding Real Estate Agents and Direct Sellers	269	Policy	Conform
M6. ACRS Percentages	206	Future Policy	Interim Study
M7.-M9. Safe Harbor Leasing	208-210	Future Policy	Interim Study
M10. Investment Tax Credit	205	N/A	N/A
M11.-M16. Industrial Development Bonds	214-219	N/A	N/A
M17.-M18. Mortgage Subsidy Bonds	220-221	N/A	N/A
M19. Completed Contract Method	229	N/A	N/A
<u>N. Items Affecting Corporations</u>			
N1. Preference Tax	204	Future Policy	Interim Study
N2. Partial Liquidations	222	Conformity	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
N3. Distribution of Appreciated Property	223	Conformity	Conform
N4. Purchase of Stock to Acquire Assets	224	Conformity	Conform
N5. Reorgan-izations	225	Conformity	Conform
N6. Anti-Bailout Rules	226	Conformity	Conform
N7. Attribution Rules	227	Conformity	Conform
N8. Waiver of Attribution Rules	228	Conformity	Conform
N9. Liquidations-Unrealized Receivables	247	Conformity	Conform
N10. Amateur Sports Organizations	286	Conformity	Conform
N11. Sugarcane Partnerships	230	N/A	N/A
N12. Corporate Tax Payments	234	N/A	N/A

3. Pension Provisions and Miscellaneous Provisions

P. Items Pertaining to Pension and Annuities

P1. Pensions Deduction Limitations	238	Policy	Do Not Conform
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<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
P2. Death Benefit Exclusion	239	Policy	Conform
P3. Pensions Defined Benefit	235	Conformity	Conform
P4. Pensions Loans from Qualified Plans	236	Conformity	Conform
P5. Keogh Plan Qualifications	237	Conformity	Conform
P6. Pensions Qualifications	238	Conformity	Conform
P7. Pensions Top Heavy Plans	240	Conformity	Conform
P8. Pensions Distribution Dates	242	Conformity	Conform
P9. Pensions Inherited IRAs	243	Conformity	Conform
P10. Key Employee Life Insurance	244	Conformity	Conform
P11. Pensions Affiliated Service Groups	246	Conformity	Conform
P12. Pensions Leased Employees	248	Conformity	Conform
P13. Pensions Integration with Social Security	249	Conformity	Conform
P14. Pensions Church Employees	251	Conformity	Conform
P15. Pensions Judicial Plans	252	Conformity	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
P16. Pensions Disabled Employees	253	Conformity	Conform
P17. Pensions Government Plans	254	Conformity	Conform
P18. Pensions Early Withdrawals	265	Conformity	Conform
P19. Pensions Partial Rollovers - IRAs	335	Conformity	Conform
P20. Estate Tax Exclusion	245	N/A	N/A
<u>R. Miscellaneous TEFRA Provisions</u>			
R1. Recovery of Court Costs	292	Policy	Conform
R2. Recovery of Court Costs	292	Conformity	Conform
R3. Daily Compounding Interest	344	Conformity	Conform
R4. Determination of Interest Rate	345	Conformity	Conform
R5. Restrictions on Payment of Interest	346	Conformity	Conform
R6. Disclosure to Partners	403-404	Conformity	Conform
R7-R9. Foreign Taxes	211-213	N/A	N/A
R10-R19. Life Insurance	255-264	N/A	N/A
R20. Life Insurance	267	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
R21. Life Insurance	268	N/A	N/A
R22. Employment Taxes	270	N/A	N/A
R23-R29. Unemployment Insurance Taxes	271-277	N/A	N/A
R30. Hospital Insurance	278	N/A	N/A
R31-R33. Excise Taxes	279-281	N/A	N/A
R34. Excise Taxes	281A	N/A	N/A
R35. Excise Taxes	282	N/A	N/A
R36. Excise Taxes	283	N/A	N/A
R37. Excise Taxes	284	N/A	N/A
R38. New Jersey Taxes	287	N/A	N/A
R39. Liberty Bonds	289	N/A	N/A
R40. Jefferson County, Missouri	290	N/A	N/A
R41. Excise Taxes	291	N/A	N/A
R42. Personal Holding Companies	293	N/A	N/A
R43. Excise Taxes	294	N/A	N/A
R44. Summons Procedures	331	N/A	N/A
R45. Summons Procedures	332	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
R46. Summons Procedures	333	N/A	N/A
R47. Definitions - U.S. Citizens Living Abroad	336	N/A	N/A
R48-R52. Foreign Taxes	377-339	N/A	N/A
R53. Foreign Tax	343	N/A	N/A
R54. Interest on Credit Carrybacks	346	N/A	N/A
R55. Exemptions from Levy	347	N/A	N/A
R56. Notice Before Levy	349	N/A	N/A
R57. Redemption of Property	349A	N/A	N/A
R58. Wrongful Levy	350	N/A	N/A
R59. Drug Dealers	351	N/A	N/A
R60. IRS Funding	352	N/A	N/A
R61. IRS Form Designs	353	N/A	N/A
R62. Veterans Organizations	354	N/A	N/A
R63. VHF Television Licensing	355	N/A	N/A
R64. Nontax Criminal Investigations	356	N/A	N/A
R65. Unauthorized Disclosure	357	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
R66. Disclosure to General Accounting Office	358	N/A	N/A
R67. Partnership Audit Procedures	402	N/A	N/A
R68. Partnership Returns	403,404	N/A	N/A
R69. Foreign Partnerships	405	N/A	N/A
R70. International Satellites	406	N/A	N/A
R71. Employment Taxes	270 301-308	Deferred	Deferred
R72-R79. (Not Used)			
R80. State Tax Refunds	313	Deferred	Deferred
R81. Interest on Unprocessable Returns	346	Deferred	Deferred
R82. Release of Lien	348	Deferred	Deferred
<u>T. Tax Correction Act Provisions</u>			
T1-T3. Individual Tax Changes	TCA 101-103	N/A	N/A
T4. Investment Credits	TCA 102	N/A	N/A
T4. Alternative Minimum Tax	TCA 305 (c)	Future Policy	Interim Study
T5. Foreign Tax	TCA 306	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T6. Retirement Savings Plans	TCA 103	N/A	N/A
T7. Dependent Care Assistance Program	TCA 101(e)	Conformity	Conform
T7-T8. Excise Taxes	TCA 107, 308	N/A	N/A
T9 Stock Options	TCA 102(j)	Conformity	Conform
T9A. Stock Options Retroactivity	TCA 102(j)	Policy	Do Not Conform
T10. Incentive Stock Options	TCA 102(j)	Conformity	Conform
T11. Restricted Stock	TCA 102(k)	Conformity	Conform
T12. Qualified Interest Exclusion	TCA 103(b)	Future Policy	Interim Study
T13. Military Pay	TCA 307	N/A	N/A
T14. Alternative Minimum Tax	TCA 101(aa)	Future Policy	Interim Study
T15. Lump-Sum Distributions	TCA 101(b)	N/A	N/A
T16. Imputed Interest	TCA 101(g)	Conformity	Conform
T17. Interest Exclusion	TCA 102(a)(2)(3)	N/A	N/A
T18. Accelerated Cost Recovery System	TCA 102(a)(1)	Future Policy	Interim Study
T19. Accelerated Cost Recovery System	TCA 102(a)(2)	Future Policy	Interim Study

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T20. Accelerated Cost Recovery System	TCA 102 (a) (3)	Future Policy	Interim Study
T21. Accelerated Cost Recovery System	TCA 102 (a) (4)	Future Policy	Interim Study
T22. Accelerated Cost Recovery System	TCA 102 (a) (5)	Future Policy	Interim Study
T23. Unrealized Receivables	TCA 102 (a) (6)	Future Policy	Interim Study
T24. Accelerated Cost Recovery System	TCA 102 (a) (7)	Future Policy	Interim Study
T25. Accelerated Cost Recovery System	TCA 102 (a) (8)	Future policy	Interim Study
T26. Accelerated Cost Recovery System	TCA 102 (a) (9)	Future Policy	Interim Study
T27. Accelerated Cost Recovery System	TCA 102 (a) (10)	Future Policy	Interim Study
T28-R29. Investment Tax Credit	TCA 102 (e) (g)	N/A	N/A
T30. Expensing Capital Assets	TCA 102 (aa)	Future Policy	Interim Study
T31. Safe-Harbor Leasing	TCA 306 (a) (4) (c)	Future Policy	Interim Study
T32-T37. Investment Tax Credit	TCA 102 (f)	N/A	N/A
T38. Depreciation Historical District	TCA 102 (f) (7)	Conformity	Conform
T39. Investment Tax Credit	TCA 102 (g)	N/A	N/A
T40-T41. Qualified Research Expenses	TCA 102 (h)	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T42-T45. Targeted Jobs Credit	TCA 102 (1)	N/A	N/A
T46. Subchapter S Corporations	TCA 305 (d)	Future Policy	Interim Study
T47. Subchapter S Corporations	TCA 305 (d) (2)	Future Policy	Interim Study
T-48. Subchapter S Corporations	TCA 102 (i) (1)	Future Policy	Interim Study
T49. Subchapter S Corporations	TCA 102 (i) (2)	Future Policy	Interim Study
T50. ACRS - Tax Preference	TCA 102 (b)	Future Policy	Interim Study
T51. ACRS - Tax Preference	TCA 102 (b)	Future Policy	Interim Study
T52. ACRS - Foreign Corporations	TCA 102 (c)	Future Policy	Interim Study
T53. Net Operating Loss Carryover	TCA 102 (d)	Future Policy	Interim Study
T54-T55. Charitable Contribution Limitations	TCA 102 (m)	N/A	N/A
T56. Group Legal Service Plans	TCA 108 (a)	Conformity	Conform
T57. (Deleted; see R71)			
T58. Bond Registration	TCA 306 (b) (2)	Conformity	Conform
T59. Motor Carrier Operators	TCA 102 (m)	N/A	N/A
T60. Transfers Between Retired Persons	TCA 301	Conformity	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T61. Like-kind Exchanges	TCA 303	Conformity	Conform
T62. Accounting Periods	TCA 304 (a)	Conformity	Conform
T63. Corporate Reorganization	TCA 304 (b)	Conformity	Conform
T64. Corporation Bankruptcy Proceedings	TCA 304 (c)	Conformity	Conform
T65. Discharge of Indebtedness	TCA 304 (d)	Conformity	Conform
T66. Foreign Tax	TCA 306 (a) (5)	N/A	N/A
T67-T68. Transitional Rules	TCA 306 (a) (6) (8)	N/A	N/A
T69. Individual Retirement Accounts	TCA 102 (m)	Future Policy	Interim Study
T70. Individual Retirement Accounts	TCA 103 (c) (2)	Future Policy	Interim Study
T71. Voluntary Employee Contributions- Retirement Plans	TCA 103 (c) (3)	Future Policy	Interim Study
T72. Pensions - Definition of Compensation	TCA 103 (c) (4)	Future Policy	Interim Study
T73. Pensions - Voluntary Deductible Employee Contributions	TCA 103 (c) (5)	Future Policy	Interim Study
T74. Pensions - Premature Distribution Penalty	TCA 103 (c) (b)	Future Policy	Interim Study

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T75. Pensions - Lump-Sum Distributions	TCA 103 (c) (7)	Future Policy	Interim Study
T76. Pensions - Partial Distributions	TCA 103 (c) (8)	Future Policy	Interim Study
T77. Pensions - Excess Voluntary Contributions	TCA 103 (c) (10)	Future Policy	Interim Study
T78. Excise Taxes	TCA 103 (c) (10)	N/A	N/A
T79. Pensions - Simplified Employee Plans	TCA 103 (d) (1) (A)	Conformity	Conform
T80. Simplified Employee Pensions	TCA 103 (d) (1) (B)	Future Policy	Interim Study
T81. Defined Benefit Plans	TCA 103 (d) (2)	Conformity	Conform
T82. Transitional Rules	TCA 103 (d) (3)	N/A	N/A
T83. Public Utility Dividend Reinvestments	TCA 103 (f)	N/A	N/A
T84. Tax Credits-ESOPs	TCA 103 (g) (1)	N/A	N/A
T85. Qualified Pension, Profit- sharing, and Stock Bonus Plans	TCA 103 (g) (2)	Conformity	Conform
T86. All Savers Certificates	TCA 103 (a) (1)	N/A	N/A
T87. Common Trust Funds	TCA 103 (a) (2)	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
T88. Common Trust Funds	TCA 103 (a) (3)	N/A	N/A
T89. Partnership Rules	TCA 103 (a) (4)	N/A	N/A
T90. All Savers Certificates	TCA 103 (a) (5)	N/A	N/A
T91-T100. Straddles	TCA 105	Conformity	Conform
T101. Penalty for Valuation Overstatements	TCA 107 (a) (2)	Conformity	Conform
T102. Penalty for Valuation Overstatements	TCA 107 (a) (1)	Conformity	Conform
T103. Failure to Pay Tax	TCA 107 (a) (3)	Conformity	Conform
T104. Excise Taxes Tobacco Products	TCA 107 (b)	N/A	N/A
T105. Underpayment of Estimated Tax	TCA 107 (c)	Future Policy	Interim Study
T106. Excise Taxes Tobacco Products	TCA 308	N/A	N/A
T107-T119. Windfall Profits Tax	TCA 106,201	N/A	N/A
T130. Estimated Tax Windfall Profits	TCA 201 (j)	Future Policy	Interim Study
T120A. Depletion	TCA 202 (d)	Future Policy	Interim Study
T121-T140. Estate and Gift Taxes	TCA 103,104	N/A	N/A

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
<u>U. Highway Revenue Act Provisions</u>			
U1. Foreign Conventions	HRA 543 (a)	Policy	Conform
U2, U3, U4. Income Provisions	HRA 517, 542, 546, 547	N/A	N/A
U5. ACRS - Public Utilities	HRA 541	Future Policy	Interim Study
<u>V. Periodic Payment Act Provisions</u>			
V1. Amounts Received AS Damages	PPSA 101 (a)	Conformity	Conform
V2. Personal Liability Assignments	PPSA 101 (b)	Conformity	Conform
V3A. Third-party Exclusion	PPSA 101 (b)	Conformity	Conform
V3B. Third-party Exclusion	PPSA 101 (d)	Conformity	Conform
V4. Foster Care Payments	PPSA 102	Conformity	Conform
V5-V8. Indian Governments	PPSA 202	N/A	N/A
<u>W. Miscellaneous Revenue Acts</u>			
W1. Virgin Islands Source Income	PL 97-455	N/A	N/A
W2. Senators' and Congressional Representatives' Home	PL 97-216	Conformity	Conform

<u>Subject</u>	<u>TEFRA Section Number</u>	<u>Task Force Recommen- dations</u>	<u>Action in SB 813</u>
W3. Federal Courts Improvement Act	PL 97-164	N/A	N/A
W4. Subchapter S Corporations	PL 97-354	Future Policy	Interim Study
W5. Bus Regulation Reform Act	PL 97-261	N/A	N/A
W6. Nonsubstantive Language Changes	PL 97-452	Conformity	Conform
W6A. Nonsubstantive Language Title 31	PL 97-452	N/A	N/A
W7. Nonsubstantive Language Title 49	PL 97-449	N/A	N/A
W8. Nonsubstantive Language Money and Finance	PL 97-258	N/A	N/A
W9. Debt Collection Act	PL 97-365	N/A	N/A
W10. Federal National Mortgage Associations	PL 97-362	Future Policy	Interim Study
W10A. LIFO Reserve Recognition	PL 97-362	Conformity	Conform
W11. Orphan Drug Act	PL 97-414	N/A	N/A

APPENDIX IV

Nonconformity Items
to Be Reviewed

Fall 1983 Interim Study

Nonconformity Items
to Be Reviewed in
Fall 1983 Iterim Study

1. Deductions for Charitable Contributions

- Above-the-line charitable deduction
- Maximum percent of AGI
- Political contributions
- Transportation, food and lodging expenses

2. Itemized Deductions for Taxes

- Windfall profits tax
- Special police/fire taxes

3. Other Itemized Deductions

- Adoption expenses
- CHFA mortgage interest
- Ridesharing
- Business use of home
- Remodeling--handicapped
- Small business corporate interest

4. Credits

- Child care
- Agricultural irrigation
- Alcohol fuels
- Ridesharing
- Dependent credit - Head of Household filing status
- Political contributions
- Credit for producing fuels

5. Taxation of Interest and Dividends

- Federal net interest exclusion
- Federal dividend exclusion

6. Retirement Income Exclusions
 - o Military exclusion
7. Miscellaneous Income Exclusions
 - o Expense allowance of certain office holders
 - o Senior companions and foster grandparents
 - o Ship contractors' earnings
8. Valuation of Inherited Property
 - o Stepped-up basis
 - o Alternative valuation date
9. Capital Gains Taxation
 - o Exclusion vs. deduction
 - o Holding periods
 - o Amounts taxable
 - o Treatment of specific properties
10. Pension Plans
11. Income Averaging
12. Preference Tax/Alternative Minimum Tax
13. Estimated Taxes
14. Net Operating Losses
15. Subchapter S Corporations
16. Depreciation and ACRS

17. Depreciation and Amortization:
Special Properties

- Solar systems
- Energy conservation measures
- Pollution control devices
- Railroad rolling stock

18. Depletion

19. Treatment of Agricultural, Mining, and
Miscellaneous Business Expenses

- Small business corporations deductions
- Construction period interest and taxes
- Tertiary injectants
- Expensing of qualified trade/business property
- Soil and water conservation expenses
- Planting and cultivation expenses
- Mining and exploration expenses
- Legislators' tax homes
- Political conventions