

## Amendment 1

SEC. XX Section 17276.24 of the Revenue and Taxation Code is added to read:

*(a) Notwithstanding Sections 17276, 17276.1, 17276.4, 17276.7, and 17276.22, former Sections 17276.2, 17276.5, 17276.6, and 17276.20, and Section 172 of the Internal Revenue Code, relating to net operating loss deduction, a net operating loss deduction shall not be allowed for any taxable year beginning on or after January 1, 2025, and before January 1, 2028.*

*(b) For any net operating loss or carryover of a net operating loss for which a deduction is denied by subdivision (a), the carryover period under Section 172 of the Internal Revenue Code, relating to net operating loss deduction, shall be extended as follows:*

*(1) By one year, for losses incurred in taxable years beginning on or after January 1, 2026, and before January 1, 2027.*

*(2) By two years, for losses incurred in taxable years beginning on or after January 1, 2025, and before January 1, 2026.*

*(3) By three years, for losses incurred in taxable years beginning before January 1, 2025.*

*(c) For a taxable year beginning on or after January 1, 2025, and before January 1, 2028, this section shall not apply to a taxpayer that has either of the following:*

*(1) Net business income of less than one million dollars (\$1,000,000) for the taxable year.*

*(2) Modified adjusted gross income of less than one million dollars (\$1,000,000) for the taxable year.*

*(d) For purposes of this section:*

*(1) "Agency cash receipts" means the total amount of the following:*

*(A) Amounts received under Part 10, Part 10.2, and Part 11, that are reported by the Franchise Tax Board to the Department of Finance as total net collections, excluding elective tax payments pursuant to Part 10.4, pursuant to law, regulation, procedure, and practice (commonly referred to as the "102 Report") in effect on the effective date of the act establishing this section.*

*(B) The sales and use tax net cash receipts, as reported by the California Department of Tax and Fee Administration.*

*(2) "Business income" means any of the following:*

(A) Income from a trade or business, whether conducted by the taxpayer or by a passthrough entity owned directly or indirectly by the taxpayer.

(B) Income from rental activity.

(C) Income attributable to a farming business.

(3) "Modified adjusted gross income" means the amount described in paragraph (2) of subdivision (h) of Section 17024.5, determined without regard to the deduction allowed under Section 172 of the Internal Revenue Code, relating to net operating loss deduction.(4) "Passthrough entity" means a partnership or an S corporation.

(e) For taxable years beginning on or after January 1, 2025, and before January 1, 2028, this section shall not apply if by May 14, 2025, the Department of Finance determines that agency cash receipts for the period from May 1, 2024, through April 30, 2025, are at least 3 percent higher than the agency cash receipts projected in the 2024 Budget Act for the May 1, 2024, through April 30, 2025, period.

## Amendment 2

SEC. XX Section 17039.4 of the Revenue and Taxation Code is added to read:

(a) Notwithstanding any provision of this part or Part 10.2 (commencing with Section 18401) to the contrary, for taxpayers not required to be included in a combined report under Section 25101 or 25110, or taxpayers not authorized to be included in a combined report under Section 25101.15, for each taxable year beginning on or after January 1, 2025, and before January 1, 2028, the total of all business credits otherwise allowable under any provision of Chapter 2 (commencing with Section 17041), including the carryover of any business credit under a former provision of that chapter, for the taxable year shall not reduce the "net tax," as defined in Section 17039, by more than five million dollars (\$5,000,000).

(b) Notwithstanding any provision of this part or Part 10.2 (commencing with Section 18401) to the contrary, for taxpayers required to be included in a combined report under Section 25101 or 25110, or taxpayers authorized to be included in a combined report under Section 25101.15, for each taxable year beginning on or after January 1, 2025, and before January 1, 2028, the total of all business credits otherwise allowable under any provision of Chapter 2 (commencing with Section 17041), including the carryover of any business credit under a former provision of that chapter, by all members of the combined report shall not reduce the aggregate amount of "tax," as defined in Section 23036, of all members of the combined report by more than five million dollars (\$5,000,000).

(c) For purposes of this section, "business credit" means a credit allowable under any provision of Chapter 2 (commencing with Section 17041) other than the following credits:

- (1) The credit allowed by Section 17052 (relating to credit for earned income).
  - (2) The credit allowed by Section 17052.1 (relating to credit for young child).
  - (3) The credit allowed by Section 17052.2 (relating to credit for foster youth).
  - (4) The credit allowed by Section 17052.6 (relating to credit for household and dependent care).
  - (5) The credit allowed by Section 17052.10 (relating to the elective tax under the Small Business Relief Act).
  - (6) The credit allowed by Section 17052.25 (relating to credit for adoption costs).
  - (7) The credit allowed by Section 17053.5 (relating to renter's tax credit).
  - (8) The credit allowed by Section 17054 (relating to credit for personal exemption).
  - (9) The credit allowed by Section 17054.5 (relating to credit for qualified joint custody head of household and a qualified taxpayer with a dependent parent).
  - (10) The credit allowed by Section 17054.7 (relating to credit for qualified senior head of household).
  - (11) The credit allowed by Section 17058 (relating to credit for low-income housing).
  - (12) The credit allowed by Section 17061 (relating to refunds pursuant to the Unemployment Insurance Code).
- (d) Any amounts included in an election pursuant to Section 6902.5, relating to an irrevocable election to apply credit amounts under Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 against qualified sales and use tax, as defined in Section 6902.5, are not included in the five million dollar (\$5,000,000) limitation set forth in subdivision (a) or (b).
- (e) The amount of any credit otherwise allowable for the taxable year under Section 17039 that is not allowed due to application of this section shall remain a credit carryover amount under this part.
- (f) The carryover period for any credit that is not allowed due to the application of this section shall be increased by the number of taxable years the credit or any portion thereof was not allowed.
- (g) Notwithstanding anything to the contrary in this part or Part 10.2 (commencing with Section 18401), the credits listed in subdivision (c) shall be applied after any business credits, as limited by subdivision (a) or (b), are applied.

*(h) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this section.*

*(i)(1) For taxable years beginning on or after January 1, 2025, and before January 1, 2028, this section shall not apply if by May 14, 2025, the Department of Finance determines that agency cash receipts for the period from May 1, 2024, through April 30, 2025, are at least 3 percent higher than the agency cash receipts projected in the 2024 Budget Act for the May 1, 2024, through April 30, 2025, period.*

*(2) "Agency cash receipts" means the total amount of the following:*

*(A) Amounts received under Part 10, Part 10.2, and Part 11, that are reported by the Franchise Tax Board to the Department of Finance as total net collections, excluding elective tax payments pursuant to Part 10.4, pursuant to law, regulation, procedure, and practice (commonly referred to as the "102 Report") in effect on the effective date of the act establishing this section.*

*(B) The sales and use tax net cash receipts, as reported by the California Department of Tax and Fee Administration.*

### Amendment 3

SEC. XX Section 24416.24 of the Revenue and Taxation Code is added to read:

*(a) Notwithstanding Sections 24416, 24416.1, 24416.4, 24416.7, and 24416.22, former Sections 24416.2, 24416.5, 24416.6, and 24416.20, and Section 172 of the Internal Revenue Code, a net operating loss deduction shall not be allowed for any taxable year beginning on or after January 1, 2025, and before January 1, 2028.*

*(b) For any net operating loss or carryover of a net operating loss for which a deduction is denied by subdivision (a), the carryover period under Section 172 of the Internal Revenue Code shall be extended as follows:*

*(1) By one year, for losses incurred in taxable years beginning on or after January 1, 2026, and before January 1, 2027.*

*(2) By two years, for losses incurred in taxable years beginning on or after January 1, 2025, and before January 1, 2026.*

*(3) By three years, for losses incurred in taxable years beginning before January 1, 2025.*

*(c) The disallowance of any net operating loss deduction for any taxable year beginning on or after January 1, 2025, and before January 1, 2028, pursuant to subdivision (a) shall not apply to a taxpayer with income subject to tax under this part of less than one million dollars (\$1,000,000) for the taxable year.*

*(d)(1) For taxable years beginning on or after January 1, 2025, and before January 1, 2028, this section shall not apply if by May 14, 2025, the Department of Finance determines that agency cash receipts for the period from May 1, 2024, through April 30, 2025, are at least 3 percent higher than the agency cash receipts projected in the 2024 Budget Act for the May 1, 2024, through April 30, 2025, period.*

*(2) "Agency cash receipts" means the total amount of the following:*

*(A) Amounts received under Part 10, Part 10.2, and Part 11, that are reported by the Franchise Tax Board to the Department of Finance as total net collections, excluding elective tax payments pursuant to Part 10.4, pursuant to law, regulation, procedure, and practice (commonly referred to as the "102 Report") in effect on the effective date of the act establishing this section.*

*(B) The sales and use tax net cash receipts, as reported by the California Department of Tax and Fee Administration.*

#### Amendment 4

SEC. XX Section 23036.4 of the Revenue and Taxation Code is added to read:

*(a) Notwithstanding any provision of this part or Part 10.2 (commencing with Section 18401) to the contrary, except as provided in subdivision (d), for taxpayers not required to be included in a combined report under Section 25101 or 25110, or taxpayers not authorized to be included in a combined report under Section 25101.15, for each taxable year beginning on or after January 1, 2025, and before January 1, 2028, the total of all credits otherwise allowable under any provision of Chapter 3.5 (commencing with Section 23604) including the carryover of any credit under a former provision of that chapter, for the taxable year shall not reduce the "tax," as defined in Section 23036, by more than five million dollars (\$5,000,000).*

*(b) Notwithstanding any provision of this part or Part 10.2 (commencing with Section 18401) to the contrary, except as provided in subdivision (d), for taxpayers required to be included in a combined report under Section 25101 or 25110, or taxpayers authorized to be included in a combined report under Section 25101.15, for each taxable year beginning on or after January 1, 2025, and before January 1, 2028, the total of all credits otherwise allowable under any provision of Chapter 3.5 (commencing with Section 23604), including the carryover of any credit under a former provision of that chapter, by all members of the combined report shall not reduce the aggregate amount of "tax," as defined in Section 23036, of all members of the combined report by more than five million dollars (\$5,000,000).*

*(c) Any amounts included in an election pursuant to Section 6902.5, relating to an irrevocable election to apply credit amounts under Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 against qualified sales and use tax, as defined in Section 6902.5, are not included in the five million dollar (\$5,000,000) limitation set forth in subdivision (a) or (b).*

*(d) The limitation under subdivision (a) or (b) shall not apply to the credit allowed by Section 23610.5 (relating to credit for low-income housing).*

*(e) The amount of any credit otherwise allowable for the taxable year under Section 23036 that is not allowed due to the application of this section shall remain a credit carryover amount under this part.*

*(f) The carryover period for any credit that is not allowed due to the application of this section shall be increased by the number of taxable years the credit or any portion thereof was not allowed.*

*(g) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to any standard, criterion, procedure, determination, rule, notice, or guideline established or issued by the Franchise Tax Board pursuant to this section.*

*(h)(1) For taxable years beginning on or after January 1, 2025, and before January 1, 2028, this section shall not apply if by May 14, 2025, the Department of Finance determines that agency cash receipts for the period from May 1, 2024, through April 30, 2025, are at least 3 percent higher than the agency cash receipts projected in the 2024 Budget Act for the May 1, 2024, through April 30, 2025, period.*

*(2) "Agency cash receipts" means the total amount of the following:*

*(A) Amounts received under Part 10, Part 10.2, and Part 11, that are reported by the Franchise Tax Board to the Department of Finance as total net collections, excluding elective tax payments pursuant to Part 10.4, pursuant to law, regulation, procedure, and practice (commonly referred to as the "102 Report") in effect on the effective date of the act establishing this section.*

*(B) The sales and use tax net cash receipts, as reported by the California Department of Tax and Fee Administration.*

## Amendment 5

SEC. XX Section 6902.5 of the Revenue and Taxation Code is amended to read:

(a) For the purposes of this section:

(1) "Qualified taxpayer" means a person who is a qualified taxpayer within the meaning of paragraph (17) of subdivision (b) of Section 17053.85, 17053.95, 23685, or 23695, paragraph (19) of subdivision (b) of Section 17053.98 or 23698, or paragraph (20) of subdivision (b) of Section 17053.98.1 or 23698.1.

(2) "Affiliate" means a qualified taxpayer's affiliated corporation that has been assigned any portion of the credit amount by the qualified taxpayer pursuant to

subdivision (c) of Section 23685, subdivision (c) of Section 23695, subdivision (c) of Section 23698, or subdivision (c) of Section 23698.1.

(3) "Credit amount" means an amount equal to the tax credit amount that would otherwise be allowed to a qualified taxpayer pursuant to Section 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, or 23698.1, but for the election made pursuant to this section.

(4) "Production period" means the production period as defined in paragraph (12) of subdivision (b) of Section 17053.85, 17053.95, 23685, or 23695, in paragraph (14) of subdivision (b) of Section 17053.98 or 23698, or in paragraph (15) of subdivision (b) Section 17053.98.1 or Section 23698.1.

(5) (A) "Qualified sales and use taxes" means any state sales and use taxes imposed by Part 1 (commencing with Section 6001), on the operative date of the act adding this section.

(B) Notwithstanding subparagraph (A), "qualified sales and use taxes" does not mean taxes imposed by Section 6051.2, 6051.5, 6201.2, 6201.5, Part 1.5 (commencing with Section 7200), Part 1.6 (commencing with Section 7251), or Section 35 of Article XIII of the California Constitution.

(b) (1) A qualified taxpayer may, in lieu of claiming the credit allowed by Section 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, or 23698.1, make an irrevocable election to apply the credit amount against qualified sales and use taxes imposed on the qualified taxpayer in accordance with this section.

(2) An affiliate may, in lieu of claiming the assigned portion of the credit allowed by Section 23685, 23695, 23698, or 23698.1, make an irrevocable election to apply the assigned portion of the credit amount against qualified sales and use taxes imposed on the affiliate in accordance with this section.

(c) (1) A qualified taxpayer or affiliate shall submit to the California Department of Tax and Fee Administration an irrevocable election, in a form as prescribed by the California Department of Tax and Fee Administration, which shall include, but not be limited to, the following information:

(A) Representation that the claimant is a qualified taxpayer or an affiliate.

(B) Statement of the dates on which the production period began and ended.

(C) The credit amount, and if an affiliate, the portion of the credit amount assigned to it and documentation supporting the assignment of that portion of the credit amount.

(D) The amount of qualified sales and use taxes the claimant remitted to the California Department of Tax and Fee Administration during the period commencing on the first day of the calendar quarter commencing immediately before the beginning of the production period, and ending on the date the

claimant was required to file its most recent sales and use tax return with the California Department of Tax and Fee Administration.

(E) A copy of the credit certificate issued pursuant to subparagraph (C) of paragraph (2) of subdivision (g) of Section 17053.85 or 23685 or subparagraph (D) of paragraph (3) of subdivision (g) of Section 17053.95, 17053.98, 23695, 23698, or subparagraph (C) of paragraph (3) of subdivision (g) of Section 17053.98.1 or 23698.1.

(2) The election shall be filed on or before the date on which the qualified taxpayer or affiliate would first be allowed to claim a credit pursuant to Section 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, or 23698.1 on its tax return.

(3) (A) For those amounts for which an irrevocable election is made in lieu of tax credits allowed pursuant to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 that would otherwise be allowed for any taxable year beginning on or after January 1, 2020, and before January 1, 2022, *and on or after January 1, 2025, and before January 1, 2028*, subdivision (d) and paragraph (1) of subdivision (e) shall only apply to those in-lieu credit amounts that do not exceed five million dollars (\$5,000,000) for that taxable year.

(B) For those amounts for which an irrevocable election is made in lieu of tax credits allowed pursuant to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 that would otherwise be allowed for any taxable year beginning on or after January 1, 2020, and before January 1, 2022, *and on or after January 1, 2025, and before January 1, 2028*, that are in excess of five million dollars (\$5,000,000) for that taxable year, subdivision (f) or subdivision (g) shall apply.

(d) (1) The claimant may elect to obtain a refund of qualified sales and use taxes paid during the period described in subparagraph (D) of paragraph (1) of subdivision (c). If the claimant elects to obtain a refund of qualified sales and use taxes, the claimant shall file a claim for refund with the irrevocable election described in subdivision (c). The refund amount shall not exceed, for a qualified taxpayer, the credit amount, or for an affiliate, the portion of the credit amount assigned to it.

(2) No interest shall be paid on any amount refunded or credited pursuant to paragraph (1).

(e) (1) If the claimant does not elect to obtain a refund or in the case where the credit amount, or assigned portion, exceeds the amount of its claim for refund for the qualified sales and use taxes, the claimant may, for the reporting periods in the five years following the last reporting period as described in subparagraph (D) of paragraph (1) of subdivision (c), offset any remaining credit amount, or assigned portion, against the qualified sales and use taxes imposed during those reporting periods.



(2) Notwithstanding paragraph (1), the total amount of refunds or credit offsets claimed under subdivision (d) and paragraph (1) of this subdivision in lieu of tax credits allowed pursuant to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 that would otherwise be allowed for a taxable year beginning on or after January 1, 2020, and before January 1, 2022, and on or after January 1, 2025, and before January 1, 2028, shall not exceed five million dollars (\$5,000,000).

(f) Notwithstanding subdivision (d) and paragraph (1) of subdivision (e), for those amounts for which an irrevocable election is made in lieu of tax credits allowed pursuant to Section 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 that would otherwise be allowed for any taxable year beginning on or after January 1, 2020, and before January 1, 2022, that are in excess of five million dollars (\$5,000,000) for that taxable year, both of the following shall apply:

(1) The claimant may elect to obtain a refund of the qualified sales and use taxes paid or offset that excess credit amount, or assigned portion against the qualified sales and use taxes imposed, during the reporting periods that occur during the 2021 calendar year. The total amount of refunds or credit offsets claimed under this paragraph, subdivision (d), and paragraph (1) of subdivision (e) shall not exceed five million dollars (\$5,000,000) in the 2021 calendar year for each claimant.

(2) If the claimant has not exhausted the excess credit amount, or assigned portion, as provided by paragraph (1), the claimant may offset the remaining excess credit amount, or assigned portion, against the qualified sales and use taxes imposed during the reporting periods in the five years following and including the reporting period beginning on and after January 1, 2022.

*(g) Notwithstanding any other provision of law, for the 2025, 2026, and 2027 calendar years, all of the following shall apply:*

*(1) The total amount of refunds or credit offsets under subdivision (d) and paragraph (1) of subdivision (e) in lieu of tax credits allowed pursuant to Sections 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 shall not exceed five million dollars (\$5,000,000) in each of the 2025, 2026, and 2027 calendar years for each claimant.*

*(2) For refunds or credit offsets claimed under subdivision (d) and paragraph (1) of subdivision (e) for which an irrevocable election is made in lieu of tax credits allowed pursuant to Sections 17053.85, 17053.95, 17053.98, 23685, 23695, or 23698 that are in excess of five million dollars, both of the following shall apply:*

*(A) The claimant may elect to obtain a refund of the qualified sales and use taxes paid or offset that excess credit amount, or assigned portion against the qualified sales and use taxes imposed, during the reporting periods that occur during the 2025, 2026, and 2027 calendar years. The total amount of refunds or credit offsets claimed under this paragraph, subdivision (d), and paragraph (1) of subdivision (e), shall not exceed five*

million dollars (\$5,000,000) in each of the 2025, 2026, and 2027 calendar years for each claimant.

*(B) If the claimant has not exhausted the excess credit amount, or assigned portion, as provided by subparagraph (A), the claimant may offset the remaining excess credit amount, or assigned portion, against the qualified sales and use taxes imposed during the reporting periods in the five years following and including the reporting period beginning on and after January 1, 2028.*

*(3) For purposes of this subdivision, "claimant" means a qualified taxpayer together with its affiliates.*

~~(g)~~(h) Section 6961 shall apply to any refund, or part thereof, that is erroneously made and any credit, or part thereof, that is erroneously allowed pursuant to this section.

~~(h)~~ (i) The California Department of Tax and Fee Administration shall provide an annual listing to the Franchise Tax Board, in a form and manner agreed upon by the California Department of Tax and Fee Administration and the Franchise Tax Board, of the qualified taxpayers, or affiliates that have been assigned a portion of the credit allowed under Section 23685 pursuant to subdivision (c) of Section 23685, Section 23695 pursuant to subdivision (c) of Section 23695, Section 23698 pursuant to subdivision (c) of Section 23698, or Section 23698.1 pursuant to subdivision (c) of Section 23698.1, who, during the year, have made an irrevocable election pursuant to this section and the credit amount, or portion of the credit amount, claimed by each qualified taxpayer or affiliate.

~~(i)~~(j) The California Department of Tax and Fee Administration may prescribe rules and regulations for the administration of this section.

~~(j)~~(k) The amendments made to this section by the act adding this subdivision shall not apply to irrevocable elections made before the operative date of the act adding this subdivision.

~~(k)~~(l) The amendments made to this section by the act adding this subdivision shall apply to irrevocable elections made on and after June 29, 2020.

*(m) Both of the following shall apply to the amendments made to this section by the act adding this subdivision:*

*(1) The amendments shall not become operative if, pursuant to paragraph (1) subdivision (i) of Sections 17039.4 or 23036.4, the Department of Finance determines that agency cash receipts for the period from May 1, 2024, through April 30, 2025, are at least 3 percent higher than the agency cash receipts forecasted in the 2024 Budget Act for the May 1, 2024, through April 30, 2025, period.*

*(2) The amendments shall not apply to irrevocable elections made before the operative date of the act adding this subdivision.*