

Tax Changes for California Taxpayers

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LONG BEACH, CALIFORNIA, UNITED STATES, September 8, 2020 /EINPresswire.com/ -- California has not adopted many of the pandemic-related tax provisions of either the Coronavirus Aid, Relief, and Economic Security (CARES) Act, or the Families First Coronavirus Response Act. However, California's Budget Bill (AB 85), signed into law June 2020, enacted some [new tax changes](#).



Tax Changes for California Taxpayers

Here is a summary of the most important changes contained in the budget.

Net Operating Losses (NOLs)

California NOLs are suspended for taxable years beginning January 1, 2020, through December 31, 2022. However, the suspension does not apply to taxpayers subject to:

- personal income tax if net business income or modified adjusted gross income is less than \$1 million; and
- corporate income tax if business income subject to California taxation is less than \$1 million.

For any NOL or NOL carryover disallowed as a result of this suspension, the 20-year maximum carryover period will be extended by:

- three years for NOLs incurred prior to 2020;
- two years for NOLs incurred during 2020; and
- one year for NOLs incurred during 2021.

Business Credit Limit

[California business](#) credits may not reduce tax by more than \$5 million for taxable years beginning January 1, 2020, through December 31, 2022. For credits that may not be used because of this limitation, the carryforward period is increased by the number of taxable years the credit (or portion of the credit) was not allowed.

First Year LLC and LP Tax Exemption

For years beginning January 1, 2021, through December 31, 2023, there is a new first-year exemption from the \$800 annual tax on:

LLPs or LPs that file a certificate of limited partnership or register with the Secretary of State;
and
LLCs that organize or register with the Secretary of State.

Previously, this exemption only applied to corporations.

[Taxpayers forming a new LLC or LP](#) may want to consider waiting until after December 31, 2020, to begin conducting business, if possible.

Other Miscellaneous Changes

AB 85 also enacted these notable changes:

Caps the individual shared responsibility penalty imposed against taxpayers who fail to maintain minimum essential health care coverage for taxpayers with more than five household members. However, a higher amount may be imposed for households with higher incomes.

Extends the carryover period for unused Film and Television 2.0 Credits (which were available during the 2016–2020 taxable years) from six years to nine years.

Requires used car dealers to remit sales tax to the DMV with the registration fees for sales on or after January 1, 2021.

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