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**SALT Alert**  
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## California Credit Assignment



Immediate Action May Be Required

In October 2008, California Governor Schwarzenegger signed tax legislation that had revenue raisers, as well as incentives designed to stimulate the California business climate, such as a single sales factor election, a two-year net operating loss carryback, a 20-year net operating loss carryforward, and the assignment of credits between members of the same combined reporting group. Most of these provisions were to take effect for taxable years beginning on or after January 1, 2011.

The credit assignment provision allows affiliated corporations that are members of the same combined group to assign credits to each other beginning July 1, 2008. The assigned credits can be utilized against tax by the assignee beginning on or after January 1, 2010.

### Now

There is a California ballot initiative entitled the “Repeal Corporate Tax Loopholes Act” or Proposition 24 set for the November 2, 2010 election which will repeal all of the favorable tax provisions, including the assignment of credits.

The election to assign any credit is irrevocable and must be made on the taxpayer’s original return for the taxable year in which the assignment is made.

### Recent Developments

If California voters approve the ballot initiative on November 2, 2010, it will be effective on November 3, 2010, and repeal the ability of taxpayers to assign credits among their combined group members as of that date.

Taxpayers that make a valid election before the November vote may be in a position to argue that the repeal only applies to new assignments made after the initiative's effective date. Taxpayers making this election can potentially give eligible assignees the ability to utilize the assigned credits in the future.

Calendar year-end taxpayers filing their 2009 original California returns between now and October 15, 2010, should consider making the election (California Form 3544) to assign credits to members of the same combined group on their return.

### Contact

Please feel free to contact us to discuss how True Partners can assist you and your organization with the assignment form.

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