

## Income/Franchise:

### California: New Law Suspends NOLs, Limits Some Credits, Clarifies Apportionment, Creates Refundable Credits

S.B. 167, signed by gov. 6/27/24; S.B. 175, signed by gov. 6/29/24. Recently signed legislation (S.B. 167) incorporates various California tax budget measures, including providing:

**URL:** [https://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill\\_id=202320240SB167](https://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill_id=202320240SB167)

**URL:** [https://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill\\_id=202320240SB175](https://leginfo.legislature.ca.gov/faces/billHistoryClient.xhtml?bill_id=202320240SB175)

- For a three-year suspension of net operating losses (NOLs) under the California Personal Income Tax and Corporation Tax,
- A three-year cap on the use of business incentive tax credits to offset no more than \$5 million of tax per year, and
- Retroactive application of the Franchise Tax Board's Legal Ruling 2006-1 issued on April 28, 2006, with respect to the treatment of apportionment factors attributable to income exempt from California Corporation Tax Law.

A recently signed companion bill to S.B. 167 (S.B. 175) allows some California personal and corporate income taxpayers to claim refunds for a range of tax credits, including the research and development credit, for the first time. Furthermore, S.B. 175 would render inapplicable the suspension of NOLs and the business tax credit limitation if the California Director of Finance determines that revenues over a multi-year forecast is sufficient without the revenue impact of the NOL suspension and credit limitation.

See previously issued Multistate Tax Alert (June 24, 2024), and recently issued Multistate Tax Alert (July 1, 2024), for more details on the relevant provisions in S.B. 167 and S.B. 175, including some related taxpayer considerations, and please contact us with any questions.

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-california-bill-suspends-net-operating-losses-limits-certain-tax-credits.pdf>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-multistate-tax-alert-california-enacts-senate-bills-167-and-175-on-nols-and-credits.pdf>

— Valerie Dickerson (Washington, DC)  
Partner  
Deloitte Tax LLP  
[vdickerson@deloitte.com](mailto:vdickerson@deloitte.com)

Jairaj Guleria (San Francisco)  
Partner  
Deloitte Tax LLP  
[jguleria@deloitte.com](mailto:jguleria@deloitte.com)

Kathy Freeman (Sacramento)  
Managing Director  
Deloitte Tax LLP  
[katfreeman@deloitte.com](mailto:katfreeman@deloitte.com)

David Han (Los Angeles)  
Senior Manager  
Deloitte Tax LLP  
[davihan@deloitte.com](mailto:davihan@deloitte.com)

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