



[CLICK HERE](#) to return to the home page

## Cal. Rev. & Tax Code Sections 19900 to 19906

(a) (1) For taxable years beginning on or after January 1, 2021, and before January 1, 2026, a qualified entity doing business in this state, as defined in Section 23101, and that is required to file a return under Section 18633, 18633.5, or subdivision (a) of Section 18601, may elect to annually pay an elective tax according to or measured by its qualified net income, defined in paragraph (2), computed at the rate of 9.3 percent for the taxable year for which the election is made.

(2) For purposes of this section, the “qualified net income” of a qualified entity means the sum of the pro rata share or distributive share of income, and any guaranteed payments, as described by Section 707(c) of the Internal Revenue Code, relating to guaranteed payments, subject to tax under Part 10 (commencing with Section 17001) for the taxable year of each qualified taxpayer, as defined in Section 17052.10.

(b) (1) The elective tax authorized by this part shall be in addition to, and not in place of, any other tax or fee required to be paid under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001).

(2) The elective tax described in this part shall be assessed and collected under Part 10.2 (commencing with Section 18401).

(3) Unless the context otherwise requires, the definitions set forth in this part and those in Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), or Part 11 (commencing with Section 23001) shall apply.

(c) (1) The qualified entity may include in its qualified net income the pro rata share or distributive share of the income of any of its partners, shareholders, or members upon their consent. A partner, shareholder, or member that does not consent does not prevent the qualified entity from making an election to pay the elective tax.

(2) All partners, shareholders, and members of the qualified entity shall be bound by the election made under this part for the taxable year.

(d) The election shall be irrevocable and shall be made on an original, timely filed return required under Part 10.2 (commencing with Section 18401) for the taxable year of the election in the form and manner as prescribed by the Franchise Tax Board.

(e) The amendments made to this section by the act adding this subdivision shall apply for taxable years beginning on or after January 1, 2021, and before January 1, 2026.

(Amended by Stats. 2022, Ch. 3, Sec. 14. (SB 113) Effective February 9, 2022. Conditionally inoperative pursuant to Section 19906. Repealed on or before December 1, 2026, pursuant to Section 19906.)

19902. (a) For purposes of this part, “qualified entity” means an entity that meets both of the following requirements for the taxable year:

(1) The entity is taxed as a partnership or “S” corporation.

(2) The entity’s partners, shareholders, or members in that taxable year are exclusively corporations, as defined in Section 23038, or taxpayers as defined in Section 17004.

(b) “Qualified entity” shall not include any of the following:

(1) Publicly traded partnerships, as defined in Section 7704 of the Internal Revenue Code, as it read on January 1, 2021, as modified by Section 17008.5.

(2) An entity that is permitted or required to be in a combined reporting group, as defined in paragraph (3) of subdivision (b) of Section 25106.5 of Title 18 of the California Code of Regulations.

(c) The amendments made to this section by the act adding this subdivision shall apply for taxable years beginning on or after January 1, 2021, and before January 1, 2026.

(Amended by Stats. 2022, Ch. 3, Sec. 15. (SB 113) Effective February 9, 2022. Conditionally inoperative pursuant to Section 19906. Repealed on or before December 1, 2026, pursuant to Section 19906.)

19904. (a) The elective tax authorized by this part shall be due and payable as follows:

(1) For taxable years beginning on or after January 1, 2021, and before January 1, 2022, on or before the due date of the original return that the qualified entity is required to file pursuant to Part 10.2 (commencing with Section 18401) without regard to any extension of time for filing the return, for the taxable year of the election made pursuant to Section 19900.

(2) For each taxable year beginning on or after January 1, 2022, and before January 1, 2026, as follows:

(A) On or before June 15th of the taxable year of the election, an amount equal to, or greater than, either 50 percent of the elective tax paid the prior taxable year or one thousand dollars (\$1,000), whichever is greater.

(B) On or before the due date of the original return that the qualified entity is required to file pursuant to Part 10.2 (commencing with Section 18401) without regard to any extension of time for filing the return for the taxable year of the election made pursuant to Section 19900, an amount equal to the amount of the elective tax under subdivision (a) of Section 19900, less the payment made on or before June 15th of the taxable year pursuant to subparagraph (A).

(b) For each taxable year beginning on or after January 1, 2022, and before January 1, 2026, if no payment is made as required in subparagraph (A) of paragraph (2) of subdivision (a) in the form and manner as prescribed by the Franchise Tax Board, the qualified entity may not make the election under Section 19900 for that taxable year.

(c) This part shall not change any filing requirements under Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), or Part 11 (commencing with Section 23001).

(d) (1) The Franchise Tax Board may adopt regulations that are necessary or appropriate to implement this part.

(2) The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any regulation, rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this part.

(Added by Stats. 2021, Ch. 82, Sec. 15. (AB 150) Effective July 16, 2021. Conditionally inoperative pursuant to Section 19906. Repealed on or before December 1, 2026, pursuant to Section 19906.)

19906. (a) Except as provided in subdivision (b), this part shall remain in effect only until December 1, 2026, and as of that date is repealed.

(b) If before December 1, 2026, Section 164(b)(6) of the Internal Revenue Code, relating to the limitation on individual deductions for taxable years 2018 through 2025, as it read on January 1, 2021, is repealed, this part would become inoperative for taxable years beginning on or after the January 1 after Section 164(b)(6) of the Internal Revenue Code, as it read on January 1, 2021, is repealed, and shall be repealed December 1 of that taxable year.

(Added by Stats. 2021, Ch. 82, Sec. 15. (AB 150) Effective July 16, 2021. Repealed on or before December 1, 2026, by its own provisions. Note: Repeal affects Part 10.4, commencing with Section 19900.)