

SA2005 RIF 0086

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Office of the Attorney General
ATTN: Initiative Coordinator
1300 I Street
Sacramento, CA 95814

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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Gentlemen:

I request a Title and Summary for the enclosed Initiative Constitutional Amendment. The statutory fee of \$200 is enclosed.

I have enclosed, also, my own estimate of the fiscal impact of the measure.

Would you please direct all correspondence regarding the initiative to me at the name and address above. I am hearing impaired and so much prefer not to attempt a discussion of technical matters over the telephone. E-mail communications are much preferred.

I can be reached at pmcca28169@aol.com.

Further, I am willing to travel to Sacramento to discuss any matters regarding the initiative measure that I am proposing. I hear quite adequately in person to person contact. Sorry for the communications hassle, but nature dealt me a bit of a bumner.

I thank you in advance for your time and skills.

Very truly yours,

Paul McCauley /CPA

SECTION 1. WEALTH TAX. The State of California adopts United States Internal Revenue Code As Amended Through December 1, 2004, Sections 2001 through 2704, inclusive, except as hereinafter provided, and makes them a part of the California Revenue and Taxation Code, effective January 1, 2007, or as soon thereafter as provided by law. Wherever the Internal Revenue Code Sections 2001 through 2704, inclusive, use the term "executor" or "decedent" or any combination thereof, the term "taxpayer" shall be substituted therefor. The date January 1, 2006 shall be substituted wherever the term "time of death" or "date of death" or a similar term is used.

- (A) Section 2001(a) is amended to read: A tax is hereby imposed on the taxable estate of every person who is a resident of the State of California on January 1, 2006. This tax is applicable to individuals, natural persons, only.
- (B) Section 2002 is amended to read: The tax imposed by this chapter shall be paid by the taxpayer.
- (C) Section 2010(a) is amended to read: A credit of the applicable credit amount shall be allowed to the estate of every taxpayer against the tax imposed by section 2001.
- (D) Section 2010 © is amended to read: The applicable credit amount shall be \$20 million.
- (E) Section 2031(a) is amended to read: The value of the gross estate of the taxpayer shall be determined by including, to the extent provided for in this part, the value on January 1, 2006 of all property, real or personal, tangible or intangible, wherever situated.
- (F) Section 2033 is amended to read: The value of the gross estate shall include the value of all property to the extent of the interest therein of the taxpayer on January 1, 2006. Minority interest or lack of marketability discounts shall not diminish the value of any item included in the gross estate.
- (G) Section 2055 is stricken in its entirety.
- (H) Section 2056 is stricken in its entirety.
- (I) Section 2056(A) is stricken in its entirety.
- (J) Section 2057 is stricken in its entirety.
- (K) Section 2058 is stricken in its entirety.
- (L) Sections 2201 through 2210, inclusive, are stricken in their entirety. Chapter 12 (Gift Tax) and Chapter 13 (Tax on Generation-Skipping Transfers) are stricken in their entirety.

SECTION 1.1. *Hasta la Vista Provision*. Every person who abandons his or her residency in the State of California, at any time after July 1, 2005, who has or had been a resident of California for five years or more as of July 1, 2005, continuously or at any time, shall be liable for the tax under Section 1.

SECTION 2. Every person liable for tax pursuant to this measure shall make a declaration thereof on a tax return (CAL 706) and shall timely file the tax return on or before September 30, 2007. An extension of time for up to six months may be granted on a showing of need, but at least 50% of the tax ultimately determined to be due must be paid with the application for extension to file, or the extension request will be considered invalid.

SECTION 3. The tax payable pursuant to SECTIONS 1 and 2 shall be payable, as follows: One-half shall be paid on September 30, 2007 and the remaining one-half shall be paid on September 30, 2008. The tax shall be payable to the general treasury of the State of California. The penalties for a taxpayer's failure to timely file a personal income tax return, to timely pay the taxes due thereon and the penalties for filing a false or misleading personal income tax return shall be applicable to SECTION 2.

SECTION 4. There shall be allowed a credit, refundable if the credit exceeds the tax liability due on the final personal income tax return of the decedent, of every California resident whose estate pays a tax to the United States pursuant to Internal Revenue Code Section 2001. The credit shall be determined by recalculating the tax due under the Internal Revenue Code, Sections 2001 and 2010, as if the taxpayer were entitled to a unified credit of \$4,500,000. The taxpayer shall be entitled to a credit under the California Revenue and Taxation Code equal to the lesser of the actual tax paid to the United States or \$4,500,000 but in no case shall the credit exceed the actual taxes paid to the United States. The lawful right to the credit is that of the heirs, alone, not that of the decedent. The right to the credit accrues only upon the date of filing of the final personal income tax return of the decedent.

SECTION 5. There shall be allowed a credit, refundable if the credit exceeds the tax liability of the taxpayer, for an amount equal to the rent loss sustained by any owner of rental property in California, where such rental property is subject to a rent control ordinance of any kind. The rent loss is defined herein as the gross rental dollars that would have been received by the owner of the property, during his or its tax year, except for limitations imposed on the allowable rental charge pursuant to the ordinance. In no circumstances shall a rental loss be computed in respect of rental units that are wholly or partially vacant. Any taxpayer claiming a rental loss tax credit pursuant to this part that exceeds by 20% or more the amount of loss finally determined by the taxing authorities or any reviewing body of competent jurisdiction, or agreed upon by the taxpayer, shall forfeit the entirety of the credit for that tax year.