

INITIAL STATEMENT OF REASONS FOR THE ADOPTION
OF AMENDMENTS TO REGULATION SECTION 19513

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR
CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

Revenue & Taxation Code section 19513, subdivision (a), requires estates with assets distributable to nonresident beneficiaries to obtain a Tax Clearance Certificate from the Franchise Tax Board before the probate court can accept the final accounting of the estate's fiduciary. Revenue & Taxation Code section 19513, subdivision (b), authorizes the Franchise Tax Board to promulgate regulations specifying the minimum value of assets of the estate at the death of the decedent and the minimum value of the assets distributable to one or more nonresidents that will trigger the Tax Clearance Certificate requirement. Currently, California Code of Regulations, Title 18, section 19513(b), provides that a Tax Clearance Certificate is required for estates where "the fair market value of the assets of the estate at the death of the decedent exceeds four hundred thousand dollars (\$400,000) and the fair market value of the assets distributable to one or more nonresident beneficiaries exceeds one hundred thousand dollars (\$100,000)."

SPECIFIC PURPOSE OF THE REGULATION

The proposed amendments to California Code of Regulations, Title 18, section 19513, will replace \$400,000 with \$1,000,000 and will replace \$100,000 with \$250,000. The purpose for the proposed amendment is to account for inflation occurring between 1980 and 2000, while retaining the 4 to 1 ratio between assets and distributions.

NECESSITY

The proposed amendments will implement and make specific the provisions of Revenue & Taxation Code section 19513 by increasing the value of the assets of the estate at the death of the decedent and the value of the assets distributable to nonresidents, which will require an estate to obtain a Tax Clearance Certificate from the Franchise Tax Board. The new threshold amounts will account for inflation occurring between 1980 and 2000.

MATERIALS RELIED UPON

The Franchise Tax Board relied upon the inflation factor obtained from the American Institute for Economic Research (www.aier.org) and conversations with Franchise Tax Board staff currently issuing Tax Clearance Certificates.

ALTERNATIVES TO THE REGULATION CONSIDERED AND REASONS FOR THEIR
REJECTION

The Franchise Tax Board considered all possible alternatives to this proposal and determined that this proposal was the most effective method available.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON AFFECTED PRIVATE PERSONS OR SMALL BUSINESS

The Franchise Tax Board has determined that there were no alternatives considered which would be more effective in carrying out the purpose of the proposed regulation or would be as effective and less burdensome to affected private persons or small businesses than the proposed regulation.

ADVERSE ECONOMIC IMPACT ON BUSINESS

There is likely to be no adverse economic impact on business.