



SEN. GEORGE RUNNER (RET.)

MEMBER  
STATE BOARD OF EQUALIZATION  
**CALIFORNIA'S TAX BOARD**

April 26, 2013

The Honorable Jeff Gorell  
California State Assembly  
State Capitol  
Sacramento, CA 95814

**Re: SUPPORT for AB 1203 (Gorell)**

Dear Assembly Member Gorell:

I am writing in strong support of AB 1203, which would protect California taxpayers from penalties and interest when they file their tax return in good faith reliance upon statutory provisions that are later struck down by the courts.

In the recent *Cutler v. Franchise Tax Board* decision, the court held that the exclusion for "qualified small business stock" was unconstitutional. Following this decision the FTB indicated they would be issuing retroactive tax bills to those who had claimed the exclusion, including interest charges.

This situation brought to light the potential for taxpayers to be charged interest and penalties when they had paid their taxes in compliance with the current law. This is akin to passing a criminal law that is effective January 1, 2013 and then convicting someone of that crime even though they committed the act in 2012, prior to the law's implementation.

California tax agencies shouldn't be in the business of seeking retroactive taxes from taxpayers who followed our laws in good faith. Nor should they be able to impose interest and penalties on these innocent taxpayers. While AB 1203 will prevent the latter, the Legislature needs to take action to prevent the former as well.

Thank you for introducing this important measure.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Runner".

GEORGE RUNNER  
Second District