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California bill proposing full repeal of MTC passes both Houses of the Legislature

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Budget trailer bill [S.B. 1015](#), which repeals all provisions in California law related to the Multistate Tax Compact, passed both Houses of the California Legislature on June 27th. The bill awaits the Governor's signature. The Governor has 12 days to sign or veto the bill.

Please view the [following link for our June 15, 2012 publication](#) summarizing California's recent apportionment issues and developments, including S.B. 1015 and other proposed legislation repealing MTC provisions and the potential impact of the upcoming Court of Appeals *Gillette* decision.

Michael Herbert, PwC Partner in San Francisco, who advised the taxpayer about filing claims in *The Gillette Company & Subs. v. Franchise Tax Board*, believes that S.B. 1015 may not slow down taxpayer efforts to invoke the MTC's various provisions including the equally weighted sales factor provision. He believes that there are other uses and reasons for the MTC election. Additionally, he observes that S.B. 1015 did not pass either house with a 2/3 vote (Assembly, 50-27; Senate, 24-15). The absence of a 2/3 vote in either house may render S.B. 1015 susceptible to challenge under Proposition 26, which requires revenue-raising bills to pass each legislative house by a 2/3 vote.



Certain legislative proposals, such as the California Clean Jobs Energy Act, attempt to create a mandatory single sales factor in lieu of the current elective single sales factor. A successful Proposition 26 challenge striking down S.B. 1015 would render any such legislative change moot if taxpayers are able to make a three factor election under MTC provisions.

In light of the ongoing litigation in this area, please feel free to contact Michael with any questions regarding the use of the MTC election in California.

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For more information on PricewaterhouseCoopers' state legislative tracking service, [click here](#).

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