

California Conformity/Nonconformity to CAA Provisions

CAA provision	Conformity/Nonconformity	California treatment
PPP loan forgiveness exclusion from COD	Conformity. (R&TC §§17131.8, 24308.6) However, see next entry	No adjustment required
No expense reduction for expenses paid with PPP loan amounts forgiven	Nonconformity (R&TC §§17131.8, 24308.6)	Although the forgiveness is not COD income, taxpayers must reduce expenses paid with forgiven loan amounts. (This will most likely require a manual override adjustment.) Legislation has been introduced (AB 281) to conform California law to the federal law allowing the deduction of expenses paid with forgiven PPP debt
Exclusion of Economic Impact Payments	Conformity	No adjustment required
Increased unemployment benefits extended	Nonconformity (R&TC §17083)	California does not tax UI benefits
100% business meal deduction for meals provided by a restaurant for purchases paid or incurred after 2020 and before 2023	Nonconformity. California never conformed to the TCJA repeal of the entertainment deduction and continues to limit business meals to 50% (R&TC §§17024.5, 17201, 23051.5, 24343)	Adjustment required
Extends CARES Act charitable contribution above-the-line deduction and increase of charitable deduction limits to apply to cash contributions made in 2021	Nonconformity (R&TC §§17024.5, 17201, 17275.5, 24357 et seq.)	Adjustments required. No above the line deduction on the California return for taxpayers claiming standard deduction. Taxpayers who itemize must adjust the Schedule A deduction to reflect California's lower charitable contribution limits
Permanent expansion of employer assistance education program exclusion to include employee's student loan payments made by employer	Nonconformity	Increased wages adjustment required. Employees may also claim an interest deduction on their California return because the payment is included in taxable income
Expansion of teachers' expense above the line deduction for purchases of personal protective equipment, cleaning supplies, etc.	Nonconformity. California has never conformed to the teachers' expense above the line deduction (R&TC §17072)	Increase AGI and miscellaneous itemized deductions subject to 2%

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California Conformity/Nonconformity to CAA Provisions (continued)

CAA provision	Conformity/Nonconformity	California treatment
Repeal of above-the-line deduction for qualified tuition and fees, effective beginning with 2021 tax year	Conformity. California has never conformed to the deduction for tuition and fees (R&TC §17204.7)	Because the federal repeal does not apply until 2021 return, an adjustment is still required on 2020 California return
7.5% medical expense deduction threshold made permanent	Conformity. California never conformed to the scheduled increase to 10% (R&TC §17241)	No adjustment required
Extension of qualified principal residence COD exclusion	Nonconformity (R&TC §§17024.5, 17131, 17144)	Adjustment may be required. (Remember, taxpayers may still qualify for an insolvency exclusion on their California return)
Five-year extension of IRC §181 film and television cost expensing	Nonconformity (R&TC §17201.5)	California costs are capitalized and depreciated
Permanent extension of IRC §179D energy efficient commercial buildings deduction	Nonconformity (R&TC §17257.2)	California costs are capitalized and depreciated
Retirement provisions that allow: <ul style="list-style-type: none"> • Taxpayers to make penalty free withdrawals from money purchase pension plans for COVID-19-related expenses; • Partial plan termination reprieves; • Penalty-free withdrawals of up to \$100,000 for qualified disaster distributions; and • Recontribution of retirement plan withdrawals for home purchases that couldn't be completed due to disasters 	Conformity (R&TC §§17085(c), 17501)	No adjustments required
Increased retirement plan loan limitations for disaster victims	Nonconformity. (R&TC §17081) (Note: California did conform to increased loan limitation treatment on COVID-19-related loans)	Loan amounts in excess of \$50,000 treated as taxable distribution
Earned Income Credit amendments allowing taxpayers to elect to base their credit on 2019 rather than 2020 earned income	Nonconformity. According to the FTB, California does not conform to this election (R&TC §17052)	California's earned income for EITC purposes may be lower than federal