

# FRANZEN & FRANZEN, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

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September 24, 2013 – No California Principal Residence Cancellation of Debt Exclusion for 2013

The California Legislature did not extend the cancellation of debt (COD) exclusion for canceled qualified principal residence debt when SB 416 (Liu) was defeated. This means that a homeowner who loses a home to foreclosure in 2013 may not use the principal residence exclusion to exclude COD income on his or her California income tax return.

An individual who has COD income in this situation should:

- See if the insolvency exclusion will exclude income; or
- Plan for a California tax liability for 2013.

Federal law extended the exclusion through 2013.