



PRESS RELEASE

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Gov. Schwarzenegger Signs Legislation to Provide Greater Assistance to California Homeowners

Governor Arnold Schwarzenegger today signed SB 401 by Senator Lois Wolk (D-Davis), legislation that will bring much of our state tax policy in line with federal policy while **specifically providing greater tax relief to struggling California homeowners who have sold their homes as short sales or modified their mortgage loans.** This bill will also assist companies that are developing new renewable energy projects in the state that are financed by economic stimulus grants received through the American Recovery and Reinvestment Act (Recovery Act).

"This legislation is a great example of what we can accomplish when we work together to solve problems that affect Californians, and I applaud Senator Lois Wolk, Senator Ron Calderon, Assembly member V. Manuel Pérez and Assembly member Anthony Portantino for their work. It is important that we continue to provide all possible assistance to homeowners who were negatively impacted by the mortgage crisis, and **this bill will provide them with necessary mortgage debt relief and protect them from thousands of dollars in unfair taxes,**" said Governor Schwarzenegger. "SB 401 will also help promote the growth of renewable energy projects in California by providing tax assistance to businesses to get their projects off the ground, which is good news for our economy."

SB 401 extends the law providing mortgage debt forgiveness to homeowners who have already lost their homes due to declining home prices and cannot afford to pay thousands of dollars in taxes because the mortgage company forgave the remainder of the loan. **This means that Californians who have sold their homes as short sales are allowed to exclude from taxable income the amount that was still owed to the mortgage company.** The legislation, which increases the amount of mortgage debt forgiveness available, also applies to homeowners who have made loan modifications in 2009.

The bill also assists renewable energy companies that are currently establishing the financing to build their projects in California. By designating federal economic stimulus grants received through the Recovery Act for renewable energy projects are not treated as income for tax purposes, this legislation will help companies move these projects forward and help their business thrive in the state.