

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Ridley-Thomas Analyst: Jon Feenstra Bill Number: AB 454  
Related Bills: See Prior Telephone: 845-4870 Amended Date July 6, 2017  
Analysis Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** Exclusion for Wrongfully Incarcerated Individuals

**SUMMARY**

This bill would, under the Personal Income Tax Law (PITL), conform to the federal exclusion from gross income of certain amounts received by wrongly incarcerated individuals.

**RECOMMENDATION – NO POSITION****SUMMARY OF AMENDMENTS**

The July 6, 2017, amendments removed tax levy language, modified the operative date language, and added a provision allowing an otherwise banned credit or refund if claimed within a one-year period as specified.

As a result of the July 6, 2017, amendments the “Effective/Operative Date,” “This Bill,” and “Economic Impact” sections have been revised. Additionally, the “Support/Opposition” section has been revised to reflect currently available information. The remainder of the department's analysis of the bill as introduced on February 13, 2017, still applies. The “Fiscal Impact” section has been restated for convenience.

**EFFECTIVE/OPERATIVE DATE**

This bill would be effective January 1, 2018, and specifically operative for taxable years beginning before, on, or after January 1, 2018. This bill would also specifically allow otherwise barred credits or refunds relating to the retroactive conformity to the exclusion provision made by this bill for a one-year period beginning on January 1, 2018.

**THIS BILL**

This bill would, under the PITL, for amounts received before, on, or after January 1, 2018, conform to Internal Revenue Code section 139F, that excludes from gross income certain amounts received by wrongly incarcerated individuals.

Additionally, any credit or refund that would be barred by statute or rule of law, including res judicata, would be allowed if claimed before the close of the one-year period beginning on the effective date of this bill.

**FISCAL IMPACT**

This bill would not significantly impact the department's costs.

## ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 454 As Amended July 6, 2017 Assumed Enactment By September 30, 2017			
2016-17	2017-18	2018-19	2019-20
- \$60,000	- \$60,000	- \$30,000	- \$30,000

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion

This revenue estimate is based upon a proration of the Joint Committee on Taxation (JCT) estimate for the "Protecting Americans from Tax Hikes Act of 2015" for exclusion for wrongly incarcerated individuals. In December 2015, the JCT estimates the federal revenue impact of the exclusion to be \$1 million loss in fiscal year 2018. The equivalent loss to California is estimated to be \$30,000 in tax year 2018.

To determine California's share of the federal loss, data from The National Registry of Exonerations was used to calculate that approximately 10 percent of exonerations take place in California. Then, the estimate was reduced by 70 percent to reflect the differences between federal and state tax rates.

In addition, it is assumed individuals that received payments prior to the enactment of this bill would amend their returns to exclude income received.

The tax-year estimates are converted to fiscal years, and then rounded to arrive at the amounts reflected in the above table. The amounts related to prior year amended returns are accrued back one year.

### SUPPORT/OPPOSITION<sup>1</sup>

Support: Association of Los Angeles Deputy Sheriffs, California Association of Code Enforcement Officers, California College and University Police Chiefs Association, California Narcotic Officers Association, California Taxpayers Association, Los Angeles Professional Peace Officers Association, Los Angeles Police Protective League, Riverside Sheriffs' Association.

Opposition: None provided.

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<sup>1</sup> From Senate Committee on Governance and Finance analysis dated June 23, 2017.

## LEGISLATIVE STAFF CONTACT

Jon Feenstra  
Legislative Analyst, FTB  
(916) 845-4870  
[jon.feenstra@ftb.ca.gov](mailto:jon.feenstra@ftb.ca.gov)

Jame Eiserman  
Revenue Manager, FTB  
(916) 845-7484  
[jame.eiserman@ftb.ca.gov](mailto:jame.eiserman@ftb.ca.gov)

Diane Deatherage  
Legislative Director, FTB  
(916) 845-6333  
[diane.deatherage@ftb.ca.gov](mailto:diane.deatherage@ftb.ca.gov)