



Bill Analysis

Author: Gallagher, et al.

Sponsor:

Bill Number: AB 1249

Related Bills: See Legislative
History

Introduced: February 19, 2021

SUBJECT

Gross Income Exclusion for Specified Fire Victims

SUMMARY

This bill would provide an exclusion from gross income for amounts received in settlement under the order of the United States Bankruptcy Court for the Northern District of California dated June 20, 2020, case number 19-30088, docket number 8053.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to prevent undue hardship to taxpayers affected in the parts of California devastated by wildfires.

ANALYSIS

This bill under Personal Income Tax Law (PITL) and Corporation Tax Law (CTL) excludes from gross income qualified amounts received by a qualified taxpayer.

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For purposes of this bill, the following definitions apply:

- 1) "Qualified amount" is any amount received in settlement from the Fire Victims Trust established pursuant to the order of the United States Bankruptcy Court for the Northern District of California dated June 20, 2020, case number 19-30088, docket number 8053.
- 2) "Qualified taxpayer" is any of the following:
 - a) Any taxpayer that currently owns or previously owned real property located in the County of Amador or Calaveras, or any taxpayer that currently resides or previously resided within the County of Amador or Calaveras, who received amounts, incurred expenses, or received amounts from a settlement arising out of or pursuant to the 2015 Butte Fire.
 - b) Any taxpayer that currently owns or previously owned real property located in the County of Napa, Sonoma, Lake, Butte, Mendocino, or Solano or any taxpayer that currently resides or previously resided within the County of Napa, Sonoma, Lake, Butte, Mendocino who received amounts, incurred expenses, or received amounts from a settlement arising out of or pursuant to one or more of the 2017 North Bay Fires.
 - c) Any taxpayer that currently owns or previously owned real property located in the County of Butte or any taxpayer that currently resides or previously resided within the County of Butte who received amounts, incurred expenses, or received amounts from a settlement arising out of or pursuant to the 2018 Camp Fire.

This bill would require the Fire Victims Trust to provide to the Franchise Tax Board upon request an annual list of names, addresses, payment dates, and amounts paid related to qualified taxpayers.

If the statute of limitations for filing a claim for a credit or refund of any overpayment of tax that would result from the application of this bill's provisions has expired, a qualified taxpayer would be allowed to file a claim before the close of the one year period from the effective date of this bill.

Effective/Operative Date

As an urgency measure, this bill would be effective immediately upon enactment. It would be specifically operative for taxable years beginning before, on, or after the effective date of the act.

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Federal/State Law

Existing federal and state laws provide that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded.

Existing federal and state laws provide that certain types of income are excluded from gross income, such as amounts received as a gift or inheritance, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations.

Current federal and state laws do not specifically exclude amounts received from a specified fire settlement from gross income.

Implementation Considerations

The department has identified the following implementation considerations, and is available to work with the author's office to resolve these and other considerations that may be identified.

The defined term "qualified taxpayer" contains the phrase "who received amounts, incurred expenses, or received amounts from a settlement arising out of or pursuant to" enumerated fires. It is unclear if the author intends "received amounts" to be from a source other than "received amounts from a settlement." Additionally, the requirement is that an expense was incurred, but not paid by the taxpayer.

To clarify the author's intent, the author may want to amend the bill.

Technical Considerations

None noted.

Policy Considerations

Under Revenue and Taxation Code (RTC) section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit. This bill should be amended to satisfy the the RTC section 41 requirement.

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LEGISLATIVE HISTORY

AB 291 (Seyarto, 2021/2022) would exclude from gross income all survivor benefits or payments received under a Survivor Benefit Plan. AB 291 is currently in the committee process.

AB 1338 (Low, 2021/2022) would provide an exclusion from gross income for amounts received as financial assistance by a taxpayer who is enrolled in a program or research project, as specified under the Welfare and Institutions Code (WIC). AB 1338 is currently in the committee process.

SB 65 (Skinner, 2021/2022) would provide an exclusion from gross income for the Department of Social Services low-income stipend. SB 65 passed from the Senate to the Assembly.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1249 as Introduced on February 19, 2021
Assumed Enactment after June 30, 2021

(\$ in Millions)

Fiscal Year	Revenue
2021-2022	-\$140
2022-2023	-\$42
2023-2024	-\$33

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

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LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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