



## Bill Analysis

Author: Gallagher, et al.

Bill Number: AB 1249

### 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 and allow refunds of tax previously paid on those amounts.

### REASON FOR THE BILL

The reason for this bill is to provide relief 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.

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:
  - Any taxpayer that owned real property located in the County of Amador or Calaveras, or any taxpayer that resided within the County of Amador or Calaveras, during the 2015 Butte Fire who, incurred and paid expenses and received amounts from a settlement arising out of or pursuant to the 2015 Butte Fire.
  - Any taxpayer that owned real property located in the County of Napa, Sonoma, Lake, Butte, Mendocino, or Solano or any taxpayer that resided within the County of Napa, Sonoma, Lake, Butte, Mendocino, or Solano during the 2017 North Bay Fires who incurred and paid expenses and received amounts from a settlement arising out of or pursuant to one or more of the 2017 North Bay Fires.

- Any taxpayer that owned real property located in the County of Butte or any taxpayer that resided within the County of Butte during the 2018 Camp Fire who incurred and paid expenses and 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 (FTB) upon request an annual list of names, addresses, payment dates, and qualified amounts paid 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 beginning from the effective date of this bill.

This bill, for purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), would require the FTB to deliver a report to the Legislature that complies with Section 9795 of the Government Code by April 1, 2023, that includes the following:

- a) The number of qualified taxpayers who received a payment from the Fire Victims Trust.
- b) The aggregate amount of those payments.

The disclosures allowed by this bill would be excluded from FTB's prohibition against disclosure of information and any taxpayer information would be required to be in an aggregate and anonymized form.

This exclusion would be repealed on January 1, 2028.

#### *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 and repealed on January 1, 2028.

#### *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*

None noted.

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

AB 291 (Seyarto, et al., 2021/2022) would have excluded from gross income all survivor benefits or payments received under a Survivor Benefit Plan. AB 291 did not pass out of the Assembly by the constitutional deadline.

AB 1338 (Low, 2021/2022) would have provided 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 did not pass out of the Assembly by the constitutional deadline.

SB 1246 (Stern and Valladares, 2021/2022) would provide to qualified taxpayers an exclusion from gross income for amounts received from Southern California Edison in settlement for claims relating to the 2017 Thomas Fire or the 2018 Woolsey Fire and allow refunds of tax previously paid on those amounts. SB 1246 has passed both chambers and is currently enrolled.

**PROGRAM BACKGROUND**

None noted.

**FISCAL IMPACT**

The department anticipates minimal costs to implement this bill.

**ECONOMIC IMPACT**

*Revenue Estimate*

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1249  
Assumed Enactment after June 30, 2022

*(\$ in Millions)*

<b>Fiscal Year</b>	<b>Revenue</b>
2021-2022	-\$55
2022-2023	-\$90
2023-2024	-\$48
2024-2025	-\$32

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.

**LEGAL IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

As per the August 17, 2022, Senate Floor Analysis of AB 1249, the following organizations support this bill.

*Support*

- Consumer Attorneys of California
- Howard Jarvis Taxpayers Association
- Legal Aid of Sonoma
- Paradise Ridge Chamber of Commerce
- Rural County Representatives of California
- 2 Individuals

*Opposition*

None on file.

**VOTES**

<b>Location</b>	<b>Date</b>	<b>Yes Votes</b>	<b>No Votes</b>
Concurrence	August 31, 2022	80	0
Senate Floor	August 30, 2022	40	0
Assembly Floor	January 31, 2022	74	0

**LEGISLATIVE STAFF CONTACT**

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)

Amy Tong  
 Agency Secretary, GovOps  
 Work (916) 651-9011

Christina Spagnoli  
 Legislative Deputy, GovOps  
 Work (916) 651-9373

Selvi Stanislaus  
 Executive Officer, FTB  
 Work (916) 845-4543

Annette Kunze  
 Legislative Director, FTB  
 Work (916) 845-6333