



Bill Analysis

Author: Committee on Budget Sponsor:

Bill Number: AB 192

Related Bills: See Legislative
History

Amended: June 13 and
June 26, 2022

SUBJECT

Better for Families Act (also known as Middle Class Tax Refund)

SUMMARY

This bill, under the Welfare and Institutions Code (WIC), would authorize the Controller to make a one-time payment in a specified amount to each qualified recipient, as defined. Individuals may qualify for this payment based on certain criteria, such as filing a California individual tax return and California adjusted gross income requirements. This payment would be excluded from gross income for California purposes.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The June 13, 2022, amendments removed intent provisions related to the Budget Act of 2021 and replaced them with the Better for Families Tax Rebate provisions under the WIC, Government Code, and Revenue and Taxation Code (RTC).

The June 26, 2022, amendments renamed the "Better for Families Tax Rebate" the "Better for Families Act."

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to provide financial relief for Californians who are adversely impacted by the economic pressures due to inflation, increase in gas costs, and the effects of COVID-19 emergency.

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ANALYSIS

Payments:

This bill would establish the Better for Families Act under the WIC. Under the WIC, the Controller would be authorized to make a one-time Better for Families payment (also known as the Middle Class Tax Refund (MCTR)) to qualified recipients in an applicable amount. The bill defines the following terms:

“Applicable amount” means the applicable amounts listed below in the chart based on the qualified recipient’s filing status and 2020 California adjusted gross income:

Filing status	2020 California Adjusted Gross Income (AGI)	Payment without dependent	Payment amount with dependent
Married Filing Joint	• \$150,000 or less	\$700	\$1,050
	• \$150,001 to \$250,000	\$500	\$750
	• \$250,001 to \$500,000	\$400	\$600
Head of Household or Surviving Spouse (Qualified Widow/er)	• \$150,000 or less	\$350	\$700
	• \$150,001 to \$250,000	\$250	\$500
	• \$250,001 to \$500,000	\$200	\$400
All other individuals	• \$75,000 or less	\$350	\$700
	• \$75,001 to \$125,000	\$250	\$500
	• \$125,001 to \$250,000	\$200	\$400

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A “qualified recipient” must satisfy all of the following requirements:

- Have filed a California individual income tax return on or before October 15, 2021, for the taxable year beginning on or after January 1, 2020, and before January 1, 2021.
- Meet the California adjusted gross income (CA AGI) limits described above.
- Is a resident on the date the payment is issued by the Controller.
- Was a resident of California for six months or more of the taxable year beginning on or after January 1, 2020 and before January 1, 2021.
- Was not eligible to be claimed as dependent by another taxpayer in the 2020 taxable year.

If the individual or their spouse applied for and did not receive their federal Individual Tax Identification Number (ITIN) on or before October 15, 2021, and included on the return either their federal ITIN, or, if married, the federal ITIN of their spouse and filed the required return on or before February 15, 2022, the individual would be considered a qualified recipient, assuming they meet all the other requirements.

In addition, a “qualified recipient” does not include an individual that satisfies all of the following:

- Is an individual without a dependent as determined under the RTC.
- Filed their California individual income tax return using the single filing status for the 2020 tax year.
- Is either deceased or incarcerated, as specified, on the date the payment would be issued.

A qualified recipient that files a joint return with their spouse is considered one qualified recipient and receives only one payment. This one-time payment is not a refund of an overpayment of income taxes.

The one-time payment would be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under the WIC, as specified, or amounts of those benefits. Additionally, the one-time payment would not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual, or any other individual, for benefits or assistance or the amount or extent of benefits or assistance under any state or local program. With respect to a state or local program, this provision shall only be implemented to the extent that it does not conflict with federal law relating to that program, and that any required federal approval or waiver is first obtained for that program.

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The State Treasury would create the Better for Families Tax Refund Fund that would be continuously appropriated for the purpose of making the one-time payment. Any unused money remaining in the Better for Families Tax Refund Fund shall be transferred to the General Fund by June 1, 2024. All returned payments are redeposited into the Better for Families Tax Refund Fund.

Gross Income Exclusion:

This bill, under the RTC, would provide that the one-time payment authorized by the Controller would be excluded from California gross income.

Exemption from Offsets and Levies:

The one-time payment would not be subject to withholding or levy for liabilities due under RTC section 10878, the Personal Income Tax Law (PITL), the Corporation Tax Law (CTL), and the Administration of Franchise and Income Tax Law (AFITL). Both provisions would be repealed on January 1, 2027.

Exemption of Payment from Garnishment Orders:

The one-time payment would be excluded from bank garnishment orders against delinquent accounts and provides other requirements for financial institutions to identify these payments. The payments continue to be subject to child support, spousal support, family support, or criminal restitution payable to victims.

Disclosure:

This bill would require Franchise Tax Board (FTB) to disclose return and return information to the Controller or to the third-party vendor for purposes of making the one-time payment.

Vendor Services Contract:

The state would be allowed to contract with a third-party vendor for services related to the distribution of payments. The terms and conditions of the contract must include an expiration date for each payment of no later than April 30, 2026, and a requirement that any unexpended or unclaimed balance of payments be returned to the state upon expiration and all unused balances returned no later than May 31, 2026.

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Effective/Operative Date

This bill, providing for appropriations related to the Budget Bill and identified as a bill related to the budget in the Budget Bill, would be effective immediately upon enactment and operative as of that date. The gross income exclusion for the payment would be operative for taxable years beginning on or after January 1, 2022.

The provisions of the Better for Families Act would remain in effect only until January 1, 2027, and would be repealed as of that date.

Federal/State Law

Federal Law

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), Consolidated Appropriations Act (CAA), (Public Law 116-206), and American Rescue Plan Act (ARPA), (Public Law 117-2), economic impact payments were provided in varying amounts based on an individual's filing status and AGI in 2019 and 2020.

State Law

Under the WIC, the Golden State Stimulus I (GSS I) and Golden State Stimulus II (GSS II) payments were issued as separate, one-time payments to qualified recipients. For GSS I, a qualified recipient is either of the following:

- An eligible individual as determined under the CalEITC who filed a California individual income tax return for the taxable year beginning on or after January 1, 2020, and before January 1, 2021, who had been allowed the CalEITC for that taxable year by November 15, 2021, and was a resident on the date the Controller issued the payment.
- An individual who satisfied all of the following:
 - Filed a California individual income tax return on or before October 15, 2021, for the taxable year beginning on or after January 1, 2020, and before January 1, 2021.
 - Included on the return either their federal ITIN, or, if married, the federal ITIN of their spouse.
 - Had California adjusted gross income (CA AGI) of \$75,000 or less.
 - Was a California resident on the date the Controller issues the payment.

The amount of the GSS I payment is \$600 if the qualified recipient meets one of the above bullets and \$1,200 if they meet both of the above bullets.

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The GSS II payment was similar to GSS I. However, the qualified recipient did not need to be eligible for CalEITC and must have met the CA AGI requirement of one dollar or more, but no more than \$75,000, (or \$37,500 if married filing separate) and had wages subject to withholding of \$75,000 or less (or \$37,500 if married filing separate). A qualified recipient may have received a one-time payment of either:

- Five hundred dollars (\$500) (or \$250 if married filing separate) if they met the requirements under GSS I, claimed one or more dependents, and filed their 2020 tax return with a social security number (SSN);
- Six hundred dollars (\$600) (or \$300 if married filing separate) if they did not meet the requirements under GSS I, did not claim one or more dependents, and filed their 2020 tax return with an SSN;
- One thousand dollars (\$1,000) (or \$500 if married filing separate) if they filed a return using their federal ITIN (or spouse's ITIN), met the requirements under GSS I, and claimed one or more dependents; or
- One thousand one hundred dollars (\$1,100) (or \$550 if married filing separate) if they did not meet the requirements under GSS I, claimed one or more dependents, and filed their 2020 tax return with an SSN.

Both GSS I and II payments were excluded from gross income and from third party garnishment orders against delinquent accounts. The payments continued to be subject to child support, spousal support, family support, or criminal restitution payable to victims.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 88 (Committee on Budget and Fiscal Review, Chapter 8, Statutes of 2021) created the one-time GSS I and Golden State Grant (GSG) payments program.

AB 88 (Committee on Budget, Chapter 12, Statutes of 2021) made clarifying changes to the GSS I program, including clarifying the qualified recipient definition, excluded the GSS I payment and GSG from gross income, and exempted those payments from garnishment orders.

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SB 139 (Committee on Budget and Fiscal Review, Chapter 71, Statutes of 2021) created the one-time GSS II payment and modified the filing time requirement and federal ITIN requirements under the one-time GSS I payment provisions.

AB 139 (Committee on Budget, 2020/2021) was identical to SB 139. AB 139 did not pass out of the Senate Budget and Fiscal Review Committee because SB 139 moved forward.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

Staff estimates a cost of approximately \$59.4 million for fiscal year 2022-2023 for resources to provide information to the Controller, the vendor services contract for debit card payments, provide customer service, and education and outreach.

ECONOMIC IMPACT

Revenue Discussion

Based on FTB return data, the estimated loss would be \$9.6 billion in fiscal year 2022-2023, and would impact approximately 23 million taxpayers.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None on file.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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