



Bill Analysis

Author: Gabriel

Sponsor:

Bill Number: AB 2142

Related Bills: See Legislative
History

Introduced: February 15, 2022

SUBJECT

Turf Replacement Water Conservation Program Gross Income Exclusion

SUMMARY

This bill would allow a gross income exclusion for any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf replacement water conservation program.

This analysis only addresses the provisions of the bill that would impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for this bill is to eliminate disincentives to participation in efficient water conservation and improvement programs aimed at increasing water conservation or efficiency or improving storm water quality in California.

ANALYSIS

Under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), for taxable years beginning on or after January 1, 2022, and before January 1, 2027, this bill would exclude from gross income, any amount received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf replacement water conservation program.

The exclusion would remain in effect until December 1, 2027, and would be repealed as of that date.

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Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2022, and before January 1, 2027.

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.

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.

Implementation Considerations

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

This bill uses the undefined term "supplier." The absence of a definition to clarify this term could lead to disputes with taxpayers and would complicate the administration of this bill. For clarity, it is recommended that the bill be amended.

Technical Considerations

None noted.

Policy Considerations

This bill would create differences between federal and California tax law.

Under RTC section 41, legislation that would create a new tax expenditure, including an exclusion, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit. The author may wish to amend the bill to satisfy the RTC section 41 requirements.

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LEGISLATIVE HISTORY

AB 533 (Holden, et al., 2019/2020) and AB 2283 (Holden, 2017/2018), would have extended the exclusion from gross income allowed under AB 2434 from taxable years beginning before January 1, 2019, to taxable years beginning before January 1, 2024. AB 533 and AB 2283 did not pass out of the Assembly by the constitutional deadline.

AB 2434 (Gomez, Chapter 738, Statutes of 2014) allowed for taxable years beginning on or after January 1, 2014, and before January 1, 2019, an exclusion from gross income for amounts received as a rebate, voucher, or other financial incentive issued by a local water agency or supplier for participation in a turf removal water conservation program.

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 2142 as Introduced February 15, 2022
Assumed Enactment after June 30, 2022

Fiscal Year	Revenue
2022-2023	-\$150,000
2023-2024	-\$100,000
2024-2025	-\$100,000

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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