



Bill Analysis

Author: Gabriel

Bill Number: AB 2142

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 public water system, local government, or state agency 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.

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 public water system, local government, or state agency for participation in a turf replacement water conservation program.

"Public water system" would mean a system for the provision of water for human consumption through pipes or other constructed conveyances that has 15 or more service connections or regularly serves at least 25 individuals daily at least 60 days out of the year. A public water system includes the following:

- Any collection, treatment, storage, and distribution facilities under control of the operator of the system that are used primarily in connection with the system.
- Any collection or pretreatment storage facilities not under the control of the operator that are used primarily in connection with the system.
- Any water system that treats water on behalf of one or more public water systems for the purpose of rendering it safe for human consumption.

The exclusion would remain in effect until December 1, 2027, and would be repealed as of that date.

For purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), this bill would require the Department of Finance to provide the Legislature with an annual analysis to determine the effectiveness of the exclusion. For purposes of the report, the general prohibition against disclosure of taxpayer information applicable to the Franchise Tax Board would not apply.

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 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

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

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

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

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:
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.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

The August 13, 2022, Senate Floor analysis contained the following support and opposition.

Support

Alameda County Water District; American Water Works Association; California-Nevada Section; Association of California Water Agencies; Burlingame Councilmember Donna Colson; City of Beverly Hills; California Association of Sanitation Agencies; California Coastkeeper Alliance; California Contract Cities Association; California Municipal Utilities Association; California Special Districts Association; California Water Association; California Water Efficiency Partnership; California Water Service; Calleguas Municipal Water District; Carpinteria Valley Water District; City Manager San Rafael Jim Schutz; City of Benicia Mayor Steve Young; City of Hayward Mayor Pro Tem Sara Lamin; City of Los Angeles Councilmember Bob Blumenfield; City of Modesto Interim Municipal Services Director, Dan Madden; City of Torrance Mayor Patrick Furey; City of Roseville; City of Sacramento Department of Utilities; City of Santa Barbara; City of Santa Clarita; City of Santa Rosa; City of Shasta Lake; City of Visalia; Coachella Valley Water District; Coachella Valley Waterkeeper; Contra Costa Water District; Cucamonga Valley Water District; Desert Water Agency; Diablo Water District; Dickinson Associates; East Bay Municipal Utility District; East Valley Water District; Eastern Municipal Water District; County Water Agency; Elsinore Valley Municipal Water District; Foothill Municipal Water District; Fresno Metropolitan Flood Control District; Hayward Mayor Barbara Halliday; Helix Water District; Indian Wells Valley Water District; Inland Empire Utilities Agency; Inland Empire Waterkeeper; Irvine Ranch Water District; LA Cumbre Water Company; Las Virgenes Municipal Water District; League of California Cities; Malibu City Councilmember Mike Pierson; Marin Municipal Water District; Mesa Water District; Modesto Councilmember Tony Madrigal; Mountain View Councilmember Patricia Showalter; Municipal Water District of Orange County; Northern California Water Association; Olivenhain Municipal Water District; Orange County Coastkeeper; Orange County Water District; Padre Dam Municipal Water District; Pasadena Water and Power; Petaluma Council Member D'lynda Fischer; Pleasanton Council Member Julie a Testa; Rancho California Water District; Regional Water Authority; Richmond Mayor Tom Butt; Richmond Vice Mayor Eduardo Martinez; San Francisco Baykeeper; San Juan Water District; Santa Barbara Channelkeeper; Santa Barbara County Water Agency; Santa Clara Valley Water District; Santa Clarita Valley Water Agency; Santa Margarita Water District; Solano County Water Agency; Sonoma County Water Agency; Soquel Creek Water District; Southern California Water Coalition; The Metropolitan Water District of Southern California; Three Valleys Municipal Water District; Tri-County Water Authority; Upper San Gabriel Valley Municipal Water District; Vallejo Mayor Robert Mcconnell; Valley Center Municipal Water District; Vista Irrigation District; Walnut Valley Water District; Water Replenishment District of Southern California; Waternow Alliance; West Basin Municipal Water District; Western Municipal Water District; Yorba Linda Water District; Zone 7 Water Agency.

Opposition

California Teachers Association.

VOTES

Location	Date	Yes Votes	No Votes
Senate Floor	August 23, 2022	40	0
Assembly Floor	May 25, 2022	76	0

LEGISLATIVE STAFF CONTACT

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