



Bill Analysis

Author: Cooper

Sponsor:

Bill Number: AB 2928

Related Bills: See Legislative
History

Amended: March 17, 2022

SUBJECT

Gross Income Exclusion for Clean Cars 4 All Program

SUMMARY

This bill, under the Personal Income Tax Law (PITL), would allow a gross income exclusion for moneys awarded to a taxpayer pursuant to the Clean Cars 4 All Program.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 17, 2022, amendments added provisions discussed in this analysis.

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

REASON FOR THE BILL

The reason for this bill is to increase participation in the state's Clean Cars 4 All Program to encourage drivers to replace high-polluting cars with zero or near-zero emission vehicles.

ANALYSIS

For taxable years beginning on or after January 1, 2022, under the PITL, this bill would allow a gross income exclusion for moneys awarded to taxpayers pursuant to the Clean Cars 4 All Program. This program is administered by the State Air Resources Board under the Health and Safety Code.

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For purposes of complying with Revenue and Taxation Code (RTC) section 41, this bill would require the Franchise Tax Board (FTB) to issue a report to the Legislature by March 1, 2024, and annually thereafter on the following:

- 1) The number of taxpayers excluding from gross income moneys received from the Clean Cars 4 All Program.
- 2) The total dollar amount of moneys excluded from gross income.
- 3) The total number of taxpayers in each tax bracket who excluded moneys from gross income.

This bill would provide an exception to RTC section 19542 disclosure rules.

Effective/Operative Date

This bill would be effective January 1, 2023, and specifically operative for taxable years beginning on or after January 1, 2022.

Federal/State Law

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.

Implementation Considerations

This bill requires the FTB to prepare a report on the performance of the income exclusion allowed by this bill on or before March 1, 2024. If the author's intent is to be able to review a report that contains complete information for the 2022 taxable year, it is recommended that the due date of the report be moved to later in the year, no earlier than May 2024. For instance, the due date for the 2022 personal income tax return is April 15, 2023, with extension that becomes, October 15, 2023. The department generally needs about six months to complete return processing and compile the data needed to prepare a report. As a result, it is recommended that the due date for the report be no earlier than May of 2024. If the due date of the report remains unchanged, the report will be based on partial return information available as of the date when the report is prepared.

Technical Considerations

None noted.

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Policy Considerations

This bill does not have a sunset date, which is generally provided to allow periodic review of the effectiveness of income tax law changes by the Legislature.

LEGISLATIVE HISTORY

AB 630 (Cooper, Chapter 636, Statutes of 2017) established the Clean Cars 4 All Program.

PROGRAM BACKGROUND

The State Air Resources Board, commonly known as California Air Resources Board (CARB) administers the Clean Cars 4 All Program and reports annually on program goals. According to CARB's 2019-2020 annual report, "Clean Cars 4 All provides incentives for lower-income consumers living in and near disadvantaged communities who scrap their old vehicles and purchase new or used hybrid, plug-in hybrid, or Zero Emission Vehicle (ZEV) replacement vehicles."

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2928 as Amended March 17, 2022
Assumed Enactment after June 30, 2022

Fiscal Year	Revenue
2022-2023	-\$450,000
2023-2024	-\$450,000
2024-2025	-\$450,000

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.

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APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov