STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Portantino Bill Number: SB 457

SUBJECT

Zero Registered Vehicles Credit

SUMMARY

Under the Personal Income Tax Law (PITL), this bill would, create a credit in the amount of $1,000 to a qualified taxpayer for each household with zero registered vehicles. This bill would also make this credit refundable for qualified taxpayers who meet specific criteria.

REASON FOR THE BILL

The reason for this bill is to incentivize a taxpayer to give up a vehicle or reward people for not using a vehicle.

ANALYSIS

Under the PITL, this bill would, for taxable years beginning on or after January 1, 2023, and before January 1, 2028, allow a credit in the amount of $1,000 to a qualified taxpayer for each household with zero registered vehicles.

The bill defines the following terms:

"Qualified Taxpayer" means a taxpayer who meets either of the following:

1. For spouses filing joint returns, heads of household, and surviving spouses, has an adjusted gross income (AGI) of $60,000 or less.
2. For other individuals, has an AGI of $40,000 or less.

"Registered vehicle" is defined as a vehicle that was registered in California to a qualified taxpayer or their dependent, or an entity in which the qualified taxpayer or their dependent holds a controlling interest, for at least six months of the taxable year for which this credit is claimed. A "registered vehicle" includes a vehicle registered with the Department of Motor Vehicles (DMV) as planned nonoperation.

If a registered vehicle is jointly owned by two or more qualified taxpayers filing separately, the registered vehicle will count as a registered vehicle for each qualified taxpayer.

"Vehicle" means a device by which a person or property may be propelled, moved, or drawn upon a highway, excluding a device moved exclusively by human power or used exclusively upon stationary rails or tracks.

A qualified taxpayer would be able to claim this credit on a return in the form and manner determined by the Franchise Tax Board (FTB).

The qualified taxpayer would be required to self-certify, in a form and manner specified by the FTB, both of the following:

1. The number of registered vehicles owned by each qualified taxpayer and their dependents, and each entity in which the qualified taxpayer or their dependent holds a controlling interest.
2. The qualified taxpayer and their dependents do not own or operate a vehicle within California that is required to be registered with the DMV but is not, including vehicles required to be registered in California but are registered in a different state.

Unused credits could be carried over for eight years until exhausted.

For a qualified taxpayer who has been allowed the California Earned Income Tax Credit, this bill specifies any credit in excess of the tax liability would be credited against other amounts due, and the balance would be refunded to the taxpayer. The balance, if any would be paid from the Tax Relief and Refund Account and refunded to the qualified taxpayer. Amounts refunded would be treated in the same manner as the federal earned income refund for purposes of determining eligibility to receive public social services, as specified under Division 9 of the Welfare and Institutions Code, or amounts of those benefits.

The DMV would be required to provide necessary taxpayer and vehicle information to the FTB upon request, for purposes of administering this credit.

For purposes of complying with Revenue and Taxation Code (RTC) section 41, the FTB would be required to provide a written report to the Legislature, as specified, on or before July 1, 2026. The report would include the following:

- The number of qualified taxpayers claiming the credit.
- The average credit amount claimed.

For purposes of the report, the general prohibition against disclosure of taxpayer information applicable to the FTB would not apply to disclosures allowed under this provision.

The credit would be repealed by its own terms on December 1, 2028.

Effective/Operative Date

This bill would be effective January 1, 2023, and specifically operative for taxable years beginning on or after January 1, 2023, and before January 1, 2028.

Federal/State Law

Existing federal and state laws provide various tax credits that are used to reduce the taxpayer's tax liability dollar-for-dollar. Generally for California, the credit is taken instead of any deduction otherwise allowable for the same costs. Any deduction allowed for the same costs may be reduced by the amount of the credit claimed for the current tax year. One benefit of allowing tax credits rather than deductions is that tax credits are claimed after taxable income has been calculated and, therefore, do not create differences between the taxable income amounts shown on the federal and state income tax returns.

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

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

This bill uses the undefined terms, "controlling interest" and "household." The absence of definitions to clarify this term could lead to disputes with taxpayers. For clarity, it is recommended that the bill be amended.

The definition of "vehicle" is broad and would include trailers, tractors, and other vehicles within the definition. If that is contrary to the author's intent, the bill should be amended.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 1341 (Calderon, 2017/2018), would have under the PITL, allowed a qualified taxpayer a credit for the purchase or lease of a new electric vehicle, and a deduction for the purchase of a used near-zero or zero-emission vehicle. AB 1341 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

Staff estimates a cost of up to approximately $4 million for fiscal year 2022/2023 to implement this bill and on-going annual costs of up to $3 million, for staff resources to administer this bill, provide customer service, and education and outreach.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 457
Assumed Enactment after June 30, 2022

($ in Millions)

Fiscal Year	Revenue
2022-2023	-$900
2023-2024	-$950
2024-2025	-$1,000

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 31, 2022, Senate Floor analysis listed the following in support and oppositions:

Support

Getaround, Inc.; Move LA, a Project of Community Partners.

Opposition

California Teachers Association.

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 31, 2022	33	2
Assembly Floor	August 31, 2022	67	2
Senate Floor	May 24, 2021	36	0

LEGISLATIVE STAFF CONTACT

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