



Bill Analysis

Author: Wallis

Sponsor:

Bill Number: AB 2861

Related Bills: See Legislative
History

Amended: March 18, 2024

SUBJECT

Gun Safe Tax Credit

SUMMARY

Under the Personal Income Tax Law (PITL), this bill would allow for an income tax credit of three hundred dollars (\$300) for the purchase of a new gun safe for a residential unit located in the state.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 18, 2024, amendments removed provisions of the bill relating to the Sales and Use Tax Law and replaced them with the provisions discussed in this analysis.

This is the Franchise Tax Board's (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to assist California residents with the purchase of gun safes for safe storage of guns they own.

ANALYSIS

Under the PITL, this bill would allow for a credit of three hundred dollars (\$300) against the net tax for the amount paid or incurred for the purchase of a gun safe for taxable years beginning on or after January 1, 2025, and before January 1, 2030.

"Gun safe" would mean a new safe that is specifically manufactured to store firearms, that is constructed of steel or a material of equal or greater strength, and that has a combination or key lock listed by the Underwriters' Laboratories Incorporated.

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The credit would be equal to the amount paid or incurred during the taxable year for the purchase of one gun safe for use in a residential unit located within California. The credit would be limited to a maximum of three hundred dollars (\$300).

Each taxpayer would only be eligible for one credit. For taxpayers filing a joint return, only one credit could be claimed. In the case of married taxpayers filing separate, only one taxpayer may claim the credit.

Unused credits would have an unlimited carryover period.

This credit would be repealed on December 1, 2030.

The bill includes Revenue and Taxation Code (RTC) section 41 requirements that would provide that the measurement of effectiveness of the credit would be the number of taxpayers that received the credit. The FTB would be required to annually report to the legislature this data beginning no later than December 1, 2026, and each December 1 thereafter until December 1, 2030.

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, 2025, and before January 1, 2030.

Federal/State Law

Existing federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Current state and federal laws generally allow taxpayers engaged in a trade or business to deduct all expenses that are considered ordinary and necessary in conducting that trade or business.

Currently, there are no federal or state credits comparable to the credit this bill would create.

Implementation Considerations

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

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It is uncertain whether the \$300 limitation is regarding the value of the safe or the credit allowed. The author may wish to amend to provide clarity.

This bill requires the FTB to prepare a report on the performance of the credit allowed by this bill by December 1, 2026, and each December 1 thereafter until 2030. If the author's intent is to be able to review a report that contains complete information for the 2025 taxable year, it is recommended that the report due date be extended to a later date. For instance, the due date for the 2025 personal income tax return is April 15, 2026, with extension individuals may file as late as October 15, 2026. The FTB needs approximately six months to complete return processing and to compile the needed data to prepare a report. As a result, it is recommended that the reporting due date be no earlier than May of 2027 to provide information for the 2025 taxable year. If the reporting due date remains unchanged, the report would include the information available at that time.

Technical Considerations

For consistency of terminology, the following changes are recommended:

- In RTC section 17053.81(e)(3), consider replacing the term "received" with "claimed".
- In RTC section 17053.81(c)(1), consider replacing the phrase "In the case of two taxpayers who may legally file a joint return but file separate returns," with "If an individual has filed a separate return for a taxable year for which a joint return could have been filed".

In RTC section 17053.81(a), strike out "each taxable year" and insert "taxable years". This will help clarify that a taxpayer can be eligible for only one credit allowed by this section rather than one credit each taxable year.

RTC section 17039 allows for the use of carryovers of credits that have been repealed or become inoperative. As a result, the second sentence in subdivision (f) could be deleted for consistency within the RTC.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 2219 (Wallis, 2023/2024) would allow for a credit against net tax for the purchase and installation of a security surveillance system. This bill is currently in the committee process.

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AB 582 (Connolly, 2023/2024) would have provided a maximum \$400 tax credit each taxable year, to a qualified taxpayer with a primary residence in high or very high fire hazard zone for certain expenses paid or incurred. This bill did not pass out of the Assembly Appropriations Committee by the constitutional deadline.

AB 324 (Choi, 2021/2022) would have allowed a tax credit for costs paid or incurred to install an attic vent closure in a residential property. AB 324 did not pass out of the Assembly Appropriations Committee by the constitutional deadline.

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 2861 as Amended March 18, 2024
Assumed Enactment after June 30, 2024

(\$ in Millions)

Fiscal Year	Revenue
2024-2025	-\$13
2025-2026	-\$27
2026-2027	-\$31

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

Support

Per the Assembly Revenue and Taxation analysis of AB 2861 (Wallis 2023/2024), dated April 5, 2024, the following organization supports this bill:

Peace Officers' Research Association of California (PORAC)

Opponents

Per the same analysis, the following organization opposes the bill:

California Tax Reform Association

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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