



STATE OF CALIFORNIA  
**Franchise Tax Board**

## Bill Analysis

Author: Durazo, et al.

Sponsor:

Bill Number: SB 227

Related Bills: See Legislative  
History

Amended: April 20, 2023

### SUBJECT

Gross Income Exclusion – Excluded Workers Program

### SUMMARY

This bill would, under the Labor Code (LAB), create the Excluded Workers Program (EWP). Under the Personal Income Tax Law (PITL), this bill would exclude from gross income benefits or payments received from the EWP.

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

### RECOMMENDATION

No position.

### SUMMARY OF AMENDMENTS

The April 20, 2023, amendments modified the Section 41 provision of the bill, by requiring the Employment Development Department (EDD), rather than the Franchise Tax Board (FTB), to report on the total benefits paid and average amount allowed. These amendments resolved the previously identified implementation considerations.

### REASON FOR THE BILL

The reason for this bill is to exclude from gross income benefits and payments received from the EWP.

### ANALYSIS

Excluded Workers Program

This bill would, under the LAB, create the EWP, which would provide benefits to excluded workers and would be administered by the EDD upon appropriation by the Legislature. Individuals who are eligible for the program could receive up to 20 weeks of unemployment assistance.

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### Gross Income Exclusion

Under the PITL, this bill would, for taxable years beginning on or after January 1, 2025, and before January 1, 2027, exclude from gross income benefits or payments received under the EWP.

### *Effective/Operative Date*

This bill would be effective January 1, 2024, and the gross income exclusion would be specifically operative for taxable years beginning on or after January 1, 2025, 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 current federal law, unemployment compensation received, including state unemployment insurance benefits, are taxable. Under current state law, unemployment compensation is nontaxable for state purposes.

### *Implementation Considerations*

None noted.

### *Technical Considerations*

For grammatical consistency, Section 17140.6 should be changed to read, "For taxable years beginning on or after January 1, 2025..."

### *Policy Considerations*

None noted.

## **LEGISLATIVE HISTORY**

AB 2847 (Garcia, et al., 2021/2022), similar to this bill, would have under the LAB, created the Excluded Workers Pilot Program (EWPP). Under the PITL, the benefits and payments received under the EWPP, would have been excluded from gross income. AB 2847 was vetoed by the governor, whose veto message stated in part, "With our state facing lower-than-expected revenues over the first few months of this fiscal year, it is also important to remain disciplined when it comes to spending, particularly spending that is ongoing."

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**PROGRAM BACKGROUND**

Pandemic Unemployment Assistance (PUA)

PUA provided unemployment benefits to individuals who were not typically eligible to receive unemployment benefits. Individuals had to meet specified criteria and provide supporting documentation. The PUA, which was available between February 2, 2020, and September 4, 2021, provided up to 86 weeks of benefits, depending on when the individual was affected. PUA ended on September 4, 2021, and any remaining balances on individual accounts were forfeited.

**FISCAL IMPACT**

The FTB’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 SB 227 as amended on April 20, 2023  
Assumed Enactment after June 30, 2023

(\$ in Millions)

<b>Fiscal Year</b>	<b>Revenue</b>
2023-2024	\$0
2024-2025	\$0
2025-2026	-\$4.3

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.

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## **SUPPORT/OPPOSITION**

The April 14, 2023, Senate Governance and Finance Committee analysis included the following support and opposition.

### *Support*

Safety Net for All Coalition (Sponsor); 350 Santa Barbara; 805 Undocufund; Aapi Equity Alliance; Aapis for Civic Empowerment Education FundAccess Reproductive Justice; African Communities Public Health Coalition; Afscome; Alameda County Community Food Bank; Alchemist CDC; Alliance for Boys and Men of Color; Armenian Relief Society of Western Usa, Social Services Asian Americans Advancing Justice-southern California; Bay Area Asset Funders Network; Bet Tzedek Legal Services; Board of Supervisors for The City and County of San Francisco; Buen Vecino; Building Skills Partnership; California Association of Food Banks; California Catholic Conference; California Climate & Agriculture Network; California Domestic Workers Coalition; California Edge Coalition; California Employment Lawyers Association; California Environmental Justice Alliance; California Food and Farming Network; California Health+ Advocates; California Immigrant Policy Center; California Immigrant Youth Justice Alliance; California Institute for Rural Studies; California Labor Federation; California Labor Federation, Afl-cio; California Latinas for Reproductive Justice; California Teamsters Public Affairs Council; California Women's Law Center; Canal Alliance; Caring Across Generations; Center for Community Action and Environmental Justice; Center for Workers' Rights; Central American Resource Center- Carecen- of California; Central California Environmental Justice Network; Central Coast Alliance United for A Sustainable Economy; Central Coast Labor Council; Central Valley Immigrant Integration Collaborative; Central Valley Justice Coalition; Central Valley Urban Institute; Centro Binacional Para El Desarrollo Indígena Oaxaqueno; Centro Del Inmigrante, INC; Ceres Community Project; Chan-bof for Peace Collaborative; Children's Institute; Chinese for Affirmative Action; Chinese Progressive Association; City of Huron; Clean Carwash Worker Center; Coalition for Humane Immigrant Rights; Community Action Board of Santa Cruz County; Community Power Collective; Comunidades Aliadas Tomando Accion; Courage California; Crla Foundation; Csa San Diego County; Day Worker Center of Mountain View; Deafhope; East Bay Alliance for A Sustainable Economy; East Bay Sanctuary Covenant; Economic Security Project Action; El Centro Cultural De Mexico, Santa Ana; Employee Rights Center; Empowering Pacific Islander Communities; End Poverty in California; Equal Rights Advocates; Filipino Advocates for Justice; Filipino Community Center; Food Empowerment Project; Friends Committee on Legislation of California; Garment Worker Center; Gathering Strength Collective; Golden State Opportunity; Grace - End Child Poverty in California; Graton Day Labor Center; Harbor Institute for Immigrant and Economic Justice; Having Our Say Coalition; Hope of The Valley Rescue Mission; Immigrant Defenders Law Center; Inclusive Action for The City' nland Coalition for Immigrant Justice; Inland Congregations United for Change; Inland Empire Immigrant

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Youth Collective; Inland Empire United; Inland Equity Community Land Trusts; Jakara Movement; Jewish Public Affairs Committee; Kiwa (koreatown Immigrant Workers Alliance); LA Raza Centro Legal; Laane (Los Angeles Alliance for A New Economy); Latino and Latina Roundtable of The San Gabriel and Pomona Valley; Legal Aid At Work; Lideres Campesinas; Long Beach Immigrant Rights Coalition; Los Angeles County Democratic Party; Los Angeles Food Policy Council; Los Angeles LGBT Center; Los Angeles Worker Center Network; Maintenance Cooperation Trust Fund; Maternal and Child Health Access; Mental Health America of Los Angeles; Mi Familia Vota; Mixteco Indigena Community Organizing Project; Monterey Bay Central Labor Council, Afl-cio; Mujeres Unidas Y Activas; Multicultural Institute; National Association of Social Workers, California Chapter; National Day Laborer Organizing Network; National Ecumenical Forum for Filipino Concerns; National Employment Law Project; National Immigration Law Center; National Lawyers Guild Los Angeles; Nelson Esparza Fresno City Council, District 7; Nikkei Progressives; Norcal Resist; North Bay Jobs With Justice; Northridge Indivisible; Nourish California; Oasis Legal Services; Orange County Communities Organized for Responsible Development; Parent Engagement Academy; Parent Voices CA; People's Budget Orange County; People's Collective for Environmental Justice; Pesticide Action Network; Pesticide Action Network North America; Pilipino Association of Workers and Immigrants; Pilipino Workers Center; Pomona Economic Opportunity Center; Program for Torture Victims; Promesa Boyle Heights; Public Health Advocates; Rainbow Pride Youth Alliance; Regeneración - Pajaro Valley Climate Action; Restaurant Opportunities Centers of California; Salva; San Diego Immigrant Rights Consortium; San Francisco Board of Supervisors; San Francisco Senior and Disability Action; San Mateo County Board of Supervisors; Second Harvest of Silicon Valley; Seiu-usww; Shields for Families; Siren: Services Immigrant Rights and Education Network; Small Business Majority; Social Justice Collaborative; Somos Familia Valle; South Asian Network; South Bay People Power; Southern California Coalition for Occupational Safety and Health; Street Level Health Project; Survivors of Torture, International; Techequity Collaborative; Thai Community Development Center; The Children's Partnership; The Praxis Project; The San Fernando Valley Young Democrats; The Unity Council; The Women's Building; Todec Legal Center; Trabajadores Unidos Workers United; UCLA Labor Center; Udw/afscme Local 3930; Ufcw - Western States Council; Unemployed Workers United; Unitarian Universalist Association; Unite-here, Afl-cio; United Food and Commercial Workers, Western States Council; United Ways of California; United We Dream; Unity Hope; Universidad Popular; Warehouse Worker Resource Center; Western Center on Law & Poverty; Women's Employment Rights Clinic; Workers United, Western States Regional Joint Board; Working Partnerships USA; Worksafe; Several Individuals.

*Opposition:*

None listed.

Bill Analysis

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## **ARGUMENTS**

To be determined.

## **LEGISLATIVE CONTACT**

[FTBLegislativeServices@ftb.ca.gov](mailto:FTBLegislativeServices@ftb.ca.gov)