



STATE OF CALIFORNIA  
**Franchise Tax Board**

## Bill Analysis

Author: Hurtado & Umberg

Sponsor:

Bill Number: SB 262

Related Bills: See Legislative  
History

Introduced: January 30, 2023,  
and Amended March 6, 2023

### SUBJECT

California Farmworkers Drought and Flood Resilience Pilot Project – Income Exclusion

### SUMMARY

This bill, under the Welfare and Institutions Code (WIC) and upon appropriation, would create the California Farmworkers Drought and Flood Resilience Pilot Project (Pilot Project) to provide supplemental pay for eligible households, and under the Personal Income Tax Law (PITL), would provide a gross income exclusion for supplemental pay received.

This analysis only addresses the provisions that would impact the department.

### RECOMMENDATION

No position.

### SUMMARY OF AMENDMENTS

The March 6, 2023, amendment revised the pilot program name.

### REASON FOR THE BILL

The reason for this bill is to create a program that helps lift farmworkers out of poverty and provide an income exclusion for supplemental payments to households with farm workers.

### ANALYSIS

This bill, under the WIC and upon an appropriation by the Legislature, would create the Pilot Project to provide supplemental pay for eligible households. This program would be administered by the California Department of Social Services.

Under the PITL this bill would provide a gross income exclusion for supplemental pay received by a household pursuant to the Pilot Project. The gross income exclusion would remain in effect until January 1, 2028.

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This bill, under the WIC, would:

- Define an “eligible household” to mean a household in which one member of the household is a farmworker.
- Provide that “farmworker” has the same meaning as the term “agricultural employee,” per Labor Code section 1140.4.
- Define “supplement pay” to mean unconditional cash payment of equal amounts issued monthly to eligible households with the intention of ensuring the economic security of those households.

#### *Effective/Operative Date*

This bill, contingent upon an appropriation by the Legislature, would be effective January 1, 2024, and the gross income exclusion would be operative for taxable years beginning on or after January 1, 2024.

#### *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.

#### *Implementation Considerations*

None noted.

#### *Technical Considerations*

For consistency of terminology, in Section 17131.18, it is recommended that the phrase “a household” be replaced with “an individual”.

For clarity, the author may want to include a specific operative date.

#### *Policy Considerations*

Under Revenue and Taxation Code 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. The author may wish to amend the bill to include these goals, purposes, objectives, and performance measures.

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## **LEGISLATIVE HISTORY**

SB 333 (Cortese 2023/2024) would establish the California Success, Opportunity, and Academic Resilience Guaranteed Income Program. This bill is currently in the committee process.

## **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 determined.

## **ECONOMIC IMPACT**

### *Revenue Estimate*

This bill would exclude from gross income supplemental pay received by an eligible household pursuant to the Pilot Project. The revenue impact of this bill depends on the number of eligible households and the amount of supplemental pay that is received. Because it is difficult to predict the number of eligible households and the amount of the supplemental pay they would receive, the revenue impact to the General Fund is unknown.

It is estimated that, each year for every \$1 million of supplemental pay received, there would be a revenue loss of approximately \$20,000.

## **LEGAL IMPACT**

None noted.

## **APPOINTMENTS**

None noted.

## **SUPPORT/OPPOSITION**

To be determined.

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## **ARGUMENTS**

To be determined.

## **LEGISLATIVE CONTACT**

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