



Bill Analysis

Author: Hurtado & Umberg

Sponsor:

Bill Number: SB 262

Related Bills: See Legislative
History

Amended: April 20, 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 Franchise Tax Board (FTB).

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 20, 2023, amendments added Revenue and Taxation Code (RTC) section 41 specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the income exclusion and added a reporting requirement. The amendments resolved the policy consideration discussed in the FTB's analysis of the bill as introduced January 30, 2023, and as amended March 6, 2023, and created a new technical consideration.

REASON FOR THE BILL

The reason for this bill is to create a program that provides assistance to farmworkers and provides an income exclusion for supplemental payments to households with farm workers.

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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 (CDSS).

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.

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.

This bill would require CDSS to submit a report to the Legislature no later than June 15, 2026, on the total number of individuals receiving supplemental pay and the average amount allowed.

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 clarity, the author may want to include a specific operative date for the income exclusion.

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For clarity, the author may want to provide the full name of the department responsible for reporting, the Department of Social Services, in the off-code language adding the reporting requirements.

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

Policy Considerations

None noted.

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.

SB 1066 (Hurtado, 2021/2022) was similar to this bill. The bill was vetoed by the Governor. The veto message included, "[b]ills with significant fiscal impact, such as this measure, should be considered and accounted for as part of the annual budget process."

PROGRAM BACKGROUND

None noted.

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 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.

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LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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