



Bill Analysis

Author: Cortese, et al.

Sponsor:

Bill Number: SB 333

Related Bills: See Legislative
History

Introduced: February 7, 2023
Amended: March 16, 2023,
and April 10, 2023

SUBJECT

Homeless pupils: California Success, Opportunity, and Academic Resilience (SOAR) Guaranteed Income Program

SUMMARY

This bill would, under the Welfare and Institutions Code (WIC), establish the California SOAR Guaranteed Income Program for public school pupils.

This bill would, under the Personal Income Tax Law (PITL), provide that gross income does not include any amount received as an award pursuant to the California SOAR Guaranteed Income Program; additionally, any amount received as an award pursuant to this program would not be considered earned income for purposes of eligibility for the California Earned Income Tax Credit (CalEITC) or the Young Child Tax Credit (YCTC).

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 16, 2023, amendments changed the SOAR program dates, defined a new term, and added a new requirement regarding identification of eligible participants.

The April 10, 2023, amendments removed the provision which would have allowed the State Department of Social Services (SDSS) to extend the California SOAR Guaranteed Income Program and added a coauthor.

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

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REASON FOR THE BILL

The reason for the bill is to provide support to youth experiencing homelessness during the bridge between high school graduation and postsecondary education or employment.

ANALYSIS

This bill would, under the PITL, for the taxable year beginning on January 1, 2025, provide that gross income does not include any amount received as an award pursuant to the California SOAR Guaranteed Income Program.

For the taxable year beginning on January 1, 2025, any amount received as an award pursuant to the California SOAR Guaranteed Income Program would not be considered earned income for purposes of eligibility for the CalEITC or the YCTC.

This bill would, under the WIC, establish the California SOAR Guaranteed Income Program administered by SDSS. The SDSS, in consultation with the State Department of Education, would be required to distribute monthly awards to eligible participants.

This program, subject to appropriation by the Legislature, would provide that an eligible participant would receive a guaranteed income of \$1,000 each month for five months from April 1, 2025, to August 1, 2025, inclusive. The program may be extended by statute.

For purposes of this program, an eligible participant would mean a public school pupil who is in grade 12 and is a homeless child or youth, as defined.

Effective/Operative Date

This bill would be effective January 1, 2024. The tax provision would be specifically operative for the taxable year beginning on January 1, 2025, and the California SOAR Guaranteed Income Program provisions would be operative subject to an appropriation by the Legislature and could be extended by statute.

Federal/State Law

Federal Law

Gross Income

Existing federal law (Internal Revenue Code (IRC) section 61) provides 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.

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Existing federal law provides that certain types of income are excluded from gross income, such as amounts received as a gift, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations.

Although not codified in federal law, the Internal Revenue Service (IRS) has applied the "general welfare exclusion" under which gross income does not include certain payments made to or on behalf of individuals by governmental units under governmentally provided social benefit programs based on "need." To qualify for exclusion, the payments must:

- Be made pursuant to a governmental program.
- Be for the promotion of the general welfare generally on the basis of "need." Absent the establishment of need, the payments will not qualify for exclusion.
- Not represent compensation for services.

State Law

California conforms, under the PITL, to IRC section 61 as to the definition of gross income. California also conforms, in part, to some of the federal statutory exclusions from income.

Implementation Considerations

None noted.

Technical Considerations

For grammatical consistency, subdivisions (a) and (b) of Section 17141.6 should be changed to read, "For taxable years beginning on or after January 1, 2025, and before January 1, 2026". Alternatively, if the author's intent is to have the income exclusion apply to future years, the bill should be amended to extend the ending operative date past the first year.

This bill would exclude any amount received as an award pursuant to the California SOAR Guaranteed Income Program from being considered earned income for purposes of eligibility for the CalEITC or the YCTC. If it is the intent of the author to also include the Foster Youth Tax Credit here, subdivision (b) of Section 17141.6 should be amended to include the Foster Youth Tax Credit.

Policy Considerations

This bill would provide for the ability to extend the California SOAR Guaranteed Income Program by statute. If the program is extended beyond the first year, the income exclusion would only be applicable for the taxable year beginning on January 1, 2025. If this is contrary to the author's intent, the bill should be amended.

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Although the payments from the California SOAR Guaranteed Income Program would be excludable under state law and would not impact state benefits, these payments may be taxable under federal income tax law and impact eligibility for federal benefits.

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 want to amend the bill to include these goals, purposes, objectives, and performance measures.

LEGISLATIVE HISTORY

SB 444 (Hertzberg, et al., 2021/2022) would have, under the PITL, provided an exclusion from gross income amounts received for participation in National and Community Service State Grant Program and California for All Education Award Program. SB 444 did not advance out of the Assembly by the constitutional deadline.

SB 1341 (Cortese & Haney, 2021/2022), similar to this bill, would have, under the WIC, established the California SOAR Guaranteed Income Program for public school pupils and, under the PITL, would have provided an exclusion from gross income and earned income for any amount received as an award pursuant to the California SOAR Guaranteed Income Program. SB 1341 did not advance out of the Assembly by the constitutional deadline.

AB 2712 (Low, 2019/2020) would have, under the WIC, established the California Universal Basic Income (CalUBI) Act. The FTB, subject to appropriation by the Legislature, would have been required to administer the CalUBI Program providing monthly payments in the amount of \$1,000 to eligible California residents who elect to receive such payments. AB 2712 did not advance out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

The department anticipates minimal costs to implement this bill.

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ECONOMIC IMPACT

Revenue Estimate

This bill as introduced February 7, 2023, and amended March 16, 2023, and April 10, 2023, would not impact state income or franchise tax revenue.

Revenue Discussion

This bill would exclude from gross income an award received under the California SOAR Guaranteed Income Program. Under this program an eligible participant would receive a guaranteed income of \$5,000 in the 2025 taxable year.

The filing threshold for resident single taxpayers under the age of 65 who have no dependents and cannot be claimed as a dependent on another return is \$20,916 for the 2022 taxable year. The threshold is indexed yearly. Because the guaranteed income would be below the filing threshold in the 2025 taxable year, there would be no requirement to file a return and report the income. As a result, there would be no revenue impact.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Support

As per the April 21, 2023, Senate Committee on Human Services analysis, the following organizations are in support of SB 333:

- Economic Security Project Action (Co-Sponsor)
- Young Invincibles (Co-Sponsor)
- All Home
- Alliance for Children's Rights
- Bay Area Asset Funders Network
- Bill Wilson Center
- Building Skills Partnership
- California Coalition for Youth
- California Federation of Teachers Afl-cio

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- California State Pta
- Children Now
- Collaborising
- Community Action Partnership of Orange County
- Community Health Councils
- County of Los Angeles Board of Supervisors
- County of Santa Clara
- Disability Rights California
- Education Justice Academy
- End Poverty in California (EPIC)
- Five Keys
- Food Recovery Network
- Friends Committee on Legislation of California
- Genup (generation Up)
- Glide
- Indivisible CA Statestrong
- John Burton Advocates for Youth
- LA Best Babies Network
- Los Angeles Regional Food Bank
- Miracle Messages
- Mission Neighborhood Health Center
- Monarch School
- National Association of Social Workers, California Chapter
- Orange County United Way
- Public Health Advocates
- San Francisco Bay Area Planning and Urban Research Association (SPUR)
- San Francisco-marin Food Bank
- Santa Clara County School Boards Association Legislative Action Committee
- Silicon Valley Community Foundation
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- United Way California Capital Region
- United Ways of California
- Universal Income Project

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Opposition

None noted.

ARGUMENTS

None noted.

LEGISLATIVE CONTACT

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