



## Bill Analysis

Author: Cortese, et al.

Sponsor:

Bill Number: SB 333

Related Bills: See Legislative  
History

Amended: July 3, 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), the Young Child Tax Credit (YCTC), or the Foster Youth Tax Credit (FYTC).

### RECOMMENDATION

No position.

### SUMMARY OF AMENDMENTS

The July 3, 2023, amendments modified the operative and repeal dates for the income exclusion, added Revenue and Taxation Code (RTC) section 41 requirements, and made other technical changes. The amendments resolved all the technical considerations and two of the policy considerations discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced February 7, 2023, and amended on March 16, 2023, and April 10, 2023.

This analysis only addresses the provisions of the bill that would impact the FTB.

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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 WIC, establish the California SOAR Guaranteed Income Program administered by State Department of Social Services (SDSS). 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. 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.

This bill would, under the PITL, for the taxable years beginning on or after January 1, 2025, and before January 1, 2030, provide that gross income does not include any amount received as an award pursuant to the California SOAR Guaranteed Income Program.

For the taxable years beginning on or after January 1, 2025, and before January 1, 2030, 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, the YCTC, or the FYTC.

This bill would require the State Department of Education, in collaboration with State Department of Social Services, to analyze and report to Legislature on or before March 1, 2026, on both of the following:

- College enrollment, attainment, and completion among California SOAR Guaranteed Income Program participants compared to youth experiencing homelessness in previous years and compared to similarly situated youth who are not participants.
- Measures of economic security, including housing security, ability to meet basic needs, income level, and employment, among California SOAR Guaranteed Income Program participants compared to youth experiencing homelessness in previous years and compared to similarly situated youth who are not participants.

This exclusion would be repealed on December 1, 2030.

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### *Effective/Operative Date*

This bill would be effective January 1, 2024. The income exclusion would be specifically operative for the taxable years beginning on or after January 1, 2025, and before January 1, 2030, 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.

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.

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### *Technical Considerations*

For grammatical consistency and consistency of PITL terminology, subdivisions (a) and (b) of Section 17141.6, the word “the” should be deleted to read as, “For taxable years beginning on or after...”.

### *Policy Considerations*

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.

## **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 FTB anticipates minimal costs to implement this bill.

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## **ECONOMIC IMPACT**

### *Revenue Estimate*

This bill as amended July 3, 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. Assuming this is the individual's only source of income and they cannot be claimed as a dependent, 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. Therefore, there would be no revenue impact.

## **LEGAL IMPACT**

None noted.

## **APPOINTMENTS**

None noted.

## **SUPPORT/OPPOSITION**

### *Support*

As per the June 2, 2023, Assembly Human Services committee analysis, the following organizations are in support of SB 333:

- Economic Security Project Action (Co-Sponsor)
- GenUp (Co-Sponsor)
- Young Invincibles (Co-Sponsor)
- AIDS Healthcare Foundation
- Alameda County Office of Education
- All Home
- Bay Area Asset Funders Network
- Building Skills Partnership

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- California Coalition for Youth
- California Federation of Teachers AFL-CIO
- Children Now
- City and County of San Francisco
- Collaborising
- 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
- GLIDE
- Indivisible California
- John Burton Advocates for Youth
- LA Best Babies Network
- Los Angeles Regional Food Bank
- Miracle Messages
- Mission Neighborhood Health Center
- National Association of Social Workers, California Chapter
- Orange County United Way
- Public Health Advocates
- San Francisco-Marin Food Bank
- Silicon Valley Community Foundation
- United Parents and Students
- United Way California Capital Region
- United Ways of California
- Universal Income Project
- Voices for Progress
- Western Center on Law & Poverty

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### *Opposition*

Per the same analysis, there is no opposition noted.

### **ARGUMENTS**

None noted.

### **LEGISLATIVE CONTACT**

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