



Bill Analysis

Author: Rodriguez and Bains

Sponsor:

Bill Number: AB 1057

Related Bills: See Legislative
History

Amended: March 26, 2025,
and April 28, 2025

SUBJECT

Gross Income Exclusion for First Responders Overtime Pay

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified overtime wages received by a qualified taxpayer.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 26, 2025, amendments added a co-author and modified the definition of a qualified taxpayer to remove the residency requirement.

The April 28, 2025, amendments expanded the definition of a qualified taxpayer to include additional emergency personnel.

REASON FOR THE BILL

The reason for this bill is to provide first responders an income exclusion for services provided during public need.

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified overtime wages received by qualified taxpayer.

The bill defines the following terms:

- **“Qualified overtime wages”** means overtime wages paid to a qualified taxpayer for work performed directly in response to, or in support of, areas impacted by a duly declared state of emergency or local emergency.
- **“Qualified taxpayer”** means either of the following:
 - A first responder as defined in the Government Code (GOV) section 8562, as an employee of a state or local agency who provides emergency response services, which may include a peace officer, a firefighter, paramedic, public safety dispatcher or telecommunicator, or emergency medical technician, that is officially deployed in response to, or in support of, emergency operations relating to a duly declared state of emergency or local emergency or;
 - An emergency medical technician, paramedic, or ambulance driver employed by an entity that is contractually responsible for emergency ambulance services for a fire agency pursuant to the Health and Safety Code (HSC) 1797.230, which allows a county to contract for emergency services ambulance services with a fire agency that provide these services, that is officially deployed in response to, or in support of, emergency operations relating to a duly declared state of emergency or local emergency.
- **“State of emergency”** as defined in the GOV section 8558, means an official announcement of conditions of a disaster or of extreme peril to the safety of persons and property within the state caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, electromagnetic pulse attack, plant or animal infestation or disease, the Governor’s warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy or conditions causing a “state of war emergency,” which, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single county, city and county, or city and require the combined forces of a mutual aid region or regions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage requires extraordinary measures beyond the authority vested in the Public Utilities Commission.
- **“Local emergency”** as defined in the GOV section 8558, means an official announcement of a disaster or of extreme peril to the safety of persons or property within the territorial limits of a county, city and county, or city caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, de-energization event, electromagnetic pulse attack, plant or animal infestation or disease, the Governor’s warning of an earthquake or volcanic prediction, or an

earthquake, or other conditions, other than conditions resulting from a labor controversy, which are or are likely to be beyond the control of the services, personnel, equipment, and facilities of that political subdivision and require the combined forces of other political subdivisions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage or de-energization event that requires extraordinary measures beyond the authority vested in the Public Utilities Commission.

In addition, this bill provides that the Franchise Tax Board (FTB) may prescribe any regulations necessary or appropriate to carry out the purpose of this exclusion, including any regulations for verification procedures, documentation requirements, and any other reporting requirement.

The FTB would be allowed to prescribe rules, guidelines, or procedures, or other guidance to administer this exclusion. The Administrative Procedures Act would not apply to any rule, guideline, or procedure prescribed by the FTB.

This exclusion would be repealed on December 1, 2030.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2025, and before January 1, 2030.

Federal/State Law

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. Types of income currently excluded include amounts received as a gift or inheritance, certain compensation for injuries and sickness, educational assistance programs, foster care payments, interest received on certain state or federal obligations, and qualified scholarships. Currently, there is no specific exemption for first responders' overtime pay, and as such overtime pay is includible in gross income.

Under existing state law, legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirements measures to allow the Legislature to evaluate the effectiveness of the tax benefit. Legislation that would create an income exclusion, would not require detailed performance indicators and data collection requirements performance measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

The FTB has identified the following implementation considerations and is available to **work with the author's office to resolve these and other** considerations that may be identified.

This bill defines the **term** “qualified overtime **wages**” as overtime wages paid as specified but does not provide a definition for overtime wages. The absence of defining overtime wages could lead to taxpayer confusion and without a clear definition the application of this bill could be broad. For clarity, the author may wish to amend the bill to define this term.

Currently, total wages from an employer are reported on Form W-2 Wages and Tax Statement in box 1, wages, tips, and other compensation. The author may wish to amend the bill to include employer reporting requirements to identify qualified overtime wages eligible for the income exclusion.

Technical Considerations

In Section 17140.6(c)(1), remove “The Franchise Tax Board may prescribe rules, **guidelines, procedures, or other guidance to carry out the purposes of this section.**” as it is not needed since FTB already has the authority to prescribe rules, guidelines or procedures.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 918 (Ransom, 2025/2026) would, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified wages received by first responders for services performed during a proclaimed local or state emergency. AB 918 was held in the Assembly Revenue and Taxation Committee.

AB 1124 (Bains, 2025/2026) would, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, exclude from gross income qualified overtime wages received in connection with an area impacted by a disaster during a period specified by a Presidential Major Disaster Declaration. AB 1124 was held in the Assembly Revenue and Taxation Committee.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

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 result in the following revenue loss:

Estimated Revenue Impact of AB 1057 as amended April 28, 2025
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	-\$12.0
2026-2027	-\$8.1
2027-2028	-\$8.3

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.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Committee on Revenue and Taxation, dated May 2, 2025.

Support

Arcadia Police Officers' Association
 Brea Police Association
 Burbank Police Officers' Association
 California Association of School Police Chiefs
 California Chapter National Emergency Number Association (CALNENA)
 California Coalition of School Safety Professionals
 California Narcotic Officers' Association
 California Police Chiefs Association
 California Reserve Peace Officers Association
 California State Sheriffs' Association
 Claremont Police Officers Association
 Corona Police Officers Association
 Culver City Police Officers' Association
 Fullerton Police Officers' Association
 Los Angeles School Police Management Association
 Los Angeles School Police Officers Association
 Murrieta Police Officers' Association
 Newport Beach Police Association
 Palos Verdes Police Officers Association
 Peace Officers Research Association of California (PORAC)
 Placer County Deputy Sheriffs' Association
 Pomona Police Officers' Association
 Riverside Police Officers Association
 Riverside Sheriffs' Association
 Santa Ana Police Officers Association

Opposition

CFT- a Union of Educators & Classified Professionals, AFT, AFL-CIO

ARGUMENTS

Assembly Committee on Revenue and Taxation, dated May 2, 2025.

Proponents

Writing in support of this bill, the California State Sheriffs' Association noted, in part:

First responders are the backbone of public safety, risking their lives to protect communities in times of crisis. Their work often demands extensive overtime, particularly during emergencies such as natural disasters, public health crises,

and other large-scale incidents that require immediate response. Under this proposal, overtime wages earned by qualified first responders will not be considered taxable income if it is earned while responding or supporting emergency operations in a designated disaster zone. As first responders continue to place themselves in harm's way to protect the public, it is only fitting that the state takes action to support and recognize their sacrifices.

Opponents

Writing in opposition to this bill, the California Federation of Teachers (CFT) noted, in part:

For every dollar that is provided in tax expenditures, approximately 40 cents of each dollar comes out of California's classrooms. For this reason, CFT opposes the tax expenditure. While the merits and goals of the bill are laudable, educators prefer that the state invest in progressive tax policies, such as a wealth tax, which would gather a minuscule amount of revenue from those who count their net worth in the billions. Revenue from such a source would more than cover the goal of this bill and more, without harming others in this zero-sum environment.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov