



## **Bill Analysis**

Author: Bains

Sponsor:

Bill Number: AB 1124

Related Bills: See Legislative  
History

Introduced: February 20, 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**

Not applicable.

### **REASON FOR THE BILL**

The reason for this bill is to provide first responders a tax benefit 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, an area impacted by a disaster during a period specified by a Presidential Major Disaster Declaration, and for 30 days after the expiration of that declaration.
- “Qualified Taxpayer” means a first responder as defined in the Government Code (GOV) section 8562, defined 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, and an emergency medical technician and satisfies at least one of the following:
  - Resides in a county in which a Presidential Major Disaster was declared,
  - Is Employed in a county in which a Presidential Major Disaster was declared, or
  - Is officially deployed in response to, or in support of, emergency operations declared a Presidential Major Disaster as part of the Office of Emergency Services Law Enforcement Mutual Aid Plan.

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 is includible in gross income.

### *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*

Section 17140.6(c)(2) can be removed because the FTB already has the authority to prescribe regulations.

### *Policy Considerations*

This bill defines qualified wages as overtime wages paid to a qualified taxpayer for work performed directly in response to, or support of, and area impacted by a disaster during a period specified by a "Presidential Major Disaster Declaration". If the intent of the author is to not restrict the application to only "Presidential Major Disaster Declarations", then the author may wish to amend the bill to reference the declaration of a Presidentially declared disaster.

## **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 is held in the Assembly Revenue and Taxation Committee.

AB 1057 (Rodriguez, 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 by a qualified taxpayer who is officially deployed in response or in support to emergency operations relating to a duly declared state of emergency or local emergency. AB 1057 is 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 1124 as Introduced February 20, 2025  
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	-\$7.2
2026-2027	-\$4.9
2027-2028	-\$5.3

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.

### LEGAL IMPACT

None noted.

**EQUITY IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

To be determined.

**ARGUMENTS**

To be determined.

**LEGISLATIVE CONTACT**

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