



Bill Analysis

Author: Tangipa and Gonzalez Sponsor:

Bill Number: AB 1481

Related Bills: See Legislative
History

Amended: March 24, and
April 28, 2025

SUBJECT

Qualified Taxpayer Alien Relative Tax Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2026, and before January 1, 2031, provide a tax credit to qualified taxpayers for filing a federal Petition for Alien Relative (I-130) form, equal to \$675 if the form is filed by paper or \$625 if filed online.

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 24, 2025, amendments removed provisions of the bill related to the Sales and Use Tax Law and replaced them with the provisions discussed in the analysis.

The April 28, 2025, amendments modified the operative date, added credit amounts, further defined a qualified taxpayer, and added Revenue and Taxation Code (RTC) section 41 reporting requirements.

This is the Franchise Tax Board's (FTB) first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to provide financial relief by providing a tax credit to individuals who file a federal petition for an alien relative.

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, provide a tax credit to a qualified taxpayer who files a federal Petition for Alien Relative (I-130) form, in the following amounts:

- \$675 for a qualified taxpayer who files a paper federal Petition for Alien Relative (I-130) form.
- \$625 for a qualified taxpayer who files an online federal Petition for Alien Relative (I-130) form.

This bill would define a “qualified taxpayer” as a natural person whose adjusted gross income (AGI) is either of the following:

- For joint filers, heads of household, and surviving spouses, an AGI of \$250,000 or less for the taxable year.
- For all other individuals, an AGI of \$120,000 or less for the taxable year.

Each qualified taxpayer, including a taxpayer filing a joint return, would be eligible for one credit per taxable year. In the case of two taxpayers who may legally file a joint return but file separate returns, only one of the taxpayers may claim the credit.

This bill would provide that any deduction or credit otherwise allowed under this part for any amount of qualified income upon which the credit is based would be required to be reduced by the amount of the credit allowed by this bill.

The unused credit could be carried over for eight years until exhausted.

This bill would require a qualified taxpayer to report any necessary information regarding the credit to the FTB, in the form and manner specified by the FTB.

For purposes of complying with RTC section 41, the FTB would be required to submit a report to the Legislature on or before January 1, 2030, detailing the total dollar amount of credits allowed and the number of taxpayers allowed a credit. The RTC section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

The credit would sunset on December 1, 2031.

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, 2026, and before January 1, 2031.

Federal/State Law

Federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits, hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise be undertaken.

There is no comparable credit similar to the credit this bill would create in state or federal law.

Implementation Considerations

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

The bill is silent on who would be entitled to claim the credit, if spouses file separate returns and both file the federal Petition for Alien Relative and claim the credit. To avoid taxpayer confusion, the author should consider amending the bill to clarify intent.

This bill requires the FTB to prepare a report on the performance of the credit allowed by this bill no later than January 1, 2030. If the author's intent is to be able to review a report that contains complete information, it is recommended that the report due date be extended to no earlier than July 1, 2032. The FTB needs approximately six to eight months to complete return processing and to compile the needed data to prepare a report.

Technical Considerations

For consistency with other tax credits in the RTC, the following amendments to Section 17054.6 (a) are recommended:

- Replace the phrase "each taxable year" with "taxable years."
- Insert "the amount paid or incurred by the qualified taxpayer, during the taxable year, for" before "the following:"
- Strikeout subdivision (d) as it is unnecessary since the credit is not based on qualified income.

For purposes of Part 10 of the RTC, "Board" is defined to mean "Board of Equalization." For clarity, Section 17054.6 (f) should be amended to replace "board" with "Franchise Tax Board."

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 2795 (Gipson, 2019/2020) would have allowed a tax credit, the New Americans Incentive Tax Credit, to individuals that became citizens of the United States through naturalization within a 12-month period preceding the start of a taxable year. AB 2795 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

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 1481 as Amended April 28, 2025
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	-\$16
2026-2027	-\$33
2027-2028	-\$41

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.

Revenue Discussion

Based on data from U.S. Citizenship and Immigration Services (USCIS), nearly 186,000 Form I-130s were filed in California during 2024. Based on the average growth in form filings over the past three years (6 percent), it is estimated that approximately 210,000 forms would be filed in 2026. Since each qualified taxpayer is limited to one credit per return and would need to meet the adjusted gross income specified, it is estimated that approximately 50 percent, or 110,000 taxpayers, would qualify for the credit.

Based on USCIS data, the filing fee for Form I-130 is \$675 for paper filing and \$625 for online filing. It is assumed that 75 percent of applications would be submitted via paper and the remaining 25 percent would be submitted via the online portal. Applying the credit limitation by paper or online filing fee, it is estimated approximately \$71 million in credits would be generated in the 2026 taxable year.

It is estimated that 65 percent, or \$46 million, would be earned by taxpayers with sufficient tax liability to offset with the credit. Of that amount 60 percent, or \$28 million, would be claimed in the year generated and the remaining credit would be used in the subsequent years. It is estimated that credit usage would increase each year thereafter, peaking at \$53 million in the 2030 taxable year.

Research indicates that there would be no offsetting tax effect from disallowing a deduction for expenses used in the calculation of the credit, as personal income taxpayers are currently unable to deduct the Form I-130 fee.

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

None on file.

ARGUMENTS

None on file.

LEGISLATIVE CONTACT

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