STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: McKinnor, et al. Bill Number: AB 2186

SUBJECT

Gross Income Exclusion for Reparations Benefits or Payments

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2028, and before January 1, 2033, exclude from gross income any reparations benefit or payment.

REASON FOR THE BILL

The reason for the bill is to exclude reparations payments received by individuals from being subject to state income tax.

ANALYSIS

This bill, under the PITL, for taxable years beginning on or after January 1, 2028, and before January 1, 2033, would exclude from the gross income any reparations benefit or payment received by a taxpayer during the taxable year.

For purposes of this bill "reparations benefit or payment" would mean any monetary payment, grant, trust distribution, debt forgiveness, or other financial compensation provided to an individual through any of the following:

- A statute enacted by the state establishing a reparations program.
- A local government ordinance, resolution, settlement, or program establishing a reparations program.
- A federal statute, regulation, settlement, or federally administered reparations program.

Reparations program would mean any federal, state, local, tribal, or territorial government program, commission, task force, or other governmental initiative established to provide monetary compensation, benefits, restitution, rehabilitation, satisfaction, guarantees of nonrepetition, or other forms of redress for past or ongoing harms, discrimination, injustice, or inequitable treatment suffered by a defined group of individuals, including, but not limited to, descendants of enslaved persons, incarcerated persons, or members of a protected class.

This income exclusion would remain in effect until December 1, 2033, and would be repealed as of that date.

For purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), the purpose of the exclusion is to ensure that reparations payments fulfill their intended purpose by providing meaningful compensation, rather than being partially recaptured and diminished through state income tax. The Legislature would find and declare that there is no available data to collect or report with respect to the exclusions.

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, 2028, and before January 1, 2033.

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.

Federal and state law allows individuals who faced persecution by Nazi Germany or other Axis regimes based on race, religion, physical or mental disability, or sexual orientation, and their heirs or estates, to exclude from gross income restitution payments and associated interest made by a foreign country, the United States, or any other foreign or domestic entity, or a fund established by any such country or entity, paid as a result of a final resolution of a legal action.

State law allows individuals persecuted under the Ottoman Turkish Empire between 1915 and 1923, and their heirs or estates, to exclude from their gross income settlement payments and associated interest constituting compensation for persecution during that time.

In addition, California 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 requirement 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 requirement measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

None noted.

Technical Considerations

None Noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 437 (Weber Pierson, Chapter 755, Statutes of 2025), under the Government Code (GOV), this bill provided the California State University (CSU) system up to $6 million to research and develop a reliable way to confirm whether someone was a descendant of an enslaved person.

SB 518 (Weber Pierson, Chapter 586, Statutes of 2025), under the GOV, established the Bureau for Descendants of American Slavery within the California Department of Justice.

SB 796 (Bradford, Chapter 435, Statutes of 2021), under the PITL and the Corporate Tax Law, allowed for a gross income exclusion for a one-time sale, transfer, or encumbrance of a portion of land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach."

AB 3121 (Weber, Chapter 319, Statutes of 2020), under the GOV, set up a state task force in 2020 to examine how slavery and racism have impacted African Americans in California.

SB 1013 (Bradford, 2023/2024), under the RTC, would have created the Property Tax Assistance for Descendants of Enslaved Persons Program. SB 1013 did not pass out of the Senate by the required deadline.

PROGRAM BACKGROUND

A state task force was established in 2020, to examine how slavery and racism have impacted African Americans in California.

The task force published two reports: an Interim Report in 2022 and a Final Report—The California Reparations Report—on June 29, 2023.

The Task Force proposed several payment models including individualized claims for specific harms, cumulative payments for descendants who resided in California during historically harmful periods, and a down-payment approach to provide initial compensation.

According to the report, the task force voted to recommend that the "community of eligibility" for reparations be "based on lineage, determined by an individual of Black descendant of a chattel enslaved person or a descendant of a free Black person living in the United States prior to the end of the 19th Century." Additionally, the report did not include a proposed start date for payments for disbursement. The task force formally ended on July 1, 2023.

To support implementation of the Task Force's proposal, California enacted legislation in October 2025 creating the Bureau for Descendants of American Slavery within the California Department of Justice. The new bureau will develop an eligibility verification process to verify an individual's status as a descendant in addition to providing education and outreach to the public on gentrification, red-lining, and the history of discriminatory urban planning among other things.

Additionally, in 2025, legislation directed the CSU system to research and establish reliable methods to confirm descendant status, requiring annual progress updates and a final report outlining verification methods, statewide implementation timelines, and cost estimates.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB anticipates minimal costs to implement this bill.

ECONOMIC IMPACT

Revenue Estimate

To determine the revenue impact of this proposal, both the number of individuals and amount of reparation payments made each year must be known. Since it is not possible to predict the frequency and amount of uncertain payments, the revenue impact to the General Fund is unknown.

It is assumed that for every $1 million in reparation payments received, and applying an average tax rate of 6.3 percent, the estimated revenue loss would be approximately $63,000.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Floor Analysis, dated August 15, 2026

Support

California for Safety and Justice
California-Hawaii State Conference of the NAACP
City of Alameda
Courage California
Friends Committee on Legislation of California
GLIDE
Justice2Jobs Coalition
LA Defensa
Rubicon Programs
Western Center on Law & Poverty, Inc.

Opposition

None on file.

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 20, 2026	58	16
Senate Floor	August 19, 2026	28	10
Assembly Floor	May 26, 2026	58	17

LEGISLATIVE STAFF CONTACT

FTBLegislativeServices@ftb.ca.gov

Nick Maduros
Agency Secretary, GovOps
Work (916) 651-9011

Luis Larios
Legislative Deputy, GovOps
Work (916) 651-9373

Selvi Stanislaus
Executive Officer, FTB
Work (916) 845-4543

Jessica Deitchman
Legislative Director, FTB
Work (916) 845-6333