



Bill Analysis

Author: Schiavo, et al.

Sponsor:

Bill Number: AB 27

Related Bills: See Legislative
History

Introduced December 2, 2024,
and Amended March 3, 2025

SUBJECT

Gross Income Exclusion: Chaquita Canyon Elevated Temperature Landfill Event

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and Corporate Tax Law (CTL), create an exclusion from gross income for any amounts received from the Chiquita Canyon elevated temperature event for taxable years beginning on or after January 1, 2024, and before January 1, 2029.

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 3, 2025, amendments modified the operative date and added the repeal date.

REASON FOR THE BILL

The reason for this bill is to provide relief to taxpayers who have suffered loss, damages, expenses, or inconvenience from the Chiquita Canyon elevated temperature landfill event.

ANALYSIS

Under the PITL and CTL, this bill would create a gross income exclusion for amounts received from the Chiquita Canyon elevated temperature event.

The bill defines the following terms:

- “Chiquita Canyon elevated temperature landfill event” is the elevated temperature landfill event that began on May 1, 2022, that occurred beneath the Chiquita Canyon Landfill in the County of Los Angeles.
- “Chiquita Canyon elevated temperature landfill event payment” is an amount received by a taxpayer on or after March 1, 2024, as compensation for loss, damages, expenses, relocation, suffering, loss in real property value, closing costs with respect to real property, including realtor commissions, or inconvenience, including access to real property, resulting from the Chiquita Canyon elevated temperature event, if the amount was provided by either of the following:
 - A federal, state, or local government agency.
 - Waste Connections, Inc., any subsidiary, insurer, or agent of Waste Connections, Inc.

In addition, this bill would require the taxpayer to provide to the Franchise Tax Board (FTB), upon request, documentation of the amounts received in the form and manner requested by the FTB.

This exclusion would apply to taxable years beginning on or after January 1, 2024.

For the purposes of complying with Section 41 of the Revenue and Taxation Code (RTC), the specific goal, purpose and objective of the exclusion is to provide relief to individuals who have suffered loss, damages, expenses, relocation, suffering an inconvenience resulting from the Chiquita Canyon elevated temperature landfill event. The performance indicators for determining if this exclusion achieves the stated goal, purpose, and objective shall be the following:

- The number of taxpayers that excluded the Chiquita Canyon elevated temperature event payment amounts from gross income.
- The aggregate amount of related payments arising out of the Chiquita Canyon elevated temperature event.

The exclusion would be repealed on December 1, 2029.

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, 2024, and before January 1, 2029.

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.

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 states that a taxpayer shall provide, upon request from the FTB, documentation of any payments received in the form and manner requested by the FTB. However, the FTB may not be aware of which individuals or entities received these payments, which will make it difficult for the FTB to know from which taxpayers to request documentation from to validate this gross income exclusion. Generally, it's the payor who is required to provide a list or other documentation to the FTB upon request.

The bill uses "Chiquita Canyon elevated temperature landfill event payment" and "Chiquita Canyon elevated temperature event payment" interchangeably which could lead to taxpayer confusion.

Technical Considerations

None noted.

Policy Considerations

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

This bill was introduced in the 2025 legislative session and would allow additional taxpayers a gross income exclusion for taxable years beginning on or after January 1, 2024. If this bill were to be enacted this calendar year, the gross income exclusion allowed by this bill would be considered retroactive to the specified operative date of January 1, 2024. The FTB has already developed the forms and instructions for the 2024 taxable year, and most taxpayers will have filed their 2024 returns by April of this year. Thus, the FTB may incur additional costs to develop additional tax forms and instructions in the short timeframe necessary to ensure the forms are available for taxpayers if this bill was to be enacted before the filing deadline. If this bill was enacted after the filing deadline, the FTB may incur additional costs to process amended returns claiming the gross income exclusion. To alleviate these considerations, the author may wish to change the operative date to January 1, 2025.

For purposes of complying with Section 41, this bill provides performance indicators for determining if this exclusion achieves the stated goal, purpose, and objectives. However, since taxpayers are not required to report excluded income on their return, FTB may not be able to collect or report on the required information. A bill that authorizes a gross income exclusion is exempt from including information about detailed performance indicators and data collection requirements, if the Legislature determines there is no available data to collect and report. If the author determines there is no available data to collect or report, the detailed performance indicators do not need to be included in the bill.

LEGISLATIVE HISTORY

SB 113 (Senate Committee on Budget and Fiscal Review, Chapter 3, Statutes of 2022) made several amendments and technical changes to existing state law related to state assistance to taxpayers impacted by the COVID-19 pandemic, including a gross income exclusion from the California Arrearage Payment Program (CAPP) which provided and exclusion for utility payment assistance received under the CAPP.

AB 81 (Ting, Chapter 5, Statutes of 2021) made several clarifying amendments and technical changes to existing state law related to state assistance to individuals impacted by the COVID-19 pandemic, including the State Rental Assistance Program, which includes provisions exempting rent forgiveness and certain rental assistance payments from gross income for purposes of the PITL.

SB 91 (Senate Committee on Budget and Fiscal Review, Chapter 2, Statutes of 2021) provides a gross income exclusion for certain rental assistance received under the State Rental Assistance Program and the federal Consolidated Appropriations Act (CAA).

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 allow under both the Personal Income and CTL, a gross income exclusion for qualified payments received in connection with the Chiquita Canyon elevated temperature landfill event. To determine the magnitude of the potential impact to the General Fund, the amount of payments paid to taxpayers and the timing of those payments would need to be known. Because it is difficult to predict the amounts of payments and the timing of the payments, the revenue impact to the General Fund is unknown.

However, it is assumed that for every \$25 million in payments received, and applying a tax rate of 6 percent, the estimated revenue loss would be approximately \$1.5 million.

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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