



## Bill Analysis

Author: Macedo

Sponsor:

Bill Number: AB 819

Related Bills: See Legislative  
History

Amended: March 24, 2025

### SUBJECT

Electric Vehicle (EV) Charging Stations Tax Exemption

### SUMMARY

Under the Corporation Tax Law (CTL), this bill would allow income earned from EV charging stations by a church or an exempt organization to not be treated as unrelated business taxable income (UBI) effective January 1, 2026. In addition, the bill would amend the Health and Safety Code (HSC) to exempt a church or an exempt organization from mandatory building standards related to EV charging station installations, and, under the Government Code, would provide that EV charging station activities owned or operated by a church or nonprofit organization would not impact zoning designations, exceptions or allowances, or property tax exemptions.

This is the Franchise Tax Board's (FTB) first analysis of the bill and only addresses the provisions that would impact the FTB.

### 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 replaced nonsubstantive technical language relating to the minimum tax credit with the provisions discussed in this analysis.

### REASON FOR THE BILL

The reason for the bill is to encourage churches and charitable nonprofit organizations to provide access to charging infrastructure while maintaining their tax-exempt status.

### ANALYSIS

Notwithstanding any other law, this bill, under the CTL, would not treat income derived by a church or an exempt organization from an EV charging station that is located on property owned by or leased to the organization as UBI.

The bill would define “electric vehicle charging station” to mean any level of EV supply equipment station that is designed and built in compliance with certain California electrical standards for EV charging stations, as they read on January 1, 2025, and delivers electricity from a source outside an EV into a plug-in EV.

The bill includes Revenue and Taxation Code (RTC) section 41 requirements. This bill would require the FTB to report to the Legislative Analyst’s Office no later than December 1, 2030, the number of entities exempting income from UBI and the number of exempt entities installing EV charging stations to the extent data is available.

The RTC section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

#### *Effective/Operative Date*

This bill would be effective and operative January 1, 2026.

#### *Federal/State Law*

Under the Internal Revenue Code (IRC), certain entities are treated as tax-exempt organizations. A tax-exempt organization can be a trust, unincorporated association, or nonprofit corporation. The terms “nonprofit” and “tax-exempt” have different meanings. Nonprofit status is a matter of state law, which governs the organization and creation of the entity. All tax-exempt organizations are nonprofit organizations, but not all nonprofit organizations are tax-exempt.

Tax-exempt status is granted for purposes of exemption from tax. Federal tax law provides tax benefits to nonprofit organizations recognized as exempt from federal income tax and those organizations are required to comply with federal tax law to maintain tax-exempt status and avoid penalties.

There are 29 different paragraphs under IRC section 501(c) under which an organization can qualify for federal tax-exempt status. The more commonly known tax-exempt organizations are those recognized by the Internal Revenue Service (IRS) under IRC section 501(c)(3). This includes tax-exempt charitable organizations such as public charities (e.g., United Way, Salvation Army, churches, hospitals, schools, colleges) and private foundations (e.g., Bill and Melinda Gates Foundation, Ford Foundation, The California Endowment, Rockefeller Foundation).

Although not all tax-exempt organizations are required to submit a tax-exempt application to the IRS to be tax-exempt, they may wish to apply to receive a determination letter of IRS recognition of their IRC section 501(c) status in order to obtain certain incidental benefits such as:

- Public recognition of tax-exempt status
- Exemption from certain state taxes
- Advance assurance to donors of deductibility of contributions (in certain cases)
- Nonprofit mailing privileges, etc.

Churches and religious organizations, like other tax-exempt groups, can earn money from activities that are not related to their main purpose, as long as those unrelated activities do not account for most of what they do. If gross income from UBI is \$1,000 or more for any taxable year, it must be reported for that taxable year. If they earn UBI from these activities, it might be taxed if the following conditions apply:

- The activity is considered a trade or business.
- The trade or business is carried out on a regular basis.
- The trade or business is not related to the organization's main purpose.

Some examples of unrelated trade or business activities include but are not limited to advertising, gaming, the sale of merchandise, rental income, and the operation of parking lots.

California generally conforms to IRC section 501 pursuant to RTC section 23701 and to IRC section 512, relating to the UBI rules, pursuant to RTC section 23732. Existing federal and state laws generally provide that "unrelated business income" means gross income derived by any organization from any unrelated business regularly carried on by it, less the deductions allowed by this chapter which are directly connected with the carrying on of such trade or business with modifications.

#### *Section 41*

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 requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. Legislation that would create an income exclusion is not required to provide detailed performance indicators and data collection requirement measures if the Legislature determines there is no available data to collect and report.

#### *Implementation Considerations*

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

The bill uses inconsistent terminology, i.e., "church or nonprofit organization," "churches or an organization," and "churches and charitable nonprofit organizations," that could lead to taxpayer confusion. For clarity, it is recommended to use one term consistently throughout the bill.

*Technical Considerations*

For consistency of terminology, the following change is recommended, in Section 23742(a), replace, "Notwithstanding any other law, income derived by a church..." with "Notwithstanding any other law, for taxable years beginning on or after January 1, 2026, income derived by a church..."

*Policy Considerations*

For purposes of complying with Section 41, this bill provides performance indicators, data collection, and reporting requirements used for determining if this exclusion achieves the stated goal, purpose, and objectives. However, since income that is excluded from UBI is not reported on the tax return, FTB would 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. Since the required data is not available to collect or report, the author may wish to amend the bill to remove the performance indicators data collection, and reporting requirements from the bill.

**LEGISLATIVE HISTORY**

AB 2054 (Quirk-Silva, 2021/2022), under the CTL, would have exempted certain mutual ditch or irrigation companies (mutual water companies) from tax. AB 2054 was held under submission by the Assembly Appropriations Committee without further action.

SB 834 (Weiner, et al., 2021/2022) would have, under the CTL, required the Attorney General to notify the FTB of a finding that a tax-exempt organization has actively engaged in, or incited the active engagement in, illegal activities, as defined, and would have required the FTB to revoke the tax-exempt status of the organization found to be in violation. The bill would have restated the FTB's existing revocation authority. SB 834 was vetoed by Governor Newsom whose veto message stated in part:

This bill allows the Franchise Tax Board to revoke the tax-exempt status of a nonprofit, charitable organization if the California Attorney General determines the organization has engaged in treason, insurrection, conspiracy, government overthrow, or mutiny by members of the military.

Without question, extremist groups that participate in anti-government acts such as those that took place during the insurrection on January 6, 2021 should be renounced and investigated for their participation. However, these are issues that should be evaluated through the judicial system with due process and a right to a hearing.

**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 identified.

**ECONOMIC IMPACT***Revenue Estimate*

This bill would exempt income earned from EV charging stations from UBI should a qualified nonprofit organization choose to install an EV charging station.

To determine the magnitude of the potential impact to the General Fund, both the number of nonprofit organizations that install EV charging stations and the number of EV charging stations installed would need to be known. Since it is difficult to predict both the number of nonprofit organizations that would choose to install an EV charging station as well as the number EV charging stations installed, the revenue impact on the General Fund is unknown. However, it is estimated that for every 50 nonprofit organizations that earn UBI from installing one EV charging station, the estimated revenue loss would be \$25,000.

*Revenue Discussion*

Because this bill exempts qualified nonprofit organizations from California business code requirements relating to the installation of EV charging stations for individuals other than employees, it is unclear how many qualified nonprofit organizations would opt to install a for-profit EV charging station. While this bill would exempt UBI from state income tax, the income would still be considered UBI under federal law and could jeopardize the organization's federal nonprofit status. For this reason, it is unlikely that qualified nonprofit organizations would install a for-profit EV charging station. As such the revenue loss is unknown.

However, should a qualified nonprofit organization choose to install a for-profit EV charging station, research indicates that the average charging station would generate approximately \$5,500 in profits. If 50 qualified nonprofit organizations each installed one EV charging station, approximately \$275,000 in UBI would be excluded from taxable income. Applying the marginal tax rate of 8.84 percent results in an estimated revenue loss of \$25,000 for the 2026 taxable year.

**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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