
SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Senator Nancy Skinner, Chair

2021 - 2022 Regular

Bill No: AB 158 **Hearing Date:** August 29, 2022
Author: Committee on Budget
Version: August 26, 2022 As amended
Urgency: No **Fiscal:** Yes
Consultant: Elisa Wynne

Subject: Taxation

Summary: This bill includes statutory changes necessary to implement a variety of provisions of the 2022 Budget Act related to taxation.

Proposed Law: Specifically, this bill would do the following:

Workers' Tax Credit

- 1) Allows, for taxable years beginning on or after January 1, 2024, a credit in an amount equal to the greater of: 1) the dues paid to a labor organization during the taxable year multiplies by an adjustment factor as specified; or 2) the amount of dues paid during the year, as specified, but not to exceed \$100 (recomputed annually).
- 2) Provides that unless otherwise specified in the annual Budget Act, or a bill providing for appropriations related to the annual Budget Act, enacted after May 1, 2024, the worker's tax credit adjustment factor shall be 0 percent for that year, and the dollar amount allowed shall be \$0 for that taxable year.
- 3) States that it is the intent of the Legislature that the workers' tax credit adjustment factor and the maximum dollar amount be set in a manner to limit the resulting annual revenue loss from the credit to no more than \$400 million.
- 4) Includes the following definitions:
 - a. "Bona fide labor organization" means a labor organization that satisfies all of the following:
 - i. Is exempt from income taxes pursuant to Section 23701a.
 - ii. Actually represents employees in California as to wages, hours, and working conditions.
 - iii. Its officers have been democratically elected by its membership or otherwise in a manner consistent with federal law.
 - iv. Is free of domination or interference by any employer and has received no improper assistance or support from any employer.

- b. "Dues" means the amount paid or incurred during the taxable year by a taxpayer for dues or dues equivalents paid to a bona fide labor organization.
- 5) Provides that the credit allowed under this program, shall be in lieu of any other credit or deduction that the qualified taxpayer may otherwise be allowed with respect to the amount taken into account in calculating the credit.
- 6) Provides that if the amount allowable as a credit exceeds the tax liability computed for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall, upon appropriation by the Legislature, be paid from the Tax Relief and Refund account and refunded to the qualified taxpayer.
- 7) Requires the Franchise Tax Board to report to the Legislature beginning in the 2026 calendar year, and on annual basis thereafter, while the credit is in effect as specified.

Small Business Hiring Tax Credit

- 8) Makes nonsubstantive changes to the provisions that allow a small business hiring credit to a qualified small business employer, calculated based on the net increase in qualified employees.

Paycheck Protection Program

- 9) Clarifies that the provisions of law that exclude from gross income any covered loan amounts forgiven pursuant to the PPP Extension Act of 2021 are effective for taxable years beginning on or after January 1, 2019.

Data Sharing

- 10) Repeals and replaces provisions related to the exchange of data between the State Department of Social Services (DSS), State Department of Health Care Services (DHCS), and the Franchise Tax Board (FTB), and specifies data sharing including, but not limited to, the names, addresses, contact information, and individual income tax return information for the 2020 and 2021 tax years, of individuals that may qualify for the California Earned Income Tax Credit (CalEITC), and would require all data provided to remain confidential and be used only for purposes directly connected with the federal Earned Income Tax Credit, the CalEITC, other federal and state antipoverty tax credits, and informing residents of the availability of these credits.
- 11) Makes an appropriation of \$20,000 from the General Fund to the FTB to administer the data sharing provisions. Required annual reporting on the results and findings of outreach conducted to increase the claiming of credits.

Better for Families Refund Payment

12) Makes a technical correction to specify that the authority to make one-time Better for Families Refund payments is for the Franchise Tax Board instead of the State Controller.

Fiscal Effect: This is a budget bill within the overall 2022-23 budget package necessary to implement actions related to taxpayer relief.

Support: None on File

Opposed: None on File

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