

Date of Hearing: June 30, 2022

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION  
Jacqui Irwin, Chair

SB 457 (Portantino) – As Amended June 21, 2022

**FOR VOTE ONLY**

Majority vote. Tax levy. Fiscal committee.

**SENATE VOTE:** Not applicable

**SUBJECT:** Personal income taxes: credit: reduction in vehicles

**SUMMARY:** Allows a credit under the Personal Income Tax (PIT) Law of \$2,500 for each household member that exceeds the number of registered vehicles. Specifically, **this bill:**

- 1) Allows, for taxable years beginning on or after January 1, 2023, and before January 1, 2028, a credit under the PIT Law in the amount of \$2,500 for each household member that exceeds the number of registered vehicles.
- 2) Provides that the credit amount allowed by this bill shall not exceed \$7,500.
- 3) Defines a "registered vehicle" as a vehicle registered in any state to a household member or an entity in which a household member holds a controlling interest for at least six months of the taxable year for which the credit allowed by this bill is claimed.
- 4) Defines a "vehicle" as a device by which a person or property may be propelled, moved, or drawn upon a highway, excepting a device moved exclusively by human power or used exclusively upon stationary rails or tracks.
- 5) Specifies that a "vehicle" does not mean an "electric bicycle," which this bill defines as a bicycle equipped with fully operable pedals and an electric motor of less than 750 watts.
- 6) Defines a "household member" as either of the following with respect to a single tax return:
  - a) A taxpayer; or,
  - b) A person at least 16 years of age and claimed as a dependent.
- 7) Provides that a taxpayer may claim the credit allowed by this bill only on a return in the form determined by the Franchise Tax Board (FTB).
- 8) Finds and declares the following for the purpose of complying with Revenue and Taxation Code (R&TC) Section 41:
  - a) The specific goals, purposes, and objectives of this bill are as follows:

- i) To meet California's ambitious climate goals and reduce greenhouse gas emissions from personal vehicles; and,
  - ii) To incentivize a taxpayer to give up a vehicle or reward people for not using a vehicle in order to help the environment and create healthier communities;
- b) To measure whether the credit achieves its intended purpose, for any taxable year for which a credit is allowed, the FTB shall prepare a written report regarding all of the following:
    - i) The number of taxpayers claiming the credit; and,
    - ii) The average credit amount on tax returns claiming the credit;
  - c) FTB shall provide the written report to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate Committee on Appropriations, the Assembly Committee on Appropriations, the Senate Committee on Governance and Finance, and the Assembly Committee on Revenue and Taxation; and,
  - d) The report required shall be submitted on or before January 15 of the year following the taxable year relevant to the report.
- 9) Takes immediate effect as a tax levy.

**EXISTING LAW:** Allows various credits against the taxes imposed by the PIT Law.

**FISCAL EFFECT:** FTB estimates General Fund losses of \$0.7 billion in fiscal year (FY) 2022-23, \$1.2 billion in FY 2023-24, and \$1.2 billion in FY 2024-25.

**COMMENTS:**

- 1) The author has provided the following statement in support of this bill:

As the impacts of climate change are felt across our state, it is time we more aggressively commit to implementing modes of sustainable transportation. SB 457 is an important step toward that goal. We can invest in the future by providing financial incentives for Californians to transition from vehicles to more sustainable options.

- 2) This bill, as amended on May 26, 2022, is supported by Getaround, which notes the following:

SB 457 is aligned with Getaround's mission to transition to fewer vehicles on the road. Getaround is a connected and contactless car sharing marketplace. We use technology – a device called the Getaround Connect installed in the car and a smartphone app – to connect safe, convenient, and affordable cars with people who need them to live and work, without ever having to coordinate schedules to meet in person and hand over keys.

- 3) This bill, as amended on May 26, 2022, is opposed by the California Teachers Association (CTA), which notes the following:

While we understand [SB 457 is] well intended, CTA does not support this approach, as it would reduce overall funding for education. Despite having the 5th largest economy in the nation, California continues to rank near the bottom of the states in the nation in per-pupil funding. According to the Education Law Center's Making the Grade report, California was ranked 30th in per-pupil expenditures, adjusted for regional cost differences for the 2019 fiscal year (the most recent data available). CTA believes that Prop 98 should be protected from reductions through the creation of new or expanding existing tax expenditures.

4) Committee Staff Comments:

- a) *What would this bill do?* This bill would provide a nonrefundable tax credit under the PIT Law in the amount of \$2,500 for each household member that exceeds the number of registered vehicles. This bill would reward households with fewer motor vehicles, and the maximum amount of credit per tax return filer or filers would be \$7,500.

For example, a household consisting of a married couple with two children at least 16 years of age would receive the maximum credit of \$7,500 provided by this bill if they have one "registered vehicle." The household would receive the credit regardless of their income or wealth.

- b) *Who would potentially benefit from this bill?* This bill rewards households with fewer registered vehicles than household members. Additionally, this bill could favor high-income earners who have the ability to telework, live in walkable neighborhoods, and live in desirable communities with public transportation options and bicycle lanes.

Alternatively, this bill does not benefit households that must rely on motor vehicles for transportation for reasons, which could include:

- i) Living far away from work because of housing affordability issues;
  - ii) Having disability or medical issues that require a motor vehicle;
  - iii) Living in a rural area without public transportation; and,
  - iv) Living in communities where people feel unsafe to walk.
- c) *What is the problem this bill is seeking to solve?* According to the author, this bill will invest in the future by encouraging more Californians to use public transit, cycling, scootering, walking, and other sustainable modes of transportation. The author states that he is trying to cut greenhouse gas emissions with this bill.

While this bill is well-intentioned, Committee staff questions whether using tax credits to reward those with fewer registered vehicles is the most effective way of accomplishing the desired goal. The Legislature may also accomplish the desired goal by subsidizing the cost of public transportation, increasing funding to make streets safer to walk or ride on, and making public transportation more accessible and convenient.

- d) *Potential inequalities:* This bill could benefit some specific regions, demographics, and income brackets more than others. For example, people who can work from home will

have an easier time reducing their number of vehicles and benefit from this bill. However, a survey conducted by the Public Policy Institute of California provided the following statistics:

- i) The likelihood of working outside of the home increases with age (56% ages 18 to 34; 60% ages 35 to 54; 70% ages 55 and older); and,
- ii) The likelihood of working outside of the home varies across racial/ethnic groups (76% Latinos, 61% African Americans, 53% whites, 48% Asian Americans).<sup>1</sup>

Furthermore, this bill does not reward those with lower incomes who do not have a high state tax liability because the tax credit in this bill is not refundable.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Getaround, Inc., a Delaware Corporation  
Move La, a Project of Community Partners

### **Opposition**

California Teachers Association

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<sup>1</sup> Baldassare, M. (2021, November 17). California's Workplaces Today—and Tomorrow. *Public Policy Institute of California*. <https://www.ppic.org/blog/californias-workplaces-today-and-tomorrow/>