Date of Hearing: August 3, 2022

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Chris Holden, Chair
SB 457 (Portantino) – As Amended June 21, 2022

Policy Committee: Revenue and Taxation Vote: 10 - 1

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill allows, for taxable years beginning January 1, 2023, and before January 1, 2028, a tax credit under the Personal Income Tax (PIT) Law in an amount of $2,500 per household member, calculated by the number of household members in excess of the number of registered vehicles. The total credit amount is capped at $7,500. This bill also declares the goal of the credit and requires the Franchise Tax Board (FTB) to report, by January 15 for the previous taxable year, specified metrics to the Legislature.

FISCAL EFFECT:

1) General Fund revenue loss of approximately $700 million in fiscal year (FY) 2022-23, $1.2 billion in FY 2023-24 and $1.2 billion in FY 2024-25.

2) Costs of an unknown amount, but potentially in excess of $150,000, to FTB to administer the new credit given the volume of eligible households and unknown implementation considerations. FTB notes several terms in the bill are broad or undefined and recommends amendments for additional clarity to minimize the number of taxpayer disputes. For example, FTB questions who could claim the credit in different scenarios, whether a trailer, tractor or vehicle registered as "planned not to operate" counts in calculating the credit and how FTB must verify a vehicle is registered to a household member.

COMMENTS:

1) **Purpose.** According to the author:

> 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) **Support and Opposition.** This bill is supported by Getaround, a car-sharing company, and Move LA, the latter of which argues "encouraging more people to get around via public transit, a bike or a scooter, or to walk, really is the solution" toward a more sustainable future. This bill is opposed by the California Teachers Association, which argues providing state tax credits is not the right solution to the problem, as such reduction in revenue lowers Proposition 98 education funding in the state budget.

3) **Disparate Benefits.** This bill rewards households with fewer motor vehicles by providing a nonrefundable PIT credit of $2,500 for each household member in excess of the number of registered vehicles to the household, capped at $7,500. This bill defines "household member" as a taxpayer or a person at least 16 years of age claimed as a dependent. For example, a household consisting of a married couple with twin children over age 16 and a single vehicle registered to one of those individuals would receive the maximum credit of $7,500. In comparison, a similar household with a single registered vehicle, but with one 16 year old and one 15 year old child, would receive a $5,000 credit.

   As noted in the Assembly Revenue and Taxation Committee's analysis of this bill:

   > 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.
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   > Alternatively, this bill does not benefit households that must rely on motor vehicles for transportation for reasons, which could include:
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   > i) Living far away from work because of housing affordability issues;
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   > ii) Having disability or medical issues that require a motor vehicle;
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   > iii) Living in a rural area without public transportation; and,
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   > iv) Living in communities where people feel unsafe to walk.

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