

SENATE THIRD READING
SB 457 (Portantino)
As Amended August 25, 2022
Majority vote. Urgency

SUMMARY

Allows a credit under the Personal Income Tax (PIT) Law of \$1,000 for each household with zero registered vehicles.

Major Provisions

- 1) Allows, for taxable years beginning on or after January 1, 2023, and before January 1, 2028, a credit under the PIT Law of \$1,000 to a qualified taxpayer for each household with zero registered vehicles.
- 2) Defines a "qualified taxpayer" as a taxpayer who meets either of the following:
 - a) For spouses filing joint returns, heads of household, and surviving spouses, has an adjusted gross income (AGI) of \$60,000 or less; or,
 - b) For other individuals, has an AGI of \$40,000 or less.
- 3) Defines a "registered vehicle" as a vehicle registered in the state to a qualified taxpayer or their dependent, or to an entity in which the qualified taxpayer or their dependent holds a controlling interest, for at least six months of the taxable year for which the credit allowed by this bill is claimed, and includes vehicles registered with the Department of Motor Vehicles (DMV) as planned nonoperation.
- 4) Requires the qualified taxpayer to self-certify the number of registered vehicles owned by each qualified taxpayer or their dependents and by each entity in which the qualified taxpayer or their dependent holds a controlling interest, and that the qualified taxpayer or their dependents do not own or operate a vehicle within the state that is required to be registered with the DMV, but is not, including vehicles required to be registered in the state but are registered in a different state.
- 5) Requires the DMV to provide necessary taxpayer and vehicle information to the Franchise Tax Board (FTB) for the administration of the credit.
- 6) Provides a refund equal to the amount of credit in excess of the tax liability for a qualified taxpayer that was allowed a California Earned Income Tax Credit for the taxable year, and allows the excess amount to be carried over to reduce the net tax in the following eight taxable years until the credit is exhausted for all other qualified taxpayers.

COMMENTS

- 1) *What is the problem this bill is trying to solve?* The California Air Resources Board reports that 41% of California's greenhouse gas (GHG) emissions in 2019 were from transportation. This bill is trying to reduce GHG emissions by providing tax credits to qualified taxpayers with zero registered vehicles in California.

- 2) *How effective would this credit be?* Quantifying how many taxpayers would change their behavior based on this bill is challenging. In addition, the following reasons could prevent some taxpayers from benefiting from this bill: 1) living far away from work because of housing affordability issues; 2) having a disability or medical issue that requires a motor vehicle; 3) living in a rural area without adequate public transportation; or, 4) living in communities where people feel unsafe to walk.
- 3) *Potential ambiguities:* This bill does not define the term "household." Also, does this bill provide the FTB the authority to require qualified taxpayers to self-certify under penalty of perjury? Lastly, would a taxpayer who works in California, but lives in a neighboring state or country be allowed this credit if all of the taxpayer's vehicles are registered outside of this state?

According to the Author

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.

Arguments in Support

None for the current version of this bill.

Arguments in Opposition

None for the current version of this bill.

FISCAL COMMENTS

General Fund revenue loss of approximately \$900 million in fiscal year (FY) 2022-23, \$950 million in FY 2023-24, \$1.0 billion in FY 2024-25, \$1.0 billion in FY 2025-26, and \$1.1 billion in FY 2026-27.

VOTES

SENATE FLOOR: 36-0-4

YES: Allen, Archuleta, Atkins, Bates, Becker, Borgeas, Bradford, Caballero, Dahle, Dodd, Durazo, Eggman, Glazer, Gonzalez, Grove, Hertzberg, Hueso, Hurtado, Jones, Kamlager, Laird, Limón, McGuire, Melendez, Min, Nielsen, Ochoa Bogh, Pan, Portantino, Roth, Rubio, Skinner, Stern, Umberg, Wiener, Wilk

ABS, ABST OR NV: Cortese, Leyva, Newman, Wieckowski

ASM REVENUE AND TAXATION: 10-1-0

YES: Irwin, Nguyen, Gray, Grayson, Levine, Mayes, Mullin, Petrie-Norris, Luz Rivas, Seyarto

NO: Quirk

ASM APPROPRIATIONS: 14-0-2

YES: Holden, Bryan, Calderon, Arambula, Davies, Mike Fong, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, McCarty

ABS, ABST OR NV: Bigelow, Megan Dahle

UPDATED

VERSION: August 25, 2022

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