
CONSENT

Bill No: AB 1518
Author: Committee on Revenue and Taxation
Introduced: 3/13/25
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 6/25/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 69-0, 5/8/25 (Consent) - See last page for vote

SUBJECT: Income taxes: administration: nonresident aliens: identifying
numbers: group filing

SOURCE: Author

DIGEST: This bill allows certain nonresident taxpayers who do not have a Social Security Number (SSN) or individual tax identification number (ITIN) to file state returns or be included on a group return, and authorizes an exemption from quarterly estimated payments for these taxpayers included on a group return.

ANALYSIS:

Existing law:

- 1) Requires all income earned in or sourced to California to be reported and filed on an income tax return.
- 2) Requires all residents of California to file an individual (or joint if married or registered domestic partner) return.
- 3) Allows non-residents to file either a non-resident return or elect to be included in a group return.

- 4) Requires the agent preparing and filing the return for the electing nonresident individual to make all tax payments, additions to tax, interest, and penalties, otherwise required to be paid by the electing nonresident alien.
- 5) Establishes that the income included on the group return be taxed at the highest marginal tax rate, currently 12.3%, plus, if applicable, the additional Mental Health Services Act, which is currently 1% on taxable income over \$1 million (Proposition 63, 2004).
- 6) Limits deductions and credits claimed on a group return.
- 7) Requires taxpayers who owe over a certain amount to make quarterly estimated tax payments throughout the year.
- 8) Imposes an underpayment penalty for insufficient quarterly estimated tax payments at various dates throughout the year.
- 9) Enacts several provisions to ease the administrative burden for non-resident taxpayers without a SSN or ITIN (AB 2660, Burke, Chapter 102, Statutes of 2020):
 - a) Allows electing nonresident taxpayers, who are not eligible for or have not been issued a federal SSN or ITIN, to be included in the group return or file an individual return to report their California source income without obtaining a SSN or ITIN, beginning in the 2021 taxable year and ending after the 2025 taxable year.
 - b) Allows the SSN or ITIN to be left blank on various forms under the Unemployment Insurance Code of a nonresident individual without an SSN or ITIN.
 - c) Allows FTB to require the nonresident taxpayer to provide a letter or other form documenting the nonresident taxpayer's SSN or ITIN if a nonresident taxpayer who is included on a group return, but subsequently becomes eligible for and is issued a SSN or ITIN.

This bill:

- 1) Removes the repeal date on AB 2660's authorizations, making permanent the ability for nonresident individuals who do not have an SSN or ITIN to:

- a) File state returns or elect to be included on group returns.
 - b) Leave blank the SSN or ITIN to be on various forms under the Unemployment Insurance Code.
- 2) Exempts nonresident individuals included in a group return from any penalties associated with the failure to make required estimated quarterly payments, beginning January 1, 2026.

Background

SSN/Federal ITIN. SSNs are generally issued to all U.S. citizens, permanent residents, and some temporary residents. The Internal Revenue Service (IRS) issues a federal ITIN for tax administration purposes for certain nonresident and resident individuals, their spouses, and dependents who are not eligible to receive an SSN and have a federal tax purpose. An individual has a federal tax purpose when they are legally required to file a U.S. federal income tax return, want to claim a refund or allowable tax benefit, can be claimed as a spouse or dependent for an allowable tax benefit, or must provide a tax identification number for another federal tax purpose.

To obtain a federal ITIN, an individual must file IRS Form W-7, Application for ITIN, and provide specified documentation, typically including documentation to establish their identity and their connection to a foreign country, a civil birth certificate, passports, national identification cards, medical records, and school records. At least one document must contain the applicant's photograph. The ITIN application package additionally requires the applicant's original tax return(s) for which the ITIN is needed.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

Senate Rule 28.8

SUPPORT: (Verified 7/7/25)

None received

OPPOSITION: (Verified 7/7/25)

None received

ARGUMENTS IN SUPPORT: According to the author, "AB 1518 eliminates the sunset date on a voluntary filing method that enables companies to file a

composite or “group return” on behalf of international employees who travel to California and earn taxable income, but do not have a Social Security Number or Individual Taxpayer Identification Number (ITIN). Without these identifying numbers, these individuals have no means of paying the income tax that is due on wages earned in this state.”

ASSEMBLY FLOOR: 69-0, 5/8/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Bonta, Bryan, Calderon, Caloza, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Arambula, Boerner, Carrillo, Flora, Gallagher, Jeff Gonzalez, Irwin, Celeste Rodriguez, Sanchez, Wallis

Prepared by: Haley Summers / REV. & TAX. / (916) 651-4117
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