

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2186 (McKinnor) – As Amended March 16, 2026

Policy Committee: Revenue and Taxation Vote: 5 - 2

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

SUMMARY:

This bill provides a gross income exclusion for reparations benefits or payments.

Specifically, this bill:

- 1) Excludes from gross income under the Personal Income Tax Law, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, a reparations benefit or payment received by the taxpayer during the taxable year.
- 2) Defines a “reparations benefit or payment” to mean a monetary payment, grant, trust distribution, debt forgiveness, or other financial compensation provided to an individual pursuant to certain government reparations programs.
- 3) Declares the purpose of the tax expenditure.

FISCAL EFFECT:

- 1) Annual General Fund (GF) revenue loss of an unknown amount, potentially in excess of \$150,000. The Franchise Tax Board (FTB) notes that both the number of individuals receiving reparations payments and amount of reparations payments made each year must be known, which is not possible to predict. However, the FTB assumes that for every \$1 million in reparation payments received, applying an average tax rate of 6.3%, the revenue loss would be approximately \$63,000.

By reducing GF revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the revenue loss (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

- 2) Costs of an unknown amount to the FTB to administer the exclusion (GF).

The Legislative Analyst’s Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

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

For centuries, descendants of formerly enslaved people and other communities harmed by systemic injustice have been denied economic redress for historic wrongs. Without a statutory exclusion, these payments could be reduced by state taxes, undermining their purpose and sending the wrong message about justice and repair. By explicitly excluding reparations benefits from gross income, AB 2186 guarantees that recipients receive the full value of these payments, provides certainty for tax administration, and affirms the state's commitment to ensuring reparations serve as meaningful compensation.

This bill is supported by various social justice groups.

- 2) **Reparations.** AB 3121 (Weber), Chapter 319, Statutes of 2020, established the Task Force to Study and Develop Reparation Proposals for African Americans, with a Special Consideration for African Americans Who Are Descendants of Persons Enslaved in the United States (Task Force). The Task Force was charged with identifying, compiling, and synthesizing the relevant evidentiary documentation on the institution of slavery that existed in the U.S. and the colonies and recommending the form of compensation that should be awarded, the instrumentalities through which compensation should be awarded, and who should be eligible for this compensation. The Task Force proposed several payment models including individualized claims for specific harms, cumulative payments for descendants who resided in California during historically harmful periods, and a down-payment approach to provide initial compensation. This bill provides a gross income exclusion for reparations payments provided to an individual pursuant to certain government reparations programs.

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