

ASSEMBLY THIRD READING
AB 2186 (McKinnor)
As Amended May 18, 2026
Majority vote. Tax Levy

SUMMARY

Allows, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, a gross income exclusion for reparations benefits or payments, as specified.

Major Provisions

- 1) Provides, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, that gross income shall not include any "reparations benefit or payment" received by a taxpayer during the taxable year.
- 2) Defines a "reparations benefit or payment" to mean any monetary payment, grant, trust distribution, debt forgiveness, or other financial compensation provided to an individual pursuant to any of the following:
 - a) A statute enacted by the state establishing a reparations program;
 - b) A local government ordinance, resolution, settlement, or program establishing a reparations program; or,
 - c) A federal statute, regulation, settlement, or federally administered reparations program.
- 3) Sunsets the bill's statutory provisions on December 1, 2032.
- 4) Provides that, for purposes of complying with Revenue and Taxation Code (R&TC) Section 41, the Legislature finds and declares the following:
 - a) The purpose of the exclusion is to ensure that reparations payments fulfill their intended purpose by providing meaningful compensation, rather than being partially recaptured and diminished through state income tax; and,
 - b) There is no available data to collect or report with respect to the exclusion provided by this bill.
- 5) Takes immediate effect as a tax levy.

COMMENTS

- 1) *What would this bill do?* This bill would, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, exclude from gross income any reparations benefit or payment received by a taxpayer during the taxable year. This bill defines such payments, in turn, to include any monetary payment, grant, trust distribution, debt forgiveness, or other financial compensation provided to an individual via a federal, state, or local government reparations program.

In support of these provisions, the author's office notes:

Under existing California law, gross income is broadly defined to include income from all sources unless specifically excluded. As a result, reparations payments provided through state, local, or federal programs could be treated as taxable income. This would reduce the intended value of those payments and undermine their purpose as compensation for historical harms. This bill addresses this gap by explicitly excluding reparations benefits from gross income, ensuring recipients receive the full intended benefit.

- 2) *The Task Force*: 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 consisted of nine appointed members, and was charged with, among other things, identifying, compiling, and synthesizing the relevant corpus of evidentiary documentation on the institution of slavery that existed within the United States and the colonies. AB 3121 also required the Task Force to recommend, among other things, the form of compensation that should be awarded, the instrumentalities through which it should be awarded, and who should be eligible for this compensation.

On June 29, 2023, the Task Force issued its final report to the Legislature. As noted by the Franchise Tax Board (FTB):

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.

According to the Author

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

AB 2186 ensures that reparations payments provided through state, local, or federal programs are excluded from California personal income tax for taxable years 2027 through 2032. 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.

Arguments in Support

This bill is supported by the Western Center on Law and Poverty, which notes:

For centuries, descendants of formerly enslaved people who have been harmed by systemic injustice have also been denied economic security and reparations for historic wrongs. Reparations payments are a critical step toward restoring what was taken, providing financial redress and acknowledging past harms. However, without clear statutory protection these payments could be treated as taxable income in California, reducing the compensation recipients ultimately receive. Subjecting reparations to state income tax would undermine their purpose and diminish the impact of future state, local, and federal programs before funds fully reach the individuals and communities they are intended to support.

By providing clear and enforceable tax treatment, AB 2186 ensures that reparations fulfill their intended purpose by delivering meaningful, undiminished compensation rather than being partially recaptured through state taxation. It protects families from losing compensation to state taxes, provides certainty for tax administration, and affirms California's commitment to ensuring that reparations serve as true repair.

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Annual General Fund (GF) revenue loss of an unknown amount, potentially in excess of \$150,000. The 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).

VOTES

ASM REVENUE AND TAXATION: 5-2-0

YES: Gipson, Carrillo, McKinnor, Quirk-Silva, Michelle Rodriguez

NO: Sanchez, DeMaio

ASM APPROPRIATIONS: 11-4-0

YES: Wicks, Aguiar-Curry, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache

NO: Hoover, Dixon, Ta, Tangipa

UPDATED

VERSION: May 18, 2026

CONSULTANT: M. David Ruff / REV. & TAX. / (916) 319-2098

FN: 0002795