SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	AB 2186	**Hearing Date:**	6/24/26
Author:	McKinnor	**Tax Levy:**	Yes
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Consultant:	Summers		

PERSONAL INCOME TAX LAW: EXCLUSIONS: REPARATIONS PROGRAMS

Enacts Personal Income and Corporation Tax exclusions for any reparations benefit or payment received by a taxpayer from a local, state, or federal reparations program.

Background

Tax expenditures. California law allows various income tax credits, deductions, exemptions, and exclusions. The Legislature enacts such tax incentives to compensate taxpayers for incurring certain expenses, such as child adoption, or to influence certain behavior, such as charitable giving. The Legislature uses tax incentives to encourage taxpayers to do something they would otherwise not do, but for the tax credit. The Department of Finance is required to annually publish a list of tax expenditures, which currently total around $94.2 billion per year.

Income. Existing federal and state laws provide that gross income includes all income from any source, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded. Existing federal and state laws exclude certain types of income from gross income, such as specified amounts received as gifts or by inheritance, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations, among other things.

State reparations apologies. In 2005, the Legislature enacted SB 670 (Dunn), the Apology Act for the 1930s Mexican Repatriation Program, which apologized for California's role in the forcible removal of persons of Mexican ancestry beginning in 1929 and expressed regret for the resulting civil rights violations, suffering, and hardship. SB 670 also required a commemorative plaque for the victims to be installed in Los Angeles; the plaque was installed in 2012 at LA Plaza de Cultura y Artes in downtown Los Angeles, near the historic site of Mexican repatriation roundups.

In 2019, Governor Newsom issued Executive Order No. N-15-19, which provided that the State of California apologized to all California Native Americans, on behalf of all citizens of the state, for the many instances of violence, maltreatment, and neglect inflicted upon California Native American tribes.

In 2024, the California Legislative Black Caucus introduced a reparations legislative package intended to respond to the Task Force's recommendations.[1] Several measures from that package were enacted, including AB 3089 (Jones-Sawyer), which required a formal apology from the state of California for chattel slavery and its enduring legacy. As requested by AB 3089 (Jones-Sawyer), which passed the Legislature with bipartisan and unanimous support, the Governor also signed an accompanying formal apology for California's historical role in the perpetuation of slavery and its enduring legacy. Additionally, requires plaque memorializing the apology to be "publicly and conspicuously installed and maintained in the State Capitol Building," which is expected to be installed after the Capitol East Annex Project is completed.[2]

State Reparations Task Force. In 2020, the Legislature enacted AB 3121 (Weber), which established the first-in-the-nation 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). AB 3121 directed the Task Force to study and develop reparations proposals for California's role in accommodating and facilitating slavery, perpetuating the vestiges of enslavement, enforcing state-sanctioned discrimination, and permitting pervasive, systematic structures of discrimination against African Americans. The Task Force completed its work and issued its final report in 2023.[3]

In 2025, the Legislature enacted SB 518 (Weber Pierson) to implement the Task Force's recommendations by establishing the Bureau for Descendants of American Slavery. The Bureau is responsible for overseeing reparations programs, including developing a method for determining whether a person has established descendant status for purposes of reparations eligibility. Implementation of SB 518 is contingent upon the Legislature appropriating sufficient funding for that purpose.

Also in 2025, the Legislature enacted SB 437 (Weber Pierson), which authorizes up to $6 million from funds appropriated in the 2025 Budget Act for CSU to explore options for confirming an individual's status as a descendant of an enslaved person. SB 437 requires CSU to begin this work by the 2026–27 academic year and, by the 2029–30 academic year, establish a process for conducting or verifying genealogical research for purposes of reparative claims. The bill also requires annual reports to the Legislature and Governor on pending and completed research projects, as well as a final report with findings, recommendations, implementation options, timelines, and estimated statewide costs. Because SB 437 was chaptered after October 1, 2025, and implementation is not required to begin until the 2026–27 academic year, the first meaningful annual report likely would not be due until October 1, 2026, unless CSU reports earlier.

Both SB 518 and SB 437 define "descendant of an enslaved person" to mean an individual who can establish direct lineage to a person who, before 1900, was subjected to American chattel slavery and meets at least one of the following criteria:

- Was emancipated through legal or extralegal means, including self-purchase, manumission, legislative action, military service, or judicial ruling.
- Obtained freedom through gradual abolition statutes or constitutional amendments.

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[1] https://blackcaucus.legislature.ca.gov/news/california-legislative-black-caucus-introduces-2024-reparations-legislative-package
[2] https://sdvoice.info/jones-sawyer-expects-slavery-apology-plaque-to-go-up-after-capitol-construction
[3] https://oag.ca.gov/ab3121/report

- Was classified as a fugitive from bondage under federal or state law.
- Was deemed contraband by military authorities.
- Rendered military or civic service while subject to legal restrictions based on ancestry historically associated with slavery.

Finally, SB 103 (Wiener, 2025) amended the 2024 Budget Act to appropriate General Fund moneys for reparations-related implementation and education. Specifically, SB 103 appropriated $6 million to CSU for the purpose of implementing legislation related to genealogy determination, and $6 million to the Tides Foundation to educate Californians on the findings of the California Reparations Task Force report.

Existing reparations and reparative compensation. The State of California and several local governments have previously authorized compensation for specific historical discriminatory harms tied to particular victims, descendants, or their related property interests, including:

- The Forced or Involuntary Sterilization Compensation Program, which, from 2023 to 2025, provided compensation to eligible survivors of state-sponsored forced or involuntary sterilization. The program stopped accepting new applications on December 31, 2023, and qualified recipients receive a total payment of $35,000.[4]
- The 2025 City of Palm Springs settlement payment to Section 14 survivors and descendants. The agreement provides direct financial compensation, housing and business investment programs, and cultural initiatives honoring the legacy of the Section 14 community. According to the City, it transferred the full $5.9 million settlement amount to the survivors' and descendants' legal representatives on October 7, 2025.[5]

Reparative and restorative tax legislation. California has also utilized tax law to provide reparative and restorative justice for historical discriminatory harms and injustices, including:

SB 796 (Bradford, 2021), which authorized Los Angeles County to return the Bruce's Beach property to the legal heirs of Charles and Willa Bruce. The property had been seized in a racially motivated action in 1924, and Los Angeles County returned it to the Bruce heirs in July 2022. The property was later sold back to the county for $20 million. In addition to authorizing the county to transfer, sell, or encumber the property, SB 796 excluded from California gross income, for personal income tax and corporation tax purposes, both the transfer of Bruce's Beach and any gain, income, or proceeds directly derived from the first sale, transfer, or encumbrance of the property in the taxable year in which it occurred. FTB described the purpose of the exclusion as returning Bruce's Beach to the descendants of the family that owned the land and relieving the tax burden created by that return.

AB 1485 (Macedo, 2025), which addressed the tax consequences of qualifying tribal land-return transactions. Tribal land returns are another form of targeted reparative remedy because they seek to restore land or land stewardship to communities dispossessed through government action, violence, or discriminatory policies. Tribal land returns typically involve ancestral or sacred lands being returned to tribal governments, land trusts, or tribal stewardship, rather than compensation to a single family's heirs. AB 1485 creates two targeted tax benefits for qualifying tribal land returns. First, it expands the welfare exemption for certain land owned and operated by a federally recognized Indian tribe or a wholly owned tribal subsidiary when the land is used

[4] https://victims.ca.gov/for-victims/fiscp/
[5] https://www.palmspringsca.gov/Home/Components/News/News/8497/551

for conservation, open space, tribal traditional knowledge, or related noncommercial purposes. Second, until January 1, 2031, it exempts deeds or other instruments that make effective a qualifying tribal land-return transaction from local documentary transfer tax. Together, these provisions reduce tax burdens that could otherwise attach when ancestral lands are returned to tribal ownership or stewardship.

Seeking to provide restorative and reparative financial justice to victims and descendants who receive reparations for discriminatory harms, injuries, and injustices, the author wants to authorize an income exclusion for reparations program payments.

Proposed Law

Assembly Bill 760 enacts Personal Income and Corporation Tax exclusions for any reparations benefit or payment received by a taxpayer during the taxable years 2028 through 2032. The bill defines:

- "Reparations benefit or payment" means any monetary payment, grant, trust distribution, debt forgiveness, or other financial compensation provided to an individual pursuant to any of the following:
    - A statute enacted by the state establishing a reparations program.
    - A local government ordinance, resolution, settlement, or program establishing a reparations program.
    - A federal statute, regulation, settlement, or federally administered reparations program.
- "Reparations program" means any federal, state, local, tribal, or territorial government program, commission, task force, or other governmental initiative established to provide monetary compensation, benefits, restitution, rehabilitation, satisfaction, guarantees of nonrepetition, or other forms of redress for past or ongoing harms, discrimination, injustice, or inequitable treatment suffered by a defined group of individuals, including, but not limited to, descendants of enslaved persons, incarcerated persons, or members of a protected class.

The bill also contains legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

State Revenue Impact

According to the Franchise Tax Board, due to the unknown frequency and amount of these payments, the revenue impact on the General Fund is unknown. However, it is assumed that for every $1 million in reparation payments received, and applying an average tax rate of 6.3%, the estimated revenue loss would be approximately $63,000.

Comments

1. Purpose of the bill. According to the author, "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."

2. Prospective application. California does not currently have an active statewide reparations payment program for descendants of enslaved persons. As a result, AB 2186 may have limited immediate effect. However, the bill would apply to any future state, local, or federal payment or benefit that satisfies AB 2186's definition of "reparations benefit or payment." By establishing the tax treatment now, the bill would ensure that qualifying reparations payments are not reduced by California income tax if and when those programs are created, funded, and implemented.

3. Revenue loss. Existing tax law provides various credits, deductions, exclusions, and exemptions for certain taxpayers. By authorizing a credit against personal income tax, AB 2186 will result in the State General Fund receiving less revenue. As a result, the state will have to reduce spending or increase taxes to offset the loss. Additionally, because Proposition 98 establishes a minimum funding guarantee for K-14 education in California, which generally represents roughly 40% of the state's General Fund revenues, every dollar of General Fund loss results in approximately 40 cents less of funding for K-14 education.

4. Equity. AB 2186 promotes social equity by ensuring that reparations payments are not diminished by state income tax. Reparations programs are intended to acknowledge and repair specific harms caused or perpetuated by government action, including discriminatory laws, dispossession, exclusion, and other historical injustices. Taxing those payments would reduce the value of the remedy and could undermine the purpose of compensation by allowing the state to recapture part of the benefit it authorized. By excluding reparations benefits and payments from gross income, AB 2186 helps preserve the intended restorative value of state, local, and federal reparations programs. The bill may be especially significant for individuals and communities who receive reparative payments after decades of uncompensated harm, because it treats those payments as remedial compensation rather than ordinary income.

5. Conformity. AB 2186 would exempt reparations-related payments for state tax purposes that may be taxable under federal law unless and until Congress adopts similar treatment. Taxpayers often find the different treatment of the same item of income under state and federal taxes confusing or frustrating when filing their taxes.

6. Section 41. Section 41 of the Revenue and Taxation Code requires any bill enacting a new tax expenditure to contain, among other things, specific goals, purposes, and objectives that the tax expenditure will achieve and detailed performance indicators, along with data collection and reporting requirements (SB 1335, Leno, 2014). A bill that would authorize a new gross income exclusion is exempt from the requirement that the bill contain detailed performance indicators and data collection reporting if the Legislature determines there is no available data to collect and report (AB 3289, Committee on Revenue and Taxation, 2024). To satisfy these requirements, AB 2186 states that the specific goal of this credit 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 states that there is no available data to collect or report with respect to the exclusions.

7. Related legislation. Also set to be heard at the Committee's June 24th hearing is AB 760 (Ta), which enacts Personal Income and Corporation Tax exclusions for settlement payments made in connection with the 2026 Garden Grove chemical leak.

Assembly Actions

Assembly Revenue & Taxation Committee:	5-2
Assembly Appropriations Committee:	11-4
Assembly Floor:	58-7

Support and Opposition (6/18/2026)

Support: California for Safety and Justice
California-Hawaii State Conference of the NAACP
Courage California
Friends Committee on Legislation of California
GLIDE
Justice2Jobs Coalition
LA Defensa
Rubicon Programs
Western Center on Law & Poverty, Inc.

Opposition: None received.

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