SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2186 (McKinnor) - Personal Income Tax Law: exclusions: reparations programs

Version: June 16, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: REV. & TAX. 4 - 0
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 2186 would enact Personal Income and Corporation Tax exclusions for any reparations benefit or payment received by a taxpayer from a local, state, or federal reparations program.

Fiscal Impact: The Franchise Tax Board (FTB) estimates for every $1 million in reparations payments received, the revenue loss would be $63,000 (General Fund). FTB's implementation costs would be minor and absorbable.

Background: Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the "basic" tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently exceed $94 billion annually.

California has previously enacted several measures addressing historical discriminatory harms through apologies, reparative programs, and targeted tax relief. In 2005, the Legislature enacted SB 670 (Dunn), the Apology Act for the 1930s Mexican Repatriation Program, apologizing for California's role in the forced removal of persons of Mexican ancestry and requiring a commemorative plaque honoring victims. In 2019, Governor Newsom issued Executive Order No. N-15-19, providing a formal apology to California Native Americans for historical violence, mistreatment, and neglect. In 2024, AB 3089 (Jones-Sawyer) required a formal state apology for California's role in perpetuating slavery and its enduring legacy, with an accompanying plaque to be installed in the State Capitol following completion of the Capitol East Annex Project.

In 2020, the Legislature enacted AB 3121 (Weber), establishing the nation's first Task Force to Study and Develop Reparations Proposals for African Americans, with a focus on descendants of persons enslaved in the United States. The Task Force examined California's role in facilitating slavery, enforcing discriminatory policies, and perpetuating systemic discrimination, and issued its final report in 2023 with recommendations for reparations. In 2025, the Legislature enacted SB 518 (Weber Pierson) to establish the Bureau for Descendants of American Slavery to oversee reparations programs, including developing eligibility criteria for descendants, contingent upon future legislative funding. The Legislature also enacted SB 437 (Weber Pierson), authorizing up to $6 million for CSU to develop processes for genealogical research and verification of descendant status. Additionally, SB 103 (Wiener, 2025) appropriated $6 million to CSU for genealogy-related implementation and $6 million to the Tides Foundation to educate the public about the Task Force's findings.

California has also provided targeted reparative compensation and tax relief for specific historical harms. The Forced or Involuntary Sterilization Compensation Program provided $35,000 payments to eligible survivors of state-sponsored forced sterilization. The City of Palm Springs provided a $5.9 million settlement payment and other investments to Section 14 survivors and descendants. Additionally, SB 796 (Bradford, 2021) authorized the return of Bruce's Beach to the heirs of Charles and Willa Bruce and excluded the related transfer and proceeds from state income taxation. More recently, AB 1485 (Macedo, 2025) provided targeted property tax and documentary transfer tax relief for qualifying tribal land-return transactions involving the restoration of ancestral lands to tribal ownership or stewardship.

Proposed Law: This bill, among other things, would enact Personal Income and Corporation Tax exclusions for any reparations benefit or payment (as defined) received by a taxpayer during the taxable years 2028 through 2032.

Related Legislation: 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.

Staff Comments: This bill would further California's reparative efforts by excluding from gross income payments received by individuals pursuant to qualifying government reparations programs, thereby preventing recipients of reparative payments from incurring state income tax liabilities on compensation intended to address historical discriminatory harms.

To determine the revenue impact of this proposal, the number of individuals receiving reparations payments and the total amount of payments made annually would need to be known. Because the timing, frequency, and amount of future reparations payments are uncertain, FTB notes that the resulting General Fund revenue loss is unknown.

Applying an average tax rate of 6.3 percent, FTB assumes that for every $1 million in qualifying reparations payments excluded from taxable income, the estimated General Fund revenue loss would be $63,000.

-- END --