Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 760
Author: Ta (R), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 6/24/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 69-0, 5/15/25 - See last page for vote

SUBJECT: Income taxes: exclusions: 2026 Garden Grove chemical leak

SOURCE: Author

DIGEST: This bill enacts Personal Income and Corporation Tax exclusions for settlement payments made in connection with the 2026 Garden Grove chemical leak.

ANALYSIS:

Existing law:

1) Allows various income tax credits, deductions, exemptions, and exclusions.

2) Includes as gross income, in conformity with federal law, all income from any source, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded.

3) Excludes from gross income amounts received as a gift or inheritance, certain compensation for injuries and sickness, qualified scholarships, educational

assistance programs, foster care payments, and interest received on certain state or federal obligations.

4) Excludes certain types of income from tax, including settlement payments disaster victims receive to replace property damaged or destroyed by specific wildfire events or disaster events, including:

   a) AB 50 (Hill, Chapter 18, Statutes of 2011), which deemed the San Bruno natural gas pipeline explosion to be a qualified disaster for purposes of disaster payments, thereby allowing taxpayers to exclude disaster relief payments and capital gains treatment for involuntary conversions resulting from the explosion from state income.

   b) AB 1249 (Gallagher, Chapter 749, Statutes of 2022), which applied to amounts received in settlement from the PG&E trust to victims of the 2015 Butte, 2017 North Bay, and 2018 Camp Fires.

   c) SB 1246 (Stern, Chapter 1246, Statutes of 2022), which applied to amounts received in settlement from Southern California Edison related to the 2017 Thomas Fire and the 2018 Woolsey Fire.

   d) SB 131 (Committee on Budget & Fiscal Review, Chapter 55, Statutes of 2023), which applied to amounts received in settlements associated with either the 2019 Kincade Fire in the County of Sonoma or the 2020 Zogg Fire in the Counties of Tehama and Shasta.

   e) SB 132 (Committee on Budget & Fiscal Review, Chapter 56, Statutes of 2025), which applied to:

      i) Amounts received, on or after March 1, 2024, as compensation for specified costs and losses related to the Chiquita Canyon elevated temperature landfill event in Los Angeles County.

      ii) Amounts received on or after January 1, 2021, and before January 1, 2030, in connection with a wildfire in the state; thereby, temporarily remedying the need for one-off individual wildfire settlement exclusions.

This bill:

1) Enacts Personal Income and Corporation Tax exclusions for any amount received in settlement by a qualified taxpayer from a settlement entity in

connection with the 2026 Garden Grove chemical leak, for taxable years 2027 through 2031.

2) Defines several terms, including:

   a) "Qualified taxpayer" to mean any taxpayer who owned real property located in, resided within, or had a place of business within the County of Orange during the 2026 Garden Grove chemical leak who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2026 Garden Grove chemical leak.

   b) "Settlement entity" to mean an entity making a settlement payment of a qualified amount to a qualified.

3) Includes legislative findings and declarations to comply with Section 41 of the Revenue and Taxation Code.

Background

2026 Garden Grove chemical leak. On May 21, 2026, a tank at GKN Aerospace Transparency Systems' facility in Garden Grove containing roughly 6,000 to 7,000 gallons of methyl methacrylate, a highly flammable chemical used in plastics, overheated and threatened to crack, rupture, spill, or explode. The incident triggered evacuation orders affecting approximately 50,000 Orange County residents and led to both a state of emergency proclamation by the governor and a presidential emergency declaration. While no public health official has verified contamination or that fumes were released, there have been local accounts of odors, respiratory irritation, headaches, and dizziness. Many individuals and businesses incurred financial injury related to the evacuation orders.

More than 30 lawsuits have been filed against GKN Aerospace, including 10 federal class actions and 21 state-court cases, involving more than 100 individuals, families, and businesses seeking compensatory and punitive damages. However, as of June 17, 2026, no court-approved settlement, claims administrator, or individual settlement-payment program has been established to issue payments related to the Garden Grove chemical leak.

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

According to the Senate Appropriations Committee, the Franchise Tax Board (FTB) estimates that, for every $100 million in qualified settlement amounts received, the General Fund revenue loss would be $4.6 million. FTB's implementation costs would be minor and absorbable.

SUPPORT: (Verified 8/14/26)

County of Orange

OPPOSITION: (Verified 8/14/26)

None received

ARGUMENTS IN SUPPORT:

According to the author, "In May 2026, 50,000 residents were evacuated due to a chemical incident in Garden Grove, which impacted many communities in Orange County. Many evacuees incurred considerable losses, including temporary housing, lost wages, business interruptions, and transportation costs. Consequently, 44 lawsuits have been filed by those impacted by this chemical leak. AB 760 will help these victims be fully compensated by following California precedent for previously declared emergencies that made settlements non-taxable, including SB 343 (2018), SB 1246 (2022), SB 131 (2023), and AB 159 (2025). Settlements awarded to victims as a result of a declared emergency are intended to make them whole. These funds should not be considered income. These funds are meant to reimburse families for losses they suffered through no fault of their own. These funds are intended to help families recover and feel a sense of stability after a frightening and disruptive event. Taxing these settlements would diminish the relief available to affected residents and reduce the resources available to help them rebuild and move forward."

ASSEMBLY FLOOR: 69-0, 5/15/25
AYES: Addis, Aguiar-Curry, Ahrens, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Alanis, Arambula, Bennett, Castillo, Jeff Gonzalez, Lee, Quirk-Silva, Ramos, Solache, Stefani

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