

California tax law does not automatically conform to changes in federal tax law. Such decoupling is purposeful, as a federal tax expenditure to incentivize certain behavior may not promote the same behavior if adopted at the state level, or may result in behavior contrary to the state's goals, at the expense of the state's General Fund. Unlike the federal government, California must pass a balanced budget and cannot print money. Accordingly, state tax law conforms to federal tax law via two methods: (a) general date-change conformity through an omnibus bill conforming to federal tax law as of a certain date, or (b) specific cross-references to certain sections of the IRC through individual legislation conforming to specific federal changes. AB 154 (Ting), Chapter 359, Statutes of 2015, enacted California's current date-change conformity of January 1, 2015. This bill updates the federal date-change conformity to January 1, 2025, with certain modifications. A full list of the modifications is outlined in the Assembly Revenue and Taxation Committee's analysis of this bill.

- 3) **Related Legislation.** SB 302 (Padilla) excludes from gross income, under the PIT and CT Laws, in conformity with federal law, a refund or transfer payment received by a taxpayer claiming certain federal tax credits under the Inflation Reduction Act of 2022. SB 302 is pending hearing by this committee.

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