

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 785 (Caballero) – As Amended July 7, 2025

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill allows a credit under the Personal Income Tax (PIT) Law for certain purchases of durable medical equipment (DME).

Specifically, this bill:

- 1) Allows, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, a PIT credit in an amount equal to 50% of unreimbursed costs paid or incurred by a taxpayer for the purchase of DME for use by a qualifying dependent. The credit is limited to \$5,000 per taxable year for each qualifying dependent.
- 2) Declares the goal of the new PIT credit and requires the Franchise Tax Board (FTB) to submit, by July 1, 2028, and annually thereafter, a report to the Legislature with specified performance data.

FISCAL EFFECT:

- 1) General Fund (GF) revenue loss of approximately \$3.2 million in fiscal year (FY) 2025-26, \$5.7 million in FY 2026-27, and \$6.1 million in FY 2027-28. By decreasing PIT revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the GF revenue loss (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- 2) Costs of an unknown, but likely absorbable amount, to FTB to administer the new credit and prepare the annual report.

COMMENTS:

- 1) **Purpose.** According to the author:

Families face enormous out-of-pocket costs even when they have private insurance or Medi-Cal. Without access to essential DME, children with complex medical conditions experience delays in care, hospitalization, and in extreme cases, institutionalization...[SB 785] will relieve the financial stress of parents managing the costs of medical services, drugs, therapy, and medical equipment necessary for their children with complex medical conditions, and will improve the quality of life for children living in our state.

This bill is supported by the California Association for Health Services at Home and individual provider entities.

- 2) **DME.** DME is equipment or supplies ordered by a healthcare provider for a patient's daily or extended use. DME items may include oxygen tanks, wheelchairs, crutches, or blood testing strips for diabetics. DME may not be fully covered by a patient's insurance. This bill creates a new PIT credit, capped at \$5,000 per year, to help cover a taxpayer's unreimbursed costs for the purchase of DME used by a qualifying dependent.

Analysis Prepared by: Irene Ho / APPR. / (916) 319-2081