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SB-131 Taxation. (2023-2024)

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Date Published: 07/10/2023 09:00 PM

Senate Bill No. 131

CHAPTER 55

An act to amend Sections 12419.3.3 and 13305 of the Government Code, to amend Sections 17053.73, 19551.3, 19851, 19852, 19853, 19854, and 23626 of, to add Section 17082 to, and to add and repeal Sections 17139.2, 17139.3, 24309.6, and 24309.7 of, the Revenue and Taxation Code, and to amend Section 8161 of the Welfare and Institutions Code, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor July 10, 2023. Filed with Secretary of State July 10, 2023.]

LEGISLATIVE COUNSEL'S DIGEST

SB 131, Committee on Budget and Fiscal Review. Taxation.

(1) Existing law requires the Controller to state an account with persons that receive funds or property belonging to the state and fail to properly render account thereof to the state, and persons that fail to pay to the State Treasury any money belonging to the state. Existing law requires the Controller to offset delinquent accounts against personal income tax refunds that have been certified by the Franchise Tax Board, subject to a specified priority. Existing law, for taxable years beginning on or after January 1, 2024, prohibits the Controller from offsetting delinquent accounts against the personal income tax refunds of an individual who received the earned income tax credit or the young child tax credit for the taxable year, except as specified.

This bill would additionally prohibit the Controller from offsetting delinquent accounts against the personal income tax refunds of an individual who received the foster youth tax credit.

(2) Existing law requires the Department of Finance to report annually, no later than September 15, to the Legislature with regard to tax expenditures, as defined. Existing law requires the report to include specified information, including, for personal income tax expenditures, the number of taxpayers affected and returns filed, as applicable, for the most recent tax year for which full year data is available.

Commencing August 1, 2023, this bill would instead require the report to be provided to the Legislature no later than November 1 of each year and would change the contents of the report by instead requiring, for personal income tax expenditures and for the most recent tax year for which full year data is available, the number of taxpayers affected and returns filed, categorized by taxpayers' income levels, as applicable, and the cost to the state resulting from these personal income tax expenditures, categorized by the taxpayers' income levels, for which data is readily available.

(3) Existing law, the Personal Income Tax Law, in partial conformity with federal income tax law, imposes a tax on the taxable income of estates or of any kind of property held in trust. That law provides the taxable income of an estate or trust is computed in the same manner as in the case of an individual, except as provided, and the tax is paid by the fiduciary of the trust or estate. Existing law provides that, where the grantor or another person is treated as the owner of any portion of the trust, known as a "grantor trust," then items of income, deductions, and credits against tax of the trust are included in computing the taxable income and credits of the grantor or other owner.

This bill, for taxable years beginning on or after January 1, 2023, would include the income of an incomplete gift nongrantor trust, as defined, in the gross income of the grantor to the extent the income of the trust would be taken into account in computing the grantor's taxable income if the trust were treated as a grantor trust. The bill would provide that these provisions do not apply where certain conditions are met, including an irrevocable election made by the fiduciary to be taxed as a resident nongrantor trust, as provided.

(4) The Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income.

This bill would, for taxable years beginning on or after January 1, 2020, and before January 1, 2028, provide exclusions from gross income for any qualified taxpayer, as defined, for 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, as provided.

(5) The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including, for taxable years beginning on or after January 1, 2014, and before January 1, 2026, a credit for hiring qualified full-time employees, as defined, within a designated census tract or economic development area in an amount equal to 35% of the qualified wages paid to those employees multiplied by the applicable percentage for that taxable year. That law requires a taxpayer claiming the credit to request a tentative credit reservation from the Franchise Tax Board within 30 days of complying with specified new hire reporting requirements.

This bill would, for taxable years beginning on or after January 1, 2023, and before January 1, 2026, eliminate the requirement that the new employment be located within a designated census tract or economic development area if the qualified taxpayer is engaged in semiconductor manufacturing or semiconductor research and development, lithium production, manufacturing of lithium batteries, or electric airplane manufacturing, as defined, and self-certifies and verifies compliance with specified requirements. The bill would, for each taxable year beginning on or after January 1, 2023, and before January 1, 2024, allow a qualified taxpayer engaged in semiconductor manufacturing, semiconductor research and development, lithium production, manufacturing of lithium batteries, or electric airplane manufacturing to request a tentative credit reservation from the Franchise Tax Board on or before the last day of the month following the close of the taxable year for which the credit is claimed, instead of within 30 days of complying with specified new hire reporting requirements.

(6) Existing law establishes the State Department of Social Services and requires the department to administer various public social services programs, such as the CalFood Program and the In-Home Supportive Services Program. Existing law also establishes the State Department of Health Care Services within the California Health and Human Services Agency, and sets forth the department's powers and duties relating to, among other things, public health, licensing and certification of certain health facilities, and the state Medi-Cal program.

Existing law requires the State Department of Social Services and the State Department of Health Care Services to exchange data with the Franchise Tax Board, including the names, addresses, and contact information of individuals that may qualify for the California EITC, and requires all data provided to remain confidential and be used only for purposes directly connected with the federal and the California EITC, and other federal and state antipoverty tax credits.

Existing law authorizes the Franchise Tax Board to disclose individual income tax return information for taxable years beginning on or after January 1, 2020, and before January 1, 2022, to the State Department of Social Services and the State Department of Health Care Services, and requires the data provided to remain confidential and be used only for purposes of informing state residents of the availability of the Volunteer Income Tax Assistance (VITA), CalFile, the federal EITC, the California EITC, and other federal and state antipoverty tax credits that are designed to alleviate poverty and tax burdens of low-income households. That law makes the unauthorized disclosure or use of information shared in this way a misdemeanor.

This bill would extend the authorization of the Franchise Tax Board to disclose individual income tax return information to include information for taxable years beginning on or after January 1, 2020, and before January 1, 2026. By expanding the crimes established by these provisions until January 1, 2026, this bill would establish a state-mandated local program.

(7) Existing federal and California income tax laws allow various credits against the taxes imposed by those laws, including, among other antipoverty tax credits, a refundable federal earned income tax credit (EITC) for certain low-income individuals who have earned income and who meet certain other requirements and a California EITC, in partial conformity with federal income tax laws, that is equal to that portion of the federal EITC as determined by the earned income tax credit adjustment factor.

Existing law, the Earned Income Tax Credit Information Act, requires an employer, as defined, to notify all employees that they may be eligible for the federal and the California EITC, as specified. That law also requires specified state agencies to notify recipients of state services that they may be eligible for the federal and the California EITC. Existing law provides the form and manner of notification by employers and state agencies.

This bill would recast these notification requirements to require notification of the availability of specified income tax filing assistance programs and state and federal antipoverty tax credits, including the federal and the California EITC. The bill would also rephrase the form of the notification, and would require employers to notify employees twice annually, as provided.

(8) Existing law, the Better for Families Act, requires the Franchise Tax Board to make a one-time Better for Families Tax Refund payment to each qualified recipient, as defined, of an applicable amount, as specified, in the form and manner determined by the Franchise Tax Board.

This bill would require the Franchise Tax Board to issue these payments no later than September 30, 2023, except as provided.

(9) Existing law requires a bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would include additional information required for any bill authorizing a new tax expenditure.

(10) This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of $\frac{2}{3}$ of the membership of each house of the Legislature.

(11) The bill would make legislative findings and declarations regarding the public purpose served by this bill.

(12) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(13) This bill would, for the 2023–2024 fiscal year, appropriate the sum of \$10,000, from the General Fund to the Franchise Tax Board for purposes of administering the above-described tax credit for hiring qualified full-time employees.

(14) The bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 12419.3.3 of the Government Code is amended to read:

12419.3.3. (a) Notwithstanding any other provision of this article, for taxable years beginning on or after January 1, 2024, the Controller shall not offset delinquent accounts against the personal income tax refunds of an individual who received the earned income tax credit under Section 17052 of the Revenue and Taxation Code, the young child tax credit under Section 17052.1 of the Revenue and Taxation Code, or the foster youth tax credit under Section 17052.2 of the Revenue and Taxation Code, for the taxable year.

(b) This section shall not apply to delinquent accounts for the nonpayment of child or family support.

SEC. 2. Section 13305 of the Government Code is amended to read:

13305. (a) The department shall provide an annual report to the Legislature on tax expenditures by no later than November 1 of each year. The report shall include each of the following:

(1) A comprehensive list of tax expenditures exceeding five million dollars (\$5,000,000) in annual cost.

(2) The statutory authority for each credit, deduction, exclusion, exemption, or any other tax benefit as provided by state law.

(3) A description of the legislative intent for each tax expenditure, if the act adding or amending the expenditure contains legislative findings and declarations of that intent, or that legislative intent is otherwise expressed or specified by that act.

(4) The sunset date of each credit, deduction, exclusion, exemption, or any other tax benefit as provided by state law, if applicable.

(5) A brief description of the beneficiaries of the credit, deduction, exclusion, exemption, or other tax benefit as provided by state law.

(6) An estimate or range of estimates for the state and local revenue loss for the current fiscal year and the two subsequent fiscal years. For sales and use tax expenditures, this would include partial year exemptions and all other tax expenditures when

the California Department of Tax and Fee Administration or the State Board of Equalization has obtained that information.

(7) For personal income tax expenditures and for the most recent tax year for which full year data is available, the number of taxpayers affected and returns filed, categorized by taxpayers' income levels, as applicable, and the cost to the state resulting from these personal income tax expenditures, categorized by the taxpayers' income levels, for which data is readily available.

(8) For corporation tax and sales and use tax expenditures, the number of returns filed or business entities affected, as applicable, for the most recent tax year for which full year data is available.

(9) A listing of any comparable federal tax benefit, if any.

(10) A description of any tax expenditure evaluation or compilation of information completed by any state agency since the last report made under this section.

(b) For purposes of this section, "tax expenditure" means a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state.

(c) This section shall become operative on August 1, 2023.

SEC. 3. Section 17053.73 of the Revenue and Taxation Code is amended to read:

17053.73. (a) (1) For each taxable year beginning on or after January 1, 2014, and before January 1, 2026, there shall be allowed to a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and that receives a tentative credit reservation for that qualified full-time employee, a credit against the "net tax," as defined in Section 17039, in an amount calculated under this section.

(2) For each taxable year beginning on or after January 1, 2023, and before January 1, 2026, the designated census tract or economic development area requirements shall not apply to a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b).

(3) The amount of the credit allowable under this section for a taxable year shall be equal to the product of the tentative credit amount for the taxable year and the applicable percentage for that taxable year.

(4) (A) If a qualified taxpayer relocates to a designated census tract or economic development area, the qualified taxpayer shall be allowed a credit with respect to qualified wages for each qualified full-time employee employed within the new location only if the qualified taxpayer provides each employee at the previous location or locations a written offer of employment at the new location in the designated census tract or economic development area with comparable compensation.

(B) For purposes of this paragraph, "relocates to a designated census tract or economic development area" means an increase in the number of qualified full-time employees, employed by a qualified taxpayer, within a designated census tract or tracts or economic development areas within a 12-month period in which there is a decrease in the number of full-time employees, employed by the qualified taxpayer in this state, but outside of designated census tracts or economic development areas.

(C) This paragraph does not apply to a small business.

(5) The credit allowed by this section may be claimed only on a timely filed original return of the qualified taxpayer and only with respect to a qualified full-time employee for whom the qualified taxpayer has received a tentative credit reservation.

(b) For purposes of this section:

(1) The "tentative credit amount" for a taxable year shall be equal to the product of the applicable credit percentage for each qualified full-time employee and the qualified wages paid by the qualified taxpayer during the taxable year to that qualified full-time employee.

(2) The "applicable percentage" for a taxable year shall be equal to a fraction, the numerator of which is the net increase in the total number of full-time employees employed in this state during the taxable year, determined on an annual full-time equivalent basis, as compared with the total number of full-time employees employed in this state during the base year, determined on the same basis, and the denominator of which shall be the total number of qualified full-time employees employed in this state during the taxable year. The applicable percentage shall not exceed 100 percent.

(3) The "applicable credit percentage" means the credit percentage for the calendar year during which a qualified full-time employee was first employed by the qualified taxpayer. The applicable credit percentage for all calendar years shall be 35 percent.

(4) "Base year" means the 2013 taxable year, except in the case of a qualified taxpayer who first hires a qualified full-time employee in a taxable year beginning on or after January 1, 2015, the base year means the taxable year immediately preceding the taxable year in which a qualified full-time employee was first hired by the qualified taxpayer.

(5) "Acquired" includes any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

(6) "Annual full-time equivalent" means either of the following:

(A) In the case of a full-time employee paid hourly qualified wages, "annual full-time equivalent" means the total number of hours worked for the qualified taxpayer by the employee, not to exceed 2,000 hours per employee, divided by 2,000.

(B) In the case of a salaried full-time employee, "annual full-time equivalent" means the total number of weeks worked for the qualified taxpayer by the employee divided by 52.

(7) "Designated census tract" means a census tract within the state that is determined by the Department of Finance to have a civilian unemployment rate that is within the top 25 percent of all census tracts within the state and has a poverty rate within the top 25 percent of all census tracts within the state, as prescribed in Section 13073.5 of the Government Code.

(8) "Economic development area" means either of the following:

(A) A former enterprise zone. For purposes of this section, "former enterprise zone" means an enterprise zone designated and in effect as of December 31, 2011, any enterprise zone designated during 2012, and any revision of an enterprise zone prior to June 30, 2013, under former Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code, as in effect on December 31, 2012, excluding any census tract within an enterprise zone that is identified by the Department of Finance pursuant to Section 13073.5 of the Government Code as a census tract within the lowest quartile of census tracts with the lowest civilian unemployment and poverty.

(B) A local agency military base recovery area designated as of the effective date of the act adding this subparagraph, in accordance with Section 7114 of the Government Code.

(9) "Electric airplane manufacturing" means manufacturing of electric airplanes that would be classified under Code 3364 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(10) "Lithium production" means lithium mining and manufacturing described in Codes 212390 or 325180 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(11) "Manufacturing of lithium batteries" means the manufacturing described in Code 335910 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(12) "Minimum wage" means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(13) (A) "Qualified full-time employee" means an individual who meets all of the following requirements:

(i) Performs at least 50 percent of their services for the qualified taxpayer during the taxable year in a designated census tract or economic development area.

(ii) This clause does not apply to employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14).

(ii) Receives starting wages that are at least 150 percent of the minimum wage or at least 100 percent of the minimum wage for employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14).

(iii) Is hired by the qualified taxpayer on or after January 1, 2014.

(iv) Is hired by the qualified taxpayer after the date the Department of Finance determines that the census tract referred to in clause (i) is a designated census tract or that the census tracts within a former enterprise zone are not census tracts with the lowest civilian unemployment and poverty.

(v) Satisfies either of the following conditions:

(i) Is paid qualified wages by the qualified taxpayer for services not less than an average of 35 hours per week.

(II) Is a salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer.

(vi) Upon commencement of employment with the qualified taxpayer, satisfies any of the following conditions:

(I) Was unemployed for the six months immediately preceding employment with the qualified taxpayer. In the case of an individual that completed a program of study at a college, university, or other postsecondary educational institution, received a baccalaureate, postgraduate, or professional degree, and was unemployed for the six months immediately preceding employment with the qualified taxpayer, that individual must have completed that program of study at least 12 months prior to the individual's commencement of employment with the qualified taxpayer.

(II) Is a veteran who separated from service in the Armed Forces of the United States within the 12 months preceding commencement of employment with the qualified taxpayer.

(III) Was a recipient of the credit allowed under Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal purposes, for the previous taxable year.

(IV) Is an ex-offender previously convicted of a felony.

(V) Is a recipient of either CalWORKs, in accordance with Article 2 (commencing with Section 11250) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or general assistance, in accordance with Section 17000.5 of the Welfare and Institutions Code.

(B) An individual may be considered a qualified full-time employee only for the period of time commencing with the date the individual is first employed by the qualified taxpayer and ending 60 months thereafter.

(14) (A) "Qualified taxpayer" means any of the following:

(i) A person or entity engaged in a trade or business within a designated census tract or economic development area that, during the taxable year, pays or incurs qualified wages.

(ii) A person or entity engaged in semiconductor manufacturing or semiconductor research and development that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they intend to apply or have applied for federal funding pursuant to Sections 101 to 106, inclusive, of, or intend to claim or have claimed the credit pursuant to Section 107 of, Division A of the federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 (Public Law 117-167), and that pays or incurs qualified wages during the taxable year.

(iii) A person or entity engaged in electric airplane manufacturing that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they have received a sales and use tax exclusion pursuant to Section 6010.8 for an electric vertical takeoff and landing (eVTOL) manufacturer and that pays or incurs qualified wages during the taxable year.

(iv) A person or entity engaged in lithium production that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they are a producer, as defined by Section 47002, who pays the tax imposed by Part 25 (commencing with Section 47000) for the taxable year and that pays or incurs qualified wages during the taxable year.

(v) (I) A person or entity engaged in manufacturing of lithium batteries that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that their primary business is lithium battery manufacturing and that pays or incurs qualified wages during the taxable year.

(II) For purposes of this clause, "primary business" means 50 percent or more of their gross income is derived from lithium battery manufacturing.

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 23626 shall be allowed to the pass-thru entity and passed through to the partners and shareholders in accordance with applicable provisions of this part or Part 11 (commencing with Section 23001). For purposes of this subdivision, the term "pass-thru entity" means any partnership or "S" corporation.

(C) "Qualified taxpayers" shall not include any of the following:

(i) Employers that provide temporary help services, as described in Code 561320 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(ii) Employers that provide retail trade services, as described in Sector 44-45 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iii) Employers that are primarily engaged in providing food services, as described in Code 711110, 722511, 722513, 722514, or 722515 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iv) Employers that are primarily engaged in services as described in Code 713210, 721120, or 722410 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(v) (I) An employer that is a sexually oriented business.

(II) For purposes of this clause:

(ia) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(ib) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(D) Subparagraph (C) shall not apply to a taxpayer that is a "small business."

(15) "Qualified wages" means those wages subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that meet all of the following requirements:

(A) (i) Except as provided in clause (ii) or (iii), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 150 percent of minimum wage, but does not exceed 350 percent of minimum wage.

(ii) (I) In the case of a qualified full-time employee employed in a designated pilot area, that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds ten dollars (\$10) per hour or an equivalent amount for salaried employees, but does not exceed 350 percent of minimum wage. For qualified full-time employees described in the preceding sentence, clause (ii) of subparagraph (A) of paragraph (13) is modified by substituting "ten dollars (\$10) per hour or an equivalent amount for salaried employees" for "150 percent of the minimum wage."

(II) For purposes of this clause:

(ia) "Designated pilot area" means an area designated as a designated pilot area by the Governor's Office of Business and Economic Development.

(ib) Areas that may be designated as a designated pilot area are limited to areas within a designated census tract or an economic development area with average wages less than the statewide average wages, based on information from the Labor Market Division of the Employment Development Department, and areas within a designated census tract or an economic development area based on high poverty or high unemployment.

(ic) The total number of designated pilot areas that may be designated is limited to five, one or more of which must be an area within five or fewer designated census tracts within a single county based on high poverty or high unemployment or an area within an economic development area based on high poverty or high unemployment.

(id) The designation of a designated pilot area shall be applicable for a period of four calendar years, commencing with the first calendar year for which the designation of a designated pilot area is effective. The applicable period of a designated pilot area may be extended, in the sole discretion of the Governor's Office of Business and Economic Development, for an additional period of up to three calendar years. The applicable period, and any extended period, shall not extend beyond December 31, 2020.

(III) The designation of an area as a designated pilot area and the extension of the applicable period of a designated pilot area shall be at the sole discretion of the Governor's Office of Business and Economic Development and shall not be subject to administrative appeal or judicial review.

(iii) For qualified full-time employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 100 percent of the minimum wage, but does not exceed 350 percent of the minimum wage.

(B) Wages paid or incurred during the 60-month period beginning with the first day the qualified full-time employee commences employment with the qualified taxpayer. In the case of any employee who is reemployed, including a regularly occurring seasonal increase, in the trade or business operations of the qualified taxpayer, this reemployment shall not be treated as constituting commencement of employment for purposes of this section.

(C) Except as provided in paragraph (3) of subdivision (n), qualified wages shall not include any wages paid or incurred by the qualified taxpayer on or after the date that the Department of Finance's redesignation of designated census tracts is effective, as provided in paragraph (2) of subdivision (g), so that a census tract is no longer a designated census tract.

(16) "Seasonal employment" means employment by a qualified taxpayer that has regular and predictable substantial reductions in trade or business operations.

(17) "Semiconductor manufacturing or semiconductor research and development" means manufacturing described in Code 3344 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(18) (A) "Small business" means a trade or business that has aggregate gross receipts, less returns and allowances reportable to this state, of less than two million dollars (\$2,000,000) during the previous taxable year.

(B) (i) For purposes of this paragraph, "gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(ii) In the case of any trade or business activity conducted by a partnership or an "S" corporation, the limitations set forth in subparagraph (A) shall be applied to the partnership or "S" corporation and to each partner or shareholder.

(C) (i) "Small business" shall not include a sexually oriented business.

(ii) For purposes of this subparagraph:

(I) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(II) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(19) An individual is "unemployed" for any period for which the individual is all of the following:

(A) Not in receipt of wages subject to withholding under Section 13020 of the Unemployment Insurance Code for that period.

(B) Not a self-employed individual (within the meaning of Section 401(c)(1)(B) of the Internal Revenue Code, relating to self-employed individual) for that period.

(C) Not a registered full-time student at a high school, college, university, or other postsecondary educational institution for that period.

(c) The net increase in full-time employees of a qualified taxpayer shall be determined as provided by this subdivision:

(1) (A) The net increase in full-time employees shall be determined on an annual full-time equivalent basis by subtracting from the amount determined in subparagraph (C) the amount determined in subparagraph (B).

(B) The total number of full-time employees employed in the base year by the taxpayer and by any trade or business acquired by the taxpayer during the current taxable year.

(C) The total number of full-time employees employed in the current taxable year by the taxpayer and by any trade or business acquired during the current taxable year.

(2) For taxpayers who first commence doing business in this state during the taxable year, the number of full-time employees for the base year shall be zero.

(d) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) In determining whether the taxpayer has first commenced doing business in this state during the taxable year, the provisions of subdivision (f) of Section 17276, without application of paragraph (7) of that subdivision, shall apply.

(e) (1) (A) Except as provided in subparagraph (B), to be eligible for the credit allowed by this section, a qualified taxpayer shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirements as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.

(B) For taxable years beginning on or after January 1, 2023, and before January 1, 2024, to be eligible for the credit allowed by this section, a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b) shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board on or before the last day of the month following the close of the taxable year for which the credit is claimed, in the form and manner prescribed by the Franchise Tax Board.

(2) To obtain a tentative credit reservation with respect to a qualified full-time employee, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, social security number, the start date of employment, the rate of pay of the qualified full-time employee, the qualified taxpayer's gross receipts, less returns and allowances, for the previous taxable year, and whether the qualified full-time employee is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013.

(3) The qualified taxpayer shall provide the Franchise Tax Board an annual certification of employment with respect to each qualified full-time employee hired in a previous taxable year, on or before, the 15th day of the third month of the taxable year. The certification shall include necessary information, as determined by the Franchise Tax Board, including the name, social security number, start date of employment, and rate of pay for each qualified full-time employee employed by the qualified taxpayer.

(4) (A) A qualified taxpayer, as defined under clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b), shall, upon request, provide to the Franchise Tax Board the applicable verification specified in subparagraph (A) of paragraph (14) of subdivision (b).

(B) The verification shall be provided in the form and manner prescribed by the Franchise Tax Board.

(C) Any disallowance of a credit claimed due to a failure to provide verification under this paragraph shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from such disallowance may be assessed by the Franchise Tax Board in the same manner as provided by Section 19051.

(5) A tentative credit reservation provided to a taxpayer with respect to an employee of that taxpayer shall not constitute a determination by the Franchise Tax Board with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(f) The Franchise Tax Board shall do all of the following:

(1) Approve a tentative credit reservation with respect to a qualified full-time employee hired during a calendar year.

(2) Determine the aggregate tentative reservation amount and the aggregate small business tentative reservation amount for a calendar year.

(3) A tentative credit reservation request from a qualified taxpayer with respect to a qualified full-time employee who is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013, shall be expeditiously processed by the Franchise Tax Board. The residence of a qualified full-time employee in a targeted employment area shall have no other effect on the eligibility of an individual as a qualified full-time employee or the eligibility of a qualified taxpayer for the credit authorized by this section.

(4) Notwithstanding Section 19542, provide as a searchable database on its internet website, for each taxable year beginning on or after January 1, 2014, and before January 1, 2026, the employer names, amounts of tax credit claimed, and number of new jobs created for each taxable year pursuant to this section and Section 23626.

(g) (1) The Department of Finance shall, by January 1, 2014, and by January 1 of every fifth year thereafter, provide the Franchise Tax Board with a list of the designated census tracts and a list of census tracts with the lowest civilian unemployment rate.

(2) The redesignation of designated census tracts and lowest civilian unemployment census tracts by the Department of Finance as provided in Section 13073.5 of the Government Code shall be effective, for purposes of this credit, one year after the date the Department of Finance redesignates the designated census tracts.

(h) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) All employees of trades or businesses that are not incorporated, and that are under common control, shall be treated as employed by a single taxpayer.

(3) The credit, if any, allowable by this section with respect to each trade or business shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated to that trade or business in that manner.

(4) Principles that apply in the case of controlled groups of corporations, as specified in subdivision (h) of Section 23626, shall apply with respect to determining employment.

(5) If an employer acquires the major portion of a trade or business of another employer, hereinafter in this paragraph referred to as the predecessor, or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section, other than subdivision (i), for any taxable year ending after that acquisition, the employment relationship between a qualified full-time employee and an employer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(i) (1) If the employment of any qualified full-time employee, with respect to whom qualified wages are taken into account under subdivision (a), is terminated by the qualified taxpayer at any time during the first 36 months after commencing employment with the qualified taxpayer, whether or not consecutive, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) Paragraph (1) does not apply to any of the following:

(A) A termination of employment of a qualified full-time employee who voluntarily leaves the employment of the qualified taxpayer.

(B) A termination of employment of a qualified full-time employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(C) A termination of employment of a qualified full-time employee, if it is determined that the termination was due to the misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations, of that employee.

(D) A termination of employment of a qualified full-time employee due to a substantial reduction in the trade or business operations of the qualified taxpayer, including reductions due to seasonal employment.

(E) A termination of employment of a qualified full-time employee, if that employee is replaced by other qualified full-time employees so as to create a net increase in both the number of employees and the hours of employment.

(F) A termination of employment of a qualified full-time employee, when that employment is considered seasonal employment and the qualified employee is rehired on a seasonal basis.

(3) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified full-time employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified full-time employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(4) An increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(j) In the case of an estate or trust, both of the following apply:

(1) The qualified wages for a taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

(2) A beneficiary to whom any qualified wages have been apportioned under paragraph (1) shall be treated, for purposes of this part, as the employer with respect to those wages.

(k) In the case in which the credit allowed by this section exceeds the “net tax,” the excess may be carried over to reduce the “net tax” in the following year, and the succeeding four years if necessary, until the credit is exhausted.

(l) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(m) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2020–21 fiscal year, inclusive.

(2) (A) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department’s estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(B) Beginning March 1, 2025, the report required by this paragraph shall include information relating to the total dollar amount of the credits claimed under this section by qualified taxpayers described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b).

(n) (1) This section shall remain in effect only until December 1, 2029, and as of that date is repealed.

(2) Notwithstanding paragraph (1) of subdivision (a), this section shall continue to be operative for taxable years beginning on or after January 1, 2026, but only with respect to qualified full-time employees who commenced employment with a qualified taxpayer in a designated census tract or economic development area in a taxable year beginning before January 1, 2026.

(3) This section shall remain operative for any qualified taxpayer with respect to any qualified full-time employee after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, for the remaining period, if any, of the 60-month period after the original date of hiring of an otherwise qualified full-time employee and any wages paid or incurred with respect to those qualified full-time employees after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, shall be treated as qualified wages under this section, provided the employee satisfies any other requirements of paragraphs (13) and (15) of subdivision (b), as if the designated census tract was still designated and binding or the economic development area was still in existence.

(o) For purposes of complying with Section 41 as it relates to the amendments made to this section and Section 23626 by the act adding this subdivision, hereafter the “expansion of the credit,” the Legislature finds as follows:

(1) The specific goal, purpose, and objective of the expansion of the credit is to incentivize semiconductor, lithium production and manufacturing, and electric airplane companies to invest in California-based operations.

(2) The performance indicator for the Legislature to use in determining whether the expansion of the credit is achieving the stated goal, purpose, and objective is the total dollar amount of credits claimed by taxpayers engaged in semiconductor manufacturing, semiconductor research and development, lithium production and manufacturing, and electric airplane manufacturing, as reported pursuant to subparagraph (B) of paragraph (2) of subdivision (m) of this section and subparagraph (B) of paragraph (2) of subdivision (l) of Section 23626.

(p) The amendments made to this section by the act adding this subdivision shall be operative for taxable years beginning on or after January 1, 2023.

SEC. 4. Section 17082 is added to the Revenue and Taxation Code, to read:

17082. (a) For taxable years beginning on or after January 1, 2023, the income of an incomplete gift nongrantor trust shall be included in a qualified taxpayer’s gross income to the extent the income of the trust would be taken into account in computing the qualified taxpayer’s taxable income if the trust in its entirety were treated as a grantor trust under Section 17731.

(b) Notwithstanding subdivision (a), Section 17745 applies to distributions from an incomplete gift nongrantor trust.

(c) Notwithstanding subdivision (a), the income of an incomplete gift nongrantor trust shall not be included in a qualified taxpayer's gross income for a taxable year if all of the following apply:

(1) The fiduciary of the incomplete gift nongrantor trust timely files an original California Fiduciary Income Tax Return and makes an irrevocable election on that return to be taxed as a resident nongrantor trust, pursuant to Chapter 9 (commencing with Section 17731). The election shall be made in the form and manner prescribed by the Franchise Tax Board.

(2) The incomplete gift nongrantor trust is a nongrantor trust pursuant to Chapter 9 (commencing with Section 17731).

(3) Ninety percent or more of the distributable net income of the incomplete gift nongrantor trust, pursuant to Chapter 9 (commencing with Section 17731), is distributed, or treated as being distributed pursuant to Section 17752 or 17731, including subdivision (a), for purposes of Chapter 9 (commencing with Section 17731), to a charitable organization, as defined in Section 501(c)(3) of the Internal Revenue Code.

(d) For purposes of this section, the following definitions apply:

(1) "Incomplete gift nongrantor trust" means a trust that meets both of the following conditions:

(A) The trust does not qualify as a grantor trust under Subpart E of Part I of Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code, relating to grantors and others treated as substantial owners.

(B) The qualified taxpayer's transfer of assets to the trust is treated as an incomplete gift under Section 2511 of the Internal Revenue Code, relating to transfers in general.

(2) "Qualified taxpayer" means a grantor of an incomplete gift nongrantor trust.

(3) "Resident nongrantor trust" means a trust that is not a grantor trust and where the tax applies to the entire taxable income of the trust based on the residency of the fiduciary or beneficiary in accordance with Section 17742.

(e) (1) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section.

(2) The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, procedure, or other guidance prescribed by the Franchise Tax Board pursuant to this section.

SEC. 5. Section 17139.2 is added to the Revenue and Taxation Code, to read:

17139.2. (a) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, gross income does not include any qualified amount received by a qualified taxpayer.

(b) For purposes of this section:

(1) "Qualified amount" means any amount received in settlement by a qualified taxpayer from a settlement entity in connection with the 2019 Kincade Fire.

(2) "Qualified taxpayer" means any of the following:

(A) Any taxpayer that owned real property located in the County of Sonoma during the 2019 Kincade Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2019 Kincade Fire.

(B) Any taxpayer that resided within the County of Sonoma during the 2019 Kincade Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2019 Kincade Fire.

(C) Any taxpayer that had a place of business within the County of Sonoma during the 2019 Kincade Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the Kincade Fire.

(3) "Settlement entity" means Pacific Gas and Electric Company or its subsidiary that is making the settlement payment to a qualified taxpayer.

(c) The settlement entity shall provide, upon request by the Franchise Tax Board, documentation of the settlement payments in the form and manner requested by the Franchise Tax Board.

(d) (1) For the purpose of complying with Section 41 in regards to the exclusion provided by this section and Section 24309.6, the Legislature finds and declares that the specific goal, purpose, and objective of the tax exclusion is to provide essential relief to individuals who have suffered injury, loss, inconvenience, and expenses resulting from the devastating 2019 Kincade Fire.

(2) (A) On December 1, 2028, the Legislative Analyst's Office shall deliver to the Legislature a written report that includes both of the following:

(i) To the extent feasible, the estimated number of qualified taxpayers that excluded qualified amounts from gross income, as those terms are used in this section and Section 24309.6, as a result of the exclusion.

(ii) The estimated aggregate amount of those settlement payments arising out of the 2019 Kincade Fire.

(B) The report required by this paragraph shall be delivered to the Legislature in compliance with Section 9795 of the Government Code.

(e) This section shall remain in effect only until December 1, 2028, and as of that date is repealed.

SEC. 6. Section 17139.3 is added to the Revenue and Taxation Code, to read:

17139.3. (a) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, gross income does not include any qualified amount received by a qualified taxpayer.

(b) For purposes of this section:

(1) "Qualified amount" means any amount received in settlement by a qualified taxpayer from a settlement entity in connection with the 2020 Zogg Fire.

(2) "Qualified taxpayer" means any of the following:

(A) Any taxpayer that owned real property located in the County of Shasta or the County of Tehama during the 2020 Zogg Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2020 Zogg Fire.

(B) Any taxpayer that resided within the County of Shasta or the County of Tehama during the 2020 Zogg Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2020 Zogg Fire.

(C) Any taxpayer that had a place of business within the County of Shasta or the County of Tehama during the 2020 Zogg Fire who paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2020 Zogg Fire.

(3) "Settlement entity" means Pacific Gas and Electric Company or its subsidiary that is making the settlement payment to a qualified taxpayer.

(c) The settlement entity shall provide, upon request by the Franchise Tax Board, documentation of the settlement payments in the form and manner requested by the Franchise Tax Board.

(d) (1) For the purpose of complying with Section 41 in regards to the exclusion provided by this section and Section 24309.7, the Legislature finds and declares that the specific goal, purpose, and objective of the tax exclusion is to provide essential relief to individuals who have suffered injury, loss, inconvenience, and expenses resulting from the devastating 2020 Zogg Fire.

(2) (A) On December 1, 2028, the Legislative Analyst's Office shall deliver to the Legislature a written report that includes both of the following:

(i) To the extent feasible, the estimated number of qualified taxpayers that excluded qualified amounts from gross income, as those terms are used in this section and Section 24309.7, as a result of the exclusion.

(ii) The estimated aggregate amount of those settlement payments arising out of the 2020 Zogg Fire.

(B) The report required by this paragraph shall be delivered to the Legislature in compliance with Section 9795 of the Government Code.

(e) This section shall remain in effect only until December 1, 2028, and as of that date is repealed.

SEC. 7. Section 19551.3 of the Revenue and Taxation Code is amended to read:

19551.3. (a) The State Department of Social Services and the State Department of Health Care Services shall exchange data with the Franchise Tax Board upon request, including the name, date of birth, address, household or case identification number, and the individual taxpayer identification number or social security number of a program participant. The data provided shall remain confidential and shall be used only for purposes of informing individuals of the availability of the Volunteer Income Tax Assistance (VITA), CalFile, the federal Earned Income Tax Credit, the California Earned Income Tax Credit, and other federal and

state antipoverty tax credits that are designed to alleviate poverty and tax burdens of low-income households, and for providing an estimate of potential state antipoverty tax credits to individuals.

(b) Notwithstanding Section 19542 or any other law, for taxable years beginning on or after January 1, 2020, and before January 1, 2026, the Franchise Tax Board may, upon request, disclose the return information described in paragraph (1) to the State Department of Social Services and the State Department of Health Care Services.

(1) Upon receipt of the information described in subdivision (a), the Franchise Tax Board may disclose the following:

(A) Whether the program participant did not file a tax return.

(B) Whether the program participant was claimed as a dependent on a tax return.

(2) The information provided shall remain confidential and shall be used only for purposes of informing individuals of the availability of the Volunteer Income Tax Assistance (VITA), CalFile, the federal Earned Income Tax Credit, the California Earned Income Tax Credit, and other federal and state antipoverty tax credits that are designed to alleviate poverty and tax burdens of low-income households.

(3) The Franchise Tax Board shall not disclose or provide any federal tax information.

(c) (1) The State Department of Social Services and the State Department of Health Care Services that receive data from the Franchise Tax Board shall annually provide to the Franchise Tax Board, no later than January 1 of each calendar year, the results and findings of outreach conducted to measure whether the outreach achieves its intended purpose of increasing the number of claims for the federal Earned Income Tax Credit, the California Earned Income Tax Credit, and other state and federal antipoverty tax credits.

(2) The results and findings of outreach conducted by the State Department of Social Services and the State Department of Health Care Services required under paragraph (1) shall include, but are not limited to, the following information:

(A) The number of outreach contacts.

(B) A description of each outreach program and the parameters of that program.

(C) The number of individuals responding to outreach contacts referenced in subparagraph (A), if known.

(d) For purposes of this section, the following shall apply:

(1) "Voluntary Income Tax Assistance (VITA)" means the free basic income tax return preparation program, for federal and state personal income tax returns, managed by the Internal Revenue Service and operated by Internal Revenue Service partners and trained volunteers.

(2) "CalFile" means the Franchise Tax Board's free, direct, online program for taxpayers to complete and e-file their state personal income tax returns.

(3) "Program participant" means any individual who receives benefits from a social services program administered by the State Department of Social Services or the State Department of Health Care Services.

(e) An unauthorized disclosure or use of the information disclosed pursuant to this section is a misdemeanor pursuant to Section 19552.

SEC. 8. Section 19851 of the Revenue and Taxation Code is amended to read:

19851. The Legislature finds and declares as follows:

(a) Congress created the federal earned income tax credit (EITC) in 1975 to offset the adverse effects of the Medicare and social security payroll taxes on working poor families and to encourage low-income workers to seek employment rather than welfare.

(b) Due to a relatively low percentage of federal earned income tax credit eligible persons who participate in the federal Earned Income Tax Credit program, hundreds of millions of federal dollars go unclaimed by the working poor in California.

(c) In 2015, the State of California authorized a California EITC to amplify the poverty-reducing effects of the federal EITC for the poorest working Californians.

(d) In order to alleviate the tax burden on working poor persons and families, to enhance the wages and income of working poor persons and families, to ensure that California taxpayers receive their share of the federal money available in the federal EITC program and other state and federal antipoverty tax credits, to ensure that the poorest working Californians access the additional California EITC, and to inject additional federal money into the California economy, the state shall facilitate the furnishing of

information, as permitted by Section 19551.3, to working poor persons and families regarding the availability of the federal and California EITC so that they may claim those credits on their federal and state income tax returns.

(e) It is the intent of this act to offer the most cost-effective assistance to eligible taxpayers by taking steps to ensure that eligible Californians claim both the federal and California EITC and other state and federal antipoverty tax credits and are aware of free tax preparation services through the following:

(1) Notices provided by their employers.

(2) Notices provided by state departments and agencies that serve those who may qualify for the EITC.

SEC. 9. Section 19852 of the Revenue and Taxation Code is amended to read:

19852. For purposes of this part, the following terms have the following meanings:

(a) "Employer" means any California employer who is subject to, and is required to provide, unemployment insurance to their employees, under the Unemployment Insurance Code.

(b) "Employee" means any person who is covered by unemployment insurance by their employer, pursuant to the Unemployment Insurance Code.

(c) "Federal EITC" means the federal earned income tax credit, as defined in Section 32 of the Internal Revenue Code.

(d) "California EITC" means the California earned income tax credit, as defined in Section 17052.

(e) "State departments and agencies that serve those who may qualify for Voluntary Income Tax Assistance or state and federal antipoverty tax credits, including the federal and the California EITC" means the following departments and agencies:

(1) The State Department of Education with respect to information from the free or reduced-price meal program and National School Lunch Program.

(2) The Employment Development Department with respect to information from the California Unemployment Insurance program.

(3) The State Department of Health Care Services with respect to information from the Medi-Cal program.

(4) The State Department of Social Services with respect to information from the CalFresh and CalWORKS programs.

(f) "State and federal antipoverty tax credits" means state and federal tax credits that are designed to alleviate poverty and tax burdens for low-income households.

(g) "Voluntary Income Tax Assistance" or "(VITA)" means the free basic income tax return preparation program, for federal and state personal income tax returns, managed by the Internal Revenue Service and operated by Internal Revenue Service partners and trained volunteers.

(h) "CalFile" means the Franchise Tax Board's free, direct, online program for taxpayers to complete and e-file their state personal income tax returns.

(i) The amendments made to this section by Section 2 of Chapter 294 of the Statutes of 2016 shall apply to notices required pursuant to Section 19853 furnished on or after January 1, 2017.

(j) The amendments made to this section by the act adding this subdivision shall apply to notices required pursuant to Section 19853 furnished on or after January 1, 2024.

SEC. 10. Section 19853 of the Revenue and Taxation Code is amended to read:

19853. (a) (1) An employer shall notify all employees that they may be eligible for VITA, CalFile, and state and federal antipoverty tax credits, including the federal and the California EITC, within one week before or after, or at the same time, that the employer provides an annual wage summary, including, but not limited to, a Form W-2 or a Form 1099, to any employee.

(2) An employer shall send a second notification to all employees during the month of March of the same year in which the employer notified employees pursuant to paragraph (1).

(b) (1) The state departments and agencies that serve those who may qualify for VITA or state and federal antipoverty tax credits, including the federal and the California EITC, as defined in subdivision (e) of Section 19852, shall notify their program recipients that they may be eligible for VITA, CalFile, and state and federal antipoverty tax credits, including the federal and the California

EITC, at least once a year during the months of January through March, or alternatively, shall provide both notifications during a regularly scheduled contact with a recipient by telephone, mail, or electronic communication, or by an in-person communication.

(2) State departments or agencies that serve those who may qualify for VITA or state and federal antipoverty tax credits, including the federal and the California EITC, as defined in subdivision (e) of Section 19852, and that do not directly communicate with persons or households with persons who may qualify for VITA, CalFile, and state and federal antipoverty tax credits, including the federal and the California EITC, may communicate indirectly through agencies, districts, or regulated entities that serve eligible persons or households with eligible persons.

(3) State departments or agencies that serve those who may qualify for VITA or state and federal antipoverty tax credits, including the federal EITC and the California EITC, as defined in subdivision (e) of Section 19852, are encouraged to develop the most effective method to provide notice to recipients of eligibility for VITA, CalFile, and state and federal antipoverty tax credits, including the federal and the California EITC, as long as the notice contains substantially the same language as the notice described in Section 19854.

(c) (1) The employer shall provide the notifications required by subdivision (a) by handing them directly to the employee or mailing them to the employee's last known address.

(2) Any notice created by the employer shall include substantially the same language as the notice described in Section 19854.

(3) The notification required by paragraph (2) of subdivision (a) may be sent electronically.

(d) The employer shall not satisfy the notification required by subdivision (a) by posting a notice on an employee bulletin board or sending it through office mail. However, these methods of notification are encouraged to help inform all employees of VITA, CalFile, and state and federal antipoverty tax credit eligibility, including the federal and the California EITC.

(e) The amendments made to this section by Section 3 of Chapter 294 of the Statutes of 2016 shall apply to notices furnished on or after January 1, 2017.

(f) The amendments made to this section by the act adding this subdivision shall apply to notices furnished on or after January 1, 2024.

SEC. 11. Section 19854 of the Revenue and Taxation Code is amended to read:

19854. (a) The notice required under Section 19853 to be furnished to employees and public assistance program recipients regarding the availability of the federal and the California EITC shall state substantially as follows:

Based on your annual earning, you may be eligible for the following assistance:

Voluntary Income Tax Assistance (VITA) Program – VITA is a free basic income tax return preparation program, for federal and state personal income tax returns, managed by the Internal Revenue Service and operated by Internal Revenue Service partners and trained volunteers.

Federal Earned Income Tax Credit (federal EITC) – The federal EITC is a refundable credit for low-income working individuals and families. The federal EITC will not impact certain public assistance benefits. In addition, federal EITC payments are typically NOT used to determine eligibility for the following:

(A) Medicaid.

(B) Supplemental Security Income.

(C) Supplemental Nutrition Assistance Program.

(D) Low-income housing.

(E) Temporary Assistance for Needy Families payments.

To receive the federal EITC, you must file a federal tax return and fill out the EITC form, which can be found in the Federal Income Tax Return Booklet. For additional information on your eligibility to receive the federal EITC and other federal antipoverty tax credits, visit www.irs.gov.

California Earned Income Tax Credit (California EITC) and Young Child Tax Credit (YCTC) – The California EITC and YCTC are refundable credits for low-income working individuals and families. The California EITC and YCTC are similar to the federal EITC and will not impact certain public assistance benefits.

Foster Youth Tax Credit (FYTC) – The FYTC is a refundable credit for former and current foster youth between 18 and 25 years of age who were in foster care while 13 years of age or older. The FYTC will not impact certain public assistance benefits.

To claim the California EITC, you must file a California Income Tax Return and fill out the California EITC form (Form FTB 3514) and attach it to your tax return. For additional information on the availability of the credit, including eligibility requirements, or form questions, visit www.ftb.ca.gov and enter "CalEITC" in the search box.

You may also be eligible to have both your federal and state tax returns prepared and filed for free using VITA services. For additional information on the free tax filing service, and location and hours of operation, visit www.ftb.ca.gov and enter "VITA" in the search box.

Additionally, you may be eligible to e-file your California return directly with the Franchise Tax Board for free using CalFile. For additional information on CalFile, visit www.ftb.ca.gov and enter "CalFile" in the search box.

(b) The amendments made to this section by Chapter 294 of the Statutes of 2016 apply to notices furnished on or after January 1, 2017.

(c) The amendments made to this section by the act adding this subdivision shall apply to notices furnished on or after January 1, 2024.

SEC. 12. Section 23626 of the Revenue and Taxation Code is amended to read:

23626. (a) (1) For each taxable year beginning on or after January 1, 2014, and before January 1, 2026, there shall be allowed to a qualified taxpayer that hires a qualified full-time employee and pays or incurs qualified wages attributable to work performed by the qualified full-time employee in a designated census tract or economic development area, and that receives a tentative credit reservation for that qualified full-time employee, a credit against the "tax," as defined by Section 23036, in an amount calculated under this section.

(2) For each taxable year beginning on or after January 1, 2023, and before January 1, 2026, the designated census tract or economic development area requirements shall not apply to a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b).

(3) The amount of the credit allowable under this section for a taxable year shall be equal to the product of the tentative credit amount for the taxable year and the applicable percentage for the taxable year.

(4) (A) If a qualified taxpayer relocates to a designated census tract or economic development area, the qualified taxpayer shall be allowed a credit with respect to qualified wages for each qualified full-time employee who is employed within the new location only if the qualified taxpayer provides each employee at the previous location or locations a written offer of employment at the new location in the designated census tract or economic development area with comparable compensation.

(B) For purposes of this paragraph, "relocates to a designated census tract or economic development area" means an increase in the number of qualified full-time employees, employed by a qualified taxpayer, within a designated census tract or tracts or economic development areas within a 12-month period in which there is a decrease in the number of full-time employees, employed by the qualified taxpayer in this state, but outside of designated census tracts or economic development areas.

(C) This paragraph does not apply to a small business.

(5) The credit allowed by this section may only be claimed on a timely filed original return of the qualified taxpayer and only with respect to a qualified full-time employee for whom the qualified taxpayer has received a tentative credit reservation.

(b) For purposes of this section:

(1) The "tentative credit amount" for a taxable year shall be equal to the product of the applicable credit percentage for each qualified full-time employee and the qualified wages paid by the qualified taxpayer during the taxable year to that qualified full-time employee.

(2) The "applicable percentage" for a taxable year shall be equal to a fraction, the numerator of which is the net increase in the total number of full-time employees employed in this state during the taxable year, determined on an annual full-time equivalent basis, as compared with the total number of full-time employees employed in this state during the base year, determined on the same basis, and the denominator of which shall be the total number of qualified full-time employees employed in this state during the taxable year. The applicable percentage shall not exceed 100 percent.

(3) The “applicable credit percentage” means the credit percentage for the calendar year during which a qualified full-time employee was first employed by the qualified taxpayer. The applicable credit percentage for all calendar years shall be 35 percent.

(4) “Base year” means the 2013 taxable year, or in the case of a qualified taxpayer who first hires a qualified full-time employee in a taxable year beginning on or after January 2015, the taxable year immediately preceding the taxable year in which the qualified full-time employee was hired.

(5) “Acquired” includes any gift, inheritance, transfer incident to divorce, or any other transfer, whether or not for consideration.

(6) “Annual full-time equivalent” means either of the following:

(A) In the case of a full-time employee paid hourly qualified wages, “annual full-time equivalent” means the total number of hours worked for the qualified taxpayer by the employee (not to exceed 2,000 hours per employee) divided by 2,000.

(B) In the case of a salaried full-time employee, “annual full-time equivalent” means the total number of weeks worked for the qualified taxpayer by the employee divided by 52.

(7) “Designated census tract” means a census tract within the state that is determined by the Department of Finance to have a civilian unemployment rate that is within the top 25 percent of all census tracts within the state and has a poverty rate within the top 25 percent of all census tracts within the state, as prescribed in Section 13073.5 of the Government Code.

(8) “Economic development area” means either of the following:

(A) A former enterprise zone. For purposes of this section, “former enterprise zone” means an enterprise zone designated and in effect as of December 31, 2011, any enterprise zone designated during 2012, and any revision of an enterprise zone prior to June 30, 2013, under former Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1 of the Government Code, as in effect on December 31, 2012, excluding any census tract within an enterprise zone that is identified by the Department of Finance pursuant to Section 13073.5 of the Government Code as a census tract within the lowest quartile of census tracts with the lowest civilian unemployment and poverty.

(B) A local agency military base recovery area designated as of the effective date of the act adding this subparagraph, in accordance with Section 7114 of the Government Code.

(9) “Electric airplane manufacturing” means manufacturing of electric airplanes that would be classified under Code 3364 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(10) “Lithium production” means lithium mining and manufacturing described in Codes 212390 or 325180 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(11) “Manufacturing of lithium batteries” means the manufacturing described in Code 335910 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(12) “Minimum wage” means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(13) (A) “Qualified full-time employee” means an individual who meets all of the following requirements:

(i) (I) Performs at least 50 percent of their services for the qualified taxpayer during the taxable year in a designated census tract or economic development area.

(II) This clause does not apply to employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14).

(ii) Receives starting wages that are at least 150 percent of the minimum wage or at least 100 percent of the minimum wage for employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14).

(iii) Is hired by the qualified taxpayer on or after January 1, 2014.

(iv) Is hired by the qualified taxpayer after the date the Department of Finance determines that the census tract referred to in clause (i) is a designated census tract or that the census tracts within a former enterprise zone are not census tracts with the lowest civilian unemployment and poverty.

(v) Satisfies either of the following conditions:

(I) Is paid qualified wages by the qualified taxpayer for services not less than an average of 35 hours per week.

(II) Is a salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer.

(vi) Upon commencement of employment with the qualified taxpayer, satisfies any of the following conditions:

(I) Was unemployed for the six months immediately preceding employment with the qualified taxpayer. In the case of an individual who completed a program of study at a college, university, or other postsecondary educational institution, received a baccalaureate, postgraduate, or professional degree, and was unemployed for the six months immediately preceding employment with the qualified taxpayer, that individual must have completed that program of study at least 12 months prior to the individual's commencement of employment with the qualified taxpayer.

(II) Is a veteran who separated from service in the Armed Forces of the United States within the 12 months preceding commencement of employment with the qualified taxpayer.

(III) Was a recipient of the credit allowed under Section 32 of the Internal Revenue Code, relating to earned income, as applicable for federal purposes, for the previous taxable year.

(IV) Is an ex-offender previously convicted of a felony.

(V) Is a recipient of either CalWORKs, in accordance with Article 2 (commencing with Section 11250) of Chapter 2 of Part 3 of Division 9 of the Welfare and Institutions Code, or general assistance, in accordance with Section 17000.5 of the Welfare and Institutions Code.

(B) An individual may only be considered a qualified full-time employee for the period of time commencing with the date the individual is first employed by the qualified taxpayer and ending 60 months thereafter.

(14) (A) "Qualified taxpayer" means any of the following:

(i) A corporation engaged in a trade or business within designated census tract or economic development area that, during the taxable year, pays or incurs qualified wages.

(ii) A person or entity engaged in semiconductor manufacturing or semiconductor research and development that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they intend to apply or have applied for federal funding pursuant to Sections 101 to 106, inclusive, of, or intend to claim or have claimed the credit pursuant to Section 107 of, Division A of the federal Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022 (Public Law 117-167), and that pays or incurs qualified wages during the taxable year.

(iii) A person or entity engaged in electric airplane manufacturing that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they have received a sales and use tax exclusion pursuant to Section 6010.8 for an electric vertical takeoff and landing (eVTOL) manufacturer and that pays or incurs qualified wages during the taxable year.

(iv) A person or entity engaged in lithium production that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that they are a producer, as defined by Section 47002, who pays the tax imposed by Part 25 (commencing with Section 47000) for the taxable year and that pays or incurs qualified wages during the taxable year.

(v) (I) A person or entity engaged in manufacturing of lithium batteries that, upon requesting a tentative credit reservation, self-certifies and provides verification, in the form and manner prescribed by the Franchise Tax Board, that their primary business is lithium battery manufacturing and that pays or incurs qualified wages during the taxable year.

(II) For purposes of this clause, "primary business" means 50 percent or more of their gross income is derived from lithium battery manufacturing.

(B) In the case of any pass-thru entity, the determination of whether a taxpayer is a qualified taxpayer under this section shall be made at the entity level and any credit under this section or Section 17053.73 shall be allowed to the pass-thru entity and passed through to the partners and shareholders in accordance with applicable provisions of this part or Part 10 (commencing with Section 17001). For purposes of this subdivision, the term "pass-thru entity" means any partnership or "S" corporation.

(C) "Qualified taxpayer" shall not include any of the following:

(i) Employers that provide temporary help services, as described in Code 561320 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(ii) Employers that provide retail trade services, as described in Sector 44-45 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iii) Employers that are primarily engaged in providing food services, as described in Code 711110, 722511, 722513, 722514, or 722515 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(iv) Employers that are primarily engaged in services as described in Code 713210, 721120, or 722410 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2012 edition.

(v) (I) An employer that is a sexually oriented business.

(II) For purposes of this clause:

(ia) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(ib) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(D) Subparagraph (C) shall not apply to a taxpayer that is a "small business."

(15) "Qualified wages" means those wages subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code that meet all of the following requirements:

(A) (i) Except as provided in clause (ii) or (iii), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 150 percent of minimum wage, but does not exceed 350 percent of the minimum wage.

(ii) (I) In the case of a qualified full-time employee employed in a designated pilot area, that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds ten dollars (\$10) per hour or an equivalent amount for salaried employees, but does not exceed 350 percent of the minimum wage. For qualified full-time employees described in the preceding sentence, clause (ii) of subparagraph (A) of paragraph (13) is modified by substituting "ten dollars (\$10) per hour or an equivalent amount for salaried employees" for "150 percent of the minimum wage."

(II) For purposes of this clause:

(ia) "Designated pilot area" means an area designated as a designated pilot area by the Governor's Office of Business and Economic Development.

(ib) Areas that may be designated as a designated pilot area are limited to areas within a designated census tract or an economic development area with average wages less than the statewide average wages, based on information from the Labor Market Division of the Employment Development Department, and areas within a designated census tract or an economic development area based on high poverty or high unemployment.

(ic) The total number of designated pilot areas that may be designated is limited to five, one or more of which must be an area within five or fewer designated census tracts within a single county based on high poverty or high unemployment or an area within an economic development area based on high poverty or high unemployment.

(id) The designation of a designated pilot area shall be applicable for a period of four calendar years, commencing with the first calendar year for which the designation of a designated pilot area is effective. The applicable period of a designated pilot area may be extended, in the sole discretion of the Governor's Office of Business and Economic Development, for an additional period of up to three calendar years. The applicable period, and any extended period, shall not extend beyond December 31, 2020.

(III) The designation of an area as a designated pilot area and the extension of the applicable period of a designated pilot area shall be at the sole discretion of the Governor's Office of Business and Economic Development and shall not be subject to administrative appeal or judicial review.

(iii) For qualified full-time employees of a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14), that portion of wages paid or incurred by the qualified taxpayer during the taxable year to each qualified full-time employee that exceeds 100 percent of minimum wage, but does not exceed 350 percent of the minimum wage.

(B) Wages paid or incurred during the 60-month period beginning with the first day the qualified full-time employee commences employment with the qualified taxpayer. In the case of any employee who is reemployed, including regularly occurring seasonal increase, in the trade or business operations of the qualified taxpayer, this reemployment shall not be treated as constituting commencement of employment for purposes of this section.

(C) Except as provided in paragraph (3) of subdivision (m), qualified wages shall not include any wages paid or incurred by the qualified taxpayer on or after the date that the Department of Finance's redesignation of designated census tracts is effective, as provided in paragraph (2) of subdivision (g), so that a census tract is no longer determined to be a designated census tract.

(16) "Seasonal employment" means employment by a qualified taxpayer that has regular and predictable substantial reductions in trade or business operations.

(17) "Semiconductor manufacturing or semiconductor research and development" means manufacturing described in Code 3344 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget, 2022 edition.

(18) (A) "Small business" means a trade or business that has aggregate gross receipts, less returns and allowances reportable to this state, of less than two million dollars (\$2,000,000) during the previous taxable year.

(B) (i) For purposes of this paragraph, "gross receipts, less returns and allowances reportable to this state," means the sum of the gross receipts from the production of business income, as defined in subdivision (a) of Section 25120, and the gross receipts from the production of nonbusiness income, as defined in subdivision (d) of Section 25120.

(ii) In the case of any trade or business activity conducted by a partnership or an "S" corporation, the limitations set forth in subparagraph (A) shall be applied to the partnership or "S" corporation and to each partner or shareholder.

(iii) For taxpayers that are required to be included in a combined report under Section 25101 or authorized to be included in a combined report under Section 25101.15, the dollar amount specified in subparagraph (A) shall apply to the aggregate gross receipts of all taxpayers that are required to be or authorized to be included in a combined report.

(C) (i) "Small business" shall not include a sexually oriented business.

(ii) For purposes of this subparagraph:

(I) "Sexually oriented business" means a nightclub, bar, restaurant, or similar commercial enterprise that provides for an audience of two or more individuals live nude entertainment or live nude performances where the nudity is a function of everyday business operations and where nudity is a planned and intentional part of the entertainment or performance.

(II) "Nude" means clothed in a manner that leaves uncovered or visible, through less than fully opaque clothing, any portion of the genitals or, in the case of a female, any portion of the breasts below the top of the areola of the breasts.

(19) An individual is "unemployed" for any period for which the individual is all of the following:

(A) Not in receipt of wages subject to withholding under Section 13020 of the Unemployment Insurance Code for that period.

(B) Not a self-employed individual (within the meaning of Section 401(c)(1)(B) of the Internal Revenue Code, relating to self-employed individual) for that period.

(C) Not a registered full-time student at a high school, college, university, or other postsecondary educational institution for that period.

(c) The net increase in full-time employees of a qualified taxpayer shall be determined as provided by this subdivision:

(1) (A) The net increase in full-time employees shall be determined on an annual full-time equivalent basis by subtracting from the amount determined in subparagraph (C) the amount determined in subparagraph (B).

(B) The total number of full-time employees employed in the base year by the taxpayer and by any trade or business acquired by the taxpayer during the current taxable year.

(C) The total number of full-time employees employed in the current taxable year by the taxpayer and by any trade or business acquired during the current taxable year.

(2) For taxpayers who first commence doing business in this state during the taxable year, the number of full-time employees for the base year shall be zero.

(d) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single taxpayer.

(2) In determining whether the taxpayer has first commenced doing business in this state during the taxable year, the provisions of subdivision (g) of Section 24416, without application of paragraph (7) of that subdivision, apply.

(e) (1) (A) Except as provided in subparagraph (B), to be eligible for the credit allowed by this section, a qualified taxpayer shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirement as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.

(B) For taxable years beginning on or after January 1, 2023, and before January 1, 2024, to be eligible for the credit allowed by this section, a qualified taxpayer described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b) shall, upon hiring a qualified full-time employee, request a tentative credit reservation from the Franchise Tax Board on or before the last day of the month following the close of the taxable year for which the credit is claimed, in the form and manner prescribed by the Franchise Tax Board.

(2) To obtain a tentative credit reservation with respect to a qualified full-time employee, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, the social security number, the start date of employment, the rate of pay of the qualified full-time employee, the qualified taxpayer's gross receipts, less returns and allowances, for the previous taxable year, and whether the qualified full-time employee is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December 31, 2013.

(3) The qualified taxpayer shall provide the Franchise Tax Board an annual certification of employment with respect to each qualified full-time employee hire in a previous taxable year, on or before the 15th day of the third month of the taxable year. The certification shall include necessary information, as determined by the Franchise Tax Board, including the name, social security number, start date of employment, and rate of pay for each qualified full-time employee employed by the qualified taxpayer.

(4) (A) A qualified taxpayer, as defined under clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b), shall, upon request, provide to the Franchise Tax Board the applicable verification specified in subparagraph (A) of paragraph (14) of subdivision (b).

(B) The verification shall be provided in the form and manner prescribed by the Franchise Tax Board.

(C) Any disallowance of a credit claimed due to a failure to provide verification under this paragraph shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from such disallowance may be assessed by the Franchise Tax Board in the same manner as provided by Section 19051.

(5) A tentative credit reservation provided to a taxpayer with respect to an employee of that taxpayer shall not constitute a determination by the Franchise Tax Board with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(f) The Franchise Tax Board shall do all of the following:

(1) Approve a tentative credit reservation with respect to a qualified full-time employee hired during a calendar year.

(2) Determine the aggregate tentative reservation amount and the aggregate small business tentative reservation amount for a calendar year.

(3) A tentative credit reservation request from a qualified taxpayer with respect to a qualified full-time employee who is a resident of a targeted employment area, as defined in former Section 7072 of the Government Code, as in effect on December

31, 2013, shall be expeditiously processed by the Franchise Tax Board. The residence of a qualified full-time employee in a targeted employment area shall have no other effect on the eligibility of an individual as a qualified full-time employee or the eligibility of a qualified taxpayer for the credit authorized by this section.

(4) Notwithstanding Section 19542, provide as a searchable database on its internet website, for each taxable year beginning on or after January 1, 2014, and before January 1, 2026, the employer names, amounts of tax credit claimed, and number of new jobs created for each taxable year pursuant to this section and Section 17053.73.

(g) (1) The Department of Finance shall, by January 1, 2014, and by January 1 of every fifth year thereafter, provide the Franchise Tax Board with a list of the designated census tracts and a list of census tracts with the lowest civilian unemployment rate.

(2) The redesignation of designated census tracts and lowest civilian unemployment census tracts by the Department of Finance as provided in Section 13073.5 of the Government Code shall be effective, for purposes of this credit, one year after the date that the Department of Finance redesignates the designated census tracts.

(h) (1) For purposes of this section:

(A) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single qualified taxpayer.

(B) All employees of all corporations that are members of the same controlled group of corporations shall be treated as employed by a single qualified taxpayer.

(C) The credit, if any, allowable by this section to each member shall be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit, and shall be allocated in that manner.

(D) If a qualified taxpayer acquires the major portion of a trade or business of another taxpayer, hereinafter in this paragraph referred to as the predecessor, or the major portion of a separate unit of a trade or business of a predecessor, then, for purposes of applying this section for any taxable year ending after that acquisition, the employment relationship between a qualified full-time employee and a qualified taxpayer shall not be treated as terminated if the employee continues to be employed in that trade or business.

(2) For purposes of this subdivision, "controlled group of corporations" means a controlled group of corporations as defined in Section 1563(a) of the Internal Revenue Code, except that:

(A) "More than 50 percent" shall be substituted for "at least 80 percent" each place it appears in Section 1563(a)(1) of the Internal Revenue Code.

(B) The determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of Section 1563 of the Internal Revenue Code.

(3) Rules similar to the rules provided in Sections 46(e) and 46(h) of the Internal Revenue Code, as in effect on November 4, 1990, shall apply to both of the following:

(A) An organization to which Section 593 of the Internal Revenue Code applies.

(B) A regulated investment company or a real estate investment trust subject to taxation under this part.

(i) (1) If the employment of any qualified full-time employee, with respect to whom qualified wages are taken into account under subdivision (a), is terminated by the qualified taxpayer at any time during the first 36 months after commencing employment with the qualified taxpayer, whether or not consecutive, the tax imposed by this part for the taxable year in which that employment is terminated shall be increased by an amount equal to the credit allowed under subdivision (a) for that taxable year and all prior taxable years attributable to qualified wages paid or incurred with respect to that employee.

(2) Paragraph (1) does not apply to any of the following:

(A) A termination of employment of a qualified full-time employee who voluntarily leaves the employment of the qualified taxpayer.

(B) A termination of employment of a qualified full-time employee who, before the close of the period referred to in paragraph (1), becomes disabled and unable to perform the services of that employment, unless that disability is removed before the close of that period and the qualified taxpayer fails to offer reemployment to that employee.

(C) A termination of employment of a qualified full-time employee, if it is determined that the termination was due to the misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, of Title 22 of the California Code of Regulations, of that employee.

(D) A termination of employment of a qualified full-time employee due to a substantial reduction in the trade or business operations of the qualified taxpayer, including reductions due to seasonal employment.

(E) A termination of employment of a qualified full-time employee, if that employee is replaced by other qualified full-time employees so as to create a net increase in both the number of employees and the hours of employment.

(F) A termination of employment of a qualified full-time employee, when that employment is considered seasonal employment and the qualified employee is rehired on a seasonal basis.

(3) For purposes of paragraph (1), the employment relationship between the qualified taxpayer and a qualified full-time employee shall not be treated as terminated by reason of a mere change in the form of conducting the trade or business of the qualified taxpayer, if the qualified full-time employee continues to be employed in that trade or business and the qualified taxpayer retains a substantial interest in that trade or business.

(4) An increase in tax under paragraph (1) shall not be treated as tax imposed by this part for purposes of determining the amount of any credit allowable under this part.

(j) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the succeeding four years if necessary, until exhausted.

(k) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(l) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2020–21 fiscal year, inclusive.

(2) (A) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(B) Beginning March 1, 2025, the report required by this paragraph shall include information relating to the total dollar amount of the credits claimed under this section by taxpayers described in clause (ii), (iii), (iv), or (v) of subparagraph (A) of paragraph (14) of subdivision (b).

(m) (1) This section shall remain in effect only until December 1, 2029, and as of that date is repealed.

(2) Notwithstanding paragraph (1) of subdivision (a), this section shall continue to be operative for taxable years beginning on or after January 1, 2026, but only with respect to qualified full-time employees who commenced employment with a qualified taxpayer in a designated census tract or economic development area in a taxable year beginning before January 1, 2026.

(3) This section shall remain operative for any qualified taxpayer with respect to any qualified full-time employee after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, for the remaining period, if any, of the 60-month period after the original date of hiring of an otherwise qualified full-time employee and any wages paid or incurred with respect to those qualified full-time employees after the designated census tract is no longer designated or an economic development area ceases to be an economic development area, as defined in this section, shall be treated as qualified wages under this section, provided the employee satisfies any other requirements of paragraphs (13) and (15) of subdivision (b), as if the designated census tract was still designated and binding or the economic development area was still in existence.

(n) The amendments made to this section by the act adding this subdivision shall be operative for taxable years beginning on or after January 1, 2023.

SEC. 13. Section 24309.6 is added to the Revenue and Taxation Code, to read:

24309.6. (a) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, gross income does not include any qualified amount received by a qualified taxpayer.

(b) For purposes of this section:

(1) "Qualified amount" means any amount received in settlement by a qualified taxpayer from a settlement entity in connection with the 2019 Kincade Fire.

(2) "Qualified taxpayer" means either of the following:

(A) Any taxpayer that owned real property located in the County of Sonoma during the 2019 Kincade Fire that paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2019 Kincade Fire.

(B) Any taxpayer that had a place of business within the County of Sonoma during the 2019 Kincade Fire that paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2019 Kincade Fire.

(3) "Settlement entity" means Pacific Gas and Electric Company or its subsidiary that is making the settlement payment to a qualified taxpayer.

(c) The settlement entity shall provide, upon request by the Franchise Tax Board, documentation of the settlement payments in the form and manner requested by the Franchise Tax Board.

(d) This section shall remain in effect only until December 1, 2028, and as of that date is repealed.

SEC. 14. Section 24309.7 is added to the Revenue and Taxation Code, to read:

24309.7. (a) For taxable years beginning on or after January 1, 2020, and before January 1, 2028, gross income does not include any qualified amount received by a qualified taxpayer.

(b) For purposes of this section:

(1) "Qualified amount" means any amount received in settlement by a qualified taxpayer from a settlement entity in connection with the 2020 Zogg Fire.

(2) "Qualified taxpayer" means either of the following:

(A) Any taxpayer that owned real property located in the County of Shasta or the County of Tehama during the 2020 Zogg Fire that paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2020 Zogg Fire.

(B) Any taxpayer that had a place of business within the County of Shasta or the County of Tehama during the 2020 Zogg Fire that paid or incurred expenses and received amounts from a settlement arising out of or pursuant to the 2020 Zogg Fire.

(3) "Settlement entity" means Pacific Gas and Electric Company or its subsidiary that is making the settlement payment to a qualified taxpayer.

(c) The settlement entity shall provide, upon request by the Franchise Tax Board, documentation of the settlement payments in the form and manner requested by the Franchise Tax Board.

(d) This section shall remain in effect only until December 1, 2028, and as of that date is repealed.

SEC. 15. Section 8161 of the Welfare and Institutions Code is amended to read:

8161. (a) The Franchise Tax Board shall, as soon as possible, make a one-time payment in the applicable amount to each qualified recipient. A qualified recipient shall not receive more than one payment of the applicable amount. The payments may be made in the form and manner determined by the Franchise Tax Board.

(b) For purposes of this section, the following definitions shall apply:

(1) "Applicable amount" means any of the following:

(A) In the case of spouses filing a joint return pursuant to Part 10.2 (commencing with Section 18401) of Division 2 of the Revenue and Taxation Code, that reported a California adjusted gross income, on the return described in clause (i) of subparagraph (A) of paragraph (4), of:

(i) One hundred fifty thousand dollars (\$150,000) or less, the applicable amount shall be seven hundred dollars (\$700) plus an additional three hundred fifty dollars (\$350) if the qualified recipient claimed a credit for one or more dependents

under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(ii) Two hundred fifty thousand dollars (\$250,000) or less, and more than one hundred fifty thousand dollars (\$150,000), the applicable amount shall be five hundred dollars (\$500) plus an additional two hundred fifty dollars (\$250) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(iii) Five hundred thousand dollars (\$500,000) or less, and more than two hundred fifty thousand dollars (\$250,000), the applicable amount shall be four hundred dollars (\$400) plus an additional two hundred dollars (\$200) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(B) In the case of an individual filing a head of household return pursuant to Part 10.2 (commencing with Section 18401) of Division 2 of the Revenue and Taxation Code, or an individual filing a surviving spouse return pursuant to Part 10.2 (commencing with Section 18401) of Division 2 of the Revenue and Taxation Code that reported a California adjusted gross income, on the return described in clause (i) of subparagraph (A) of paragraph (4), of:

(i) One hundred fifty thousand dollars (\$150,000) or less, the applicable amount shall be three hundred fifty dollars (\$350) plus an additional three hundred fifty dollars (\$350) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(ii) Two hundred fifty thousand dollars (\$250,000) or less, and more than one hundred fifty thousand dollars (\$150,000), the applicable amount shall be two hundred fifty dollars (\$250) plus an additional two hundred fifty dollars (\$250) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(iii) Five hundred thousand dollars (\$500,000) or less, and more than two hundred fifty thousand dollars (\$250,000), the applicable amount shall be two hundred dollars (\$200) plus an additional two hundred dollars (\$200) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(C) In the case of any other individual that reported a California adjusted gross income, on the return described in clause (i) of subparagraph (A) of paragraph (4), of:

(i) Seventy-five thousand dollars (\$75,000) or less, the applicable amount shall be three hundred fifty dollars (\$350) plus an additional three hundred fifty dollars (\$350) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(ii) One hundred twenty-five thousand dollars (\$125,000) or less and more than seventy-five thousand dollars (\$75,000), the applicable amount shall be two hundred fifty dollars (\$250) plus an additional two hundred fifty dollars (\$250) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(iii) Two hundred fifty thousand dollars (\$250,000) or less and more than one hundred twenty-five thousand dollars (\$125,000), the applicable amount shall be two hundred dollars (\$200) plus an additional two hundred dollars (\$200) if the qualified recipient claimed a credit for one or more dependents under paragraph (1) of subdivision (d) of Section 17054 of the Revenue and Taxation Code on the return described in clause (i) of subparagraph (A) of paragraph (4).

(2) "Individual" shall have the same meaning as that term is defined in Section 17005 of the Revenue and Taxation Code.

(3) "Resident" shall have the same meaning as that term is defined in Section 17014 of the Revenue and Taxation Code.

(4) (A) "Qualified recipient" means an individual that satisfies all of the following:

(i) Filed a California individual income tax return on or before October 15, 2021, for the taxable year beginning on or after January 1, 2020, and before January 1, 2021.

(ii) Is a resident of the state on the date payment is issued pursuant to subdivision (a).

(iii) Was a resident of the state for six months or more of the taxable year beginning on or after January 1, 2020, and before January 1, 2021.

(iv) Cannot be claimed as a dependent, as defined in Section 17056 of the Revenue and Taxation Code, by another taxpayer.

(B) In the case of an individual who included either their federal individual taxpayer identification number or, if married, the federal individual taxpayer identification number of their spouse, on their California individual income tax return for the taxable year beginning on or after January 1, 2020, and before January 1, 2021, and who meets all of the other requirements of a qualified recipient, if the individual or their spouse applied for, but did not receive, a federal individual taxpayer identification number on or before October 15, 2021, the individual is a qualified recipient for purposes of this section if the tax return described in this subparagraph was filed on or before February 15, 2022.

(C) Notwithstanding subparagraphs (A) and (B), "qualified recipient" shall not include an individual that satisfies all of the following:

(i) Is an individual without a dependent, as defined in Section 17056 of the Revenue and Taxation Code.

(ii) Files or filed their California individual income tax return using the single filing status for the taxable year described in clause (i) of subparagraph (A).

(iii) Is either of the following:

(I) Is deceased on the date the payment would otherwise be issued as authorized under subdivision (a).

(II) Is incarcerated, other than incarceration pending the disposition of charges, in a jail, prison, or similar penal institution or correctional facility on the date the payment would otherwise be issued as authorized under subdivision (a).

(c) In the case of a qualified recipient who files a joint return with their spouse pursuant to Part 10.2 (commencing with Section 18401) of the Revenue and Taxation Code for the taxable year described in clause (i) of subparagraph (A) of paragraph (4) of subdivision (b), the qualified recipient and their spouse shall be considered one qualified recipient for purposes of this section, and shall receive only one payment of the applicable amount.

(d) (1) The Franchise Tax Board shall issue the payments authorized by this section no later than September 30, 2023.

(2) Notwithstanding paragraph (1), the Franchise Tax Board may reissue stale, dated, or replacement warrants for the payments pursuant to subparagraph (B) of paragraph (2) of subdivision (b) of Section 905.2 of the Government Code after September 30, 2023, in the form and manner prescribed by the Franchise Tax Board.

(3) Notwithstanding paragraph (1), the Franchise Tax Board, through a third-party vendor, may reissue replacement debit cards after September 30, 2023, in the form and manner prescribed by the Franchise Tax Board.

(e) The payment authorized by this section shall not be a refund of an overpayment of income taxes under Chapter 6 (commencing with Section 19301) of Part 10.2 of Division 2 of the Revenue and Taxation Code of any liability imposed under Part 10 (commencing with Section 17001) of Division 2 of the Revenue and Taxation Code.

(f) Notwithstanding any other law, the payment authorized pursuant to this section shall be treated in the same manner as the federal earned income refund for the purpose of determining eligibility to receive benefits under Division 9 (commencing with Section 10000), excluding benefits under Chapter 7 (commencing with Section 14000) of Part 3 of Division 9, or amounts of those benefits.

(g) Notwithstanding any other law, the payment authorized pursuant to this section shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual, or any other individual, for benefits or assistance or the amount or extent of benefits or assistance under any state or local program not covered in subdivision (e). With respect to a state or local program, this subdivision shall only be implemented to the extent that it does not conflict with federal law relating to that program, and that any required federal approval or waiver is first obtained for that program.

SEC. 16. The Legislature finds and declares that Sections 17139.2, 17139.3, 24309.6, and 24309.7 of the Revenue and Taxation Code, as added by this act, are necessary for the public purpose of preventing undue hardship to taxpayers who reside, or used to reside, in a part of California devastated by wildfires, and do not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

SEC. 17. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of

the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 18. For the 2023–2024 fiscal year, the sum of ten thousand dollars (\$10,000) is hereby appropriated from the General Fund to the Franchise Tax Board for purposes of administering the tax credit described in Sections 17053.73 and 23626 of the Revenue and Taxation Code.

SEC. 19. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.