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**AB-702 Personal income tax: exclusions: interest income: theft.** (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

**ASSEMBLY BILL**

**NO. 702**

Introduced by Assembly Member Ta

February 14, 2025

An act to add Section 17133.2 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

**LEGISLATIVE COUNSEL'S DIGEST**

AB 702, as introduced, Ta. Personal income tax: exclusions: interest income: theft.

The Personal Income 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. Existing law, in modified conformity with federal income tax law, allows a deduction for specified investment interest, not to exceed the net investment income of the taxpayer for the taxable year, as provided.

This bill, for taxable years beginning on or after January 1, 2026, would provide an exclusion from gross income for any amount of interest income that a taxpayer generates on an investment during the taxable year and, without the qualified taxpayer's consent and against the qualified taxpayer's will, is stolen, sold, or otherwise transferred, as specified.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

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

**SECTION 1.** Section 17133.2 is added to the Revenue and Taxation Code, to read:

**17133.2.** (a) For taxable years beginning on or after January 1, 2026, gross income shall not include any amount of qualified investment interest income generated by a taxpayer.

(b) For purposes of this section, “qualified investment interest” means interest income that a taxpayer generates on an investment during the taxable year and, without the qualified taxpayer's consent and against the qualified taxpayer's will, is stolen, sold, or

otherwise transferred during the taxable year so that the interest income is no longer under the possession or control of the taxpayer.

(c) A deduction shall not be allowed with respect to any amount that a taxpayer excludes from income pursuant to this section.

**SEC. 2.** This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.