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AB-781 Charges: health savings accounts: electricity. (2025-2026)

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AMENDED IN ASSEMBLY MARCH 28, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 781

Introduced by Assembly Member DeMaio

February 18, 2025

~~An act relating to taxation.~~ *An act to amend Sections 739.1, 2827.1, and 2851 of, and to repeal Section 739.9 of, the Public Utilities Code, and to amend Sections 17072, 17131.4, 17131.5, 17215.1, and 17215.4 of, and to add and repeal Section 17217 of, the Revenue and Taxation Code, relating to taxation.*

LEGISLATIVE COUNSEL'S DIGEST

AB 781, as amended, DeMaio. ~~Taxes and fees.~~ *Charges: health savings accounts: electricity.*

(1) Existing law vests the Public Utilities Commission with regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to adopt new, or expand existing, fixed charges, as defined, for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. Under existing law, the commission may authorize fixed charges for any rate schedule applicable to a residential customer account. Existing law requires the commission, no later than July 1, 2024, to authorize a fixed charge for default residential rates on an income-graduated basis, as provided. Existing law requires increases to electrical rates and charges in rate design proceedings to be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect before January 1, 2014.

This bill would repeal those provisions relating to fixed charges and rate increases.

(2) The Personal Income Tax Law authorizes various deductions in computing income that is subject to tax under that law.

This bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would allow a deduction in computing adjusted gross income in connection with health savings accounts in modified conformity with federal law. In general, the deduction would be an amount equal to the aggregate amount paid in cash during the taxable year by, or on behalf of, an eligible individual, as defined, to a health savings account of that individual, as provided. The bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would also provide related conformity to that federal law with respect to the allowance of rollovers from Archer Medical Savings Accounts, health flexible spending arrangements, or health reimbursement accounts to a health savings account, and penalties in connection therewith.

~~Existing law imposes various taxes and fees that are administered and collected by the California Department of Tax and Fee Administration and the Franchise Tax Board.~~

~~This bill would state the intent of the Legislature to enact subsequent legislation eliminating, reducing, and restricting taxes and fees.~~

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

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

SECTION 1. *This act shall be known, and may be cited, as the Stop Taxing Us Act of 2025.*

SEC. 2. *Section 739.1 of the Public Utilities Code is amended to read:*

739.1. (a) The commission shall continue a program of assistance to low-income electricity and gas customers with annual household incomes that are no greater than 200 percent of the federal poverty guideline levels, the cost of which shall not be borne solely by any single class of customer. For one-person households, program eligibility shall be based on two-person household guideline levels. The program shall be referred to as the California Alternate Rates for Energy or CARE program. The commission shall ensure that the level of discount for low-income electricity and gas customers correctly reflects the level of need.

(b) The commission shall establish rates for CARE program participants, subject to both of the following:

- (1) That the commission ensure that low-income ratepayers are not jeopardized or overburdened by monthly energy expenditures, pursuant to subdivision (b) of Section 382.
- (2) That the level of the discount for low-income electricity and gas ratepayers correctly reflects the level of need as determined by the needs assessment conducted pursuant to subdivision (d) of Section 382.

(c) In establishing CARE program discounts for an electrical corporation with 100,000 or more customer accounts in California, the commission shall ensure all of the following:

- (1) The average effective CARE program discount shall not be less than 30 percent or more than 35 percent of the revenues that would have been produced for the same billed usage by non-CARE program customers. The average effective discount determined by the commission shall not reflect any charges for which CARE program customers are exempted, discounts to ~~fixed charges or other~~ rates paid by non-CARE program customers, or bill savings resulting from participation in other programs, including the medical baseline allowance pursuant to subdivision (c) of Section 739. The average effective CARE program discount shall be calculated as a weighted average of the CARE program discounts provided to individual customers.
- (2) If an electrical corporation provides an average effective CARE program discount in excess of the maximum percentage specified in paragraph (1), the electrical corporation shall not reduce, on an annual basis, the average effective CARE program discount by more than a reasonable percentage decrease below the discount in effect on January 1, 2013, or that the electrical corporation had been authorized to place in effect by that date.
- (3) The entire CARE program discount shall be provided in the form of a reduction in the overall bill for the eligible CARE program customer.

(d) The commission shall work with electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment.

(e) The commission shall examine methods to improve CARE program enrollment and participation. This examination shall include, but need not be limited to, comparing information from the CARE program and the Universal Lifeline Telephone Service (ULTS) program to determine the most effective means of using that information to increase CARE program enrollment, automatic enrollment of ULTS program customers who are eligible for the CARE program, customer privacy issues, and alternative mechanisms for outreach to potential enrollees. The commission shall ensure that a customer consents before enrollment. The commission shall consult with interested parties, including ULTS program providers, to develop the best methods of informing ULTS program customers about other available low-income programs and the best mechanism for telephone providers to recover reasonable costs incurred pursuant to this section.

(f) (1) The commission shall improve the CARE program application process by cooperating with other entities and representatives of California government, including the California Health and Human Services Agency and the Secretary of

California Health and Human Services, to ensure that all gas and electricity customers eligible for public assistance programs in California that reside within the service territory of an electrical corporation or gas corporation, are enrolled in the CARE program. The commission may determine that gas and electricity customers are categorically eligible for CARE program assistance if they are enrolled in other public assistance programs with substantially the same income eligibility requirements as the CARE program. To the extent practicable, the commission shall develop a CARE program application process using the existing ULTS program application process as a model. The commission shall work with electrical corporations, gas corporations, and the Low-Income Oversight Board established in Section 382.1 to meet the low-income objectives in this section.

(2) The commission shall ensure that an electrical corporation or gas corporation with a commission-approved program to provide discounts based on economic need in addition to the CARE program, including a Family Electric Rate Assistance program, uses a single application form, to enable an applicant to alternatively apply for any assistance program for which the applicant may be eligible. It is the intent of the Legislature to allow applicants under one program, who may not be eligible under that program, but who may be eligible under an alternative assistance program based on economic need, to complete a single application for any commission-approved assistance program offered by the public utility.

(g) It is the intent of the Legislature that the commission ensure CARE program participants receive affordable electrical and gas service that does not impose an unfair economic burden on those participants.

(h) The CARE program shall, as soon as practicable, include nonprofit group living facilities specified by the commission, if the commission finds that the residents in these facilities substantially meet the commission's low-income eligibility requirements and there is a feasible process for certifying that the assistance shall be used for the direct benefit, such as improved quality of care or improved food service, of the low-income residents in the facilities. The commission shall authorize electrical corporations and gas corporations to offer discounts to eligible facilities licensed or permitted by appropriate state or local agencies, and to facilities, including women's shelters, hospices, and homeless shelters, that may not have a license or permit but provide other proof satisfactory to the electrical corporation or gas corporation that they are eligible to participate in the CARE program.

(i) The CARE program shall, as soon as practicable, include public housing authority owned or administered Homekey housing facilities, as described in Section 50675.1.1 of the Health and Safety Code, where the residents of the facility substantially meet the CARE program's income eligibility requirements, as determined by the commission, and the account is in the name of Homekey, a nonprofit funded by Homekey, or the public housing authority that owns or administers the facility. The commission shall authorize electrical corporations and gas corporations to offer discounts to those identified facilities and to establish feasible processes for certifying that the assistance is used for the direct benefit of the residents of those facilities.

(j) (1) In addition to existing assessments of eligibility, an electrical corporation may require proof of income eligibility for those CARE program participants whose electricity usage, in any monthly or other billing period, exceeds 400 percent of baseline usage. The authority of an electrical corporation to require proof of income eligibility is not limited by the means by which the CARE program participant enrolled in the program, including if the participant was automatically enrolled in the CARE program because of participation in a governmental assistance program. If a CARE program participant's electricity usage exceeds 400 percent of baseline usage, the electrical corporation may require the CARE program participant to participate in the Energy Savings Assistance Program (ESAP), which includes a residential energy assessment, in order to provide the CARE program participant with information and assistance in reducing the CARE program participant's energy usage. Continued participation in the CARE program may be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of notice being given by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the electrical corporation of whether the residence is rented, and, if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment with the landlord of the CARE program participant. Requirements imposed pursuant to this paragraph shall be consistent with procedures adopted by the commission.

(2) If a CARE program participant's electricity usage exceeds 600 percent of baseline usage, the electrical corporation shall require the CARE program participant to participate in ESAP, which includes a residential energy assessment, in order to provide the CARE program participant with information and assistance in reducing the CARE program participant's energy usage. Continued participation in the CARE program shall be conditioned upon the CARE program participant agreeing to participate in ESAP within 45 days of a notice made by the electrical corporation pursuant to this paragraph. The electrical corporation may require the CARE program participant to notify the electrical corporation of whether the residence is rented, and, if so, a means by which to contact the landlord, and the electrical corporation may share any evaluation and recommendation relative to the residential structure that is made as part of an energy assessment with the landlord of the CARE program participant. Following the completion of the energy assessment, if the CARE program participant's electricity usage continues to exceed 600 percent of baseline usage, the electrical corporation may remove the CARE program participant from the program if the removal is consistent with procedures adopted by the commission. This paragraph does not prevent a CARE program participant with electricity usage exceeding 600 percent of baseline usage from participating in an appeals process with the electrical corporation to determine whether the participant's usage levels are legitimate.

(3) A CARE program participant in a rental residence shall not be removed from the program in situations where the landlord is nonresponsive when contacted by the electrical corporation or does not provide for ESAP participation.

SEC. 3. Section 739.9 of the Public Utilities Code is repealed.

~~739.9.(a) "Fixed charge" means any fixed customer charge, basic service fee, demand differentiated basic service fee, demand charge, or other charge not based on the volume of electricity consumed.~~

~~(b) Increases to electrical rates and charges in rate design proceedings, including any reduction in the California Alternate Rates for Energy (CARE) discount, shall be reasonable and subject to a reasonable phase-in schedule relative to the rates and charges in effect before January 1, 2014.~~

~~(c) Consistent with the requirements of Section 739, the commission may modify the seasonal definitions and applicable percentage of average consumption for one or more climatic zones.~~

~~(d) The commission may adopt new, or expand existing, fixed charges for the purpose of collecting a reasonable portion of the fixed costs of providing electrical service to residential customers. The commission shall ensure that any approved charges do all of the following:~~

~~(1) Reasonably reflect an appropriate portion of the different costs of serving small and large customers.~~

~~(2) Not unreasonably impair incentives for conservation, energy efficiency, and beneficial electrification and greenhouse gas emissions reduction.~~

~~(3) Are set at levels that do not overburden low-income customers.~~

~~(e)(1) For the purposes of this section and Section 739.1, the commission may authorize fixed charges for any rate schedule applicable to a residential customer account. The fixed charge shall be established on an income-graduated basis with no fewer than three income thresholds so that a low-income ratepayer in each baseline territory would realize a lower average monthly bill without making any changes in usage. The commission shall, no later than July 1, 2024, authorize a fixed charge for default residential rates.~~

~~(2) For purposes of this subdivision, "income-graduated" means that low-income customers pay a smaller fixed charge than high-income customers.~~

~~(f) Notwithstanding the requirements of subdivision (d) of Section 739 and Section 739.7, the commission shall not apply the composite tier method to the treatment of any revenues resulting from any fixed charge adopted pursuant to this section.~~

SEC. 4. Section 2827.1 of the Public Utilities Code is amended to read:

2827.1. (a) For purposes of this section, "eligible customer-generator," "large electrical corporation," and "renewable electrical generation facility" have the same meanings as defined in Section 2827.

(b) Notwithstanding any other law, the commission shall develop a standard contract or tariff, which may include net energy metering, for eligible customer-generators with a renewable electrical generation facility that is a customer of a large electrical corporation no later than December 31, 2015. The commission may develop the standard contract or tariff ~~prior to~~ before December 31, 2015, and may require a large electrical corporation that has reached the net energy metering program limit of subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827 to offer the standard contract or tariff to eligible customer-generators. A large electrical corporation shall offer the standard contract or tariff to an eligible customer-generator beginning July 1, 2017, or ~~prior to~~ before that date if ordered to do so by the commission because it has reached the net energy metering program limit of subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827. The commission may revise the standard contract or tariff as appropriate to achieve the objectives of this section. In developing the standard contract or tariff, the commission shall do all of the following:

(1) Ensure that the standard contract or tariff made available to eligible customer-generators ensures that customer-sited renewable distributed generation continues to grow sustainably and include specific alternatives designed for growth among residential customers in disadvantaged communities.

(2) Establish terms of service and billing rules for eligible customer-generators.

(3) Ensure that the standard contract or tariff made available to eligible customer-generators is based on the costs and benefits of the renewable electrical generation facility.

(4) Ensure that the total benefits of the standard contract or tariff to all customers and the electrical system are approximately equal to the total costs.

(5) Allow projects greater than one megawatt that do not have significant impact on the distribution grid to be built to the size of the onsite load if the projects with a capacity of more than one megawatt are subject to reasonable interconnection charges established pursuant to the commission's Electric Rule 21 and applicable state and federal requirements.

(6) Establish a transition period during which eligible customer-generators taking service under a net energy metering tariff or contract ~~prior to~~ *before* July 1, 2017, or until the electrical corporation reaches its net energy metering program limit pursuant to subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827, whichever is earlier, shall be eligible to continue service under the previously applicable net energy metering tariff for a length of time to be determined by the commission by March 31, 2014. Any rules adopted by the commission shall consider a reasonable expected payback period based on the year the customer initially took service under the tariff or contract authorized by Section 2827.

(7) The commission shall determine which rates and tariffs are applicable to customer generators only during a rulemaking proceeding. ~~Any fixed charges for residential customer generators that differ from the fixed charges allowed pursuant to subdivision (e) of Section 739.9 shall be authorized only in a rulemaking proceeding involving every large electrical corporation.~~ The commission shall ensure customer generators are provided ~~electric~~ *electrical* service at rates that are just and reasonable.

(c) Beginning July 1, 2017, or when ordered to do so by the commission because the large electrical corporation has reached its capacity limitation of subparagraph (B) of paragraph (4) of subdivision (c) of Section 2827, all new eligible customer-generators shall be subject to the standard contract or tariff developed by the commission and any rules, terms, and rates developed pursuant to subdivision (b). There shall be no limitation on the amount of generating capacity or number of new eligible customer-generators entitled to receive service pursuant to the standard contract or tariff after July 1, 2017. An eligible customer-generator that has received service under a net energy metering standard contract or tariff pursuant to Section 2827 that is no longer eligible to receive service shall be eligible to receive service pursuant to the standard contract or tariff developed by the commission pursuant to this section.

SEC. 5. *Section 2851 of the Public Utilities Code is amended to read:*

2851. (a) In implementing the California Solar Initiative, the commission shall do all of the following:

(1) (A) The commission shall authorize the award of monetary incentives for up to the first megawatt of alternating current generated by solar energy systems that meet the eligibility criteria established by the Energy Commission pursuant to Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code. The commission shall determine the eligibility of a solar energy system, as defined in Section 25781 of the Public Resources Code, to receive monetary incentives until the time the Energy Commission establishes eligibility criteria pursuant to Section ~~25782~~ *25782 of the Public Resources Code*. Monetary incentives shall not be awarded for solar energy systems that do not meet the eligibility criteria. The incentive level authorized by the commission shall decline each year following implementation of the California Solar Initiative, at a rate of no less than an average of 7 percent per year, and, except as provided in subparagraph (B), shall be zero as of December 31, 2016. The commission shall adopt and publish a schedule of declining incentive levels no less than 30 days in advance of the first decline in incentive levels. The commission may develop incentives based ~~upon~~ *on* the output of electricity from the ~~system, provided~~ *system if* those incentives are consistent with the declining incentive levels of this paragraph and the incentives apply to only the first megawatt of electricity generated by the system.

(B) The incentive level for the installation of a solar energy system pursuant to Section 2852 shall be zero as of December 31, 2021.

(2) The commission shall adopt a performance-based incentive program so that by January 1, 2008, 100 percent of incentives for solar energy systems of 100 kilowatts or greater and at least 50 percent of incentives for solar energy systems of 30 kilowatts or greater are earned based on the actual electrical output of the solar energy systems. The commission shall encourage, and may require, performance-based incentives for solar energy systems of less than 30 kilowatts. Performance-based incentives shall decline at a rate of no less than an average of 7 percent per year. In developing the performance-based incentives, the commission may:

(A) Apply performance-based incentives only to customer classes designated by the commission.

(B) Design the performance-based incentives so that customers may receive a higher level of incentives than under incentives based on installed electrical capacity.

(C) Develop financing options that help offset the installation costs of the solar energy ~~system, provided that~~ *system if* this financing is ultimately repaid in full by the consumer or through the application of the performance-based rebates.

(3) By January 1, 2008, the commission, in consultation with the Energy Commission, shall require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(4) Notwithstanding subdivision (g) of Section 2827, the commission may develop a time-variant tariff that creates the maximum incentive for ratepayers to install solar energy systems so that the system's peak electricity production coincides with California's peak electricity demands and that ensures that ratepayers receive due value for their contribution to the purchase of solar energy systems and customers with solar energy systems continue to have an incentive to use electricity efficiently. In developing the time-variant tariff, the commission may exclude customers participating in the tariff from the rate cap for residential customers for existing baseline quantities or usage by those customers of up to 130 percent of existing baseline ~~quantities, as required by Section 739.9.~~ quantities. Nothing in this paragraph authorizes the commission to require time-variant pricing for ratepayers without a solar energy system.

(b) Notwithstanding subdivision (a), in implementing the California Solar Initiative, the commission may authorize the award of monetary incentives for solar thermal and solar water heating devices, in a total amount up to one hundred million eight hundred thousand dollars (\$100,800,000).

(c) (1) In implementing the California Solar Initiative, the commission shall not allocate more than fifty million dollars (\$50,000,000) to research, development, and demonstration that explores solar technologies and other distributed generation technologies that employ or could employ solar energy for generation or storage of electricity or to offset natural gas usage. Any program that allocates additional moneys to research, development, and demonstration shall be developed in collaboration with the Energy Commission to ensure there is no duplication of efforts, and adopted by the commission through a rulemaking or other appropriate public proceeding. Any grant awarded by the commission for research, development, and demonstration shall be approved by the full commission at a public meeting. This subdivision does not prohibit the commission from continuing to allocate moneys to research, development, and demonstration pursuant to the self-generation incentive program for distributed generation resources originally established pursuant to Chapter 329 of the Statutes of 2000, as modified pursuant to Section 379.6.

(2) The Legislature finds and declares that a program that provides a stable source of monetary incentives for eligible solar energy systems will encourage private investment sufficient to make solar technologies cost effective.

(d) (1) The commission shall not impose any charge ~~upon~~ on the consumption of natural gas, or ~~upon~~ on natural gas ratepayers, to fund the California Solar Initiative.

(2) Notwithstanding any other ~~provision of~~ law, any charge imposed to fund the program adopted and implemented pursuant to this section shall be imposed ~~upon~~ on all customers not participating in the California Alternate Rates for Energy (CARE) or family electric rate assistance (FERA) programs, including those residential customers subject to the rate limitation ~~specified in Section 739.9~~ for existing baseline quantities or usage up to 130 percent of existing baseline quantities of electricity.

(3) The costs of the program adopted and implemented pursuant to this section shall not be recovered from customers participating in the ~~California Alternate Rates for Energy or~~ CARE program established pursuant to Section 739.1, except to the extent that program costs are recovered out of the nonbypassable system benefits charge authorized pursuant to Section 399.8.

(e) Except as provided in subdivision (f), in implementing the California Solar Initiative, the commission shall ensure that the total cost over the duration of the program does not exceed three billion five hundred fifty million eight hundred thousand dollars (\$3,550,800,000). Except as provided in subdivision (f), financial components of the California Solar Initiative shall consist of the following:

(1) Programs under the supervision of the commission funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. Except as provided in subdivision (f), the total cost over the duration of these programs shall not exceed two billion three hundred sixty-six million eight hundred thousand dollars (\$2,366,800,000) and includes moneys collected directly into a tracking account for support of the California Solar Initiative.

(2) Programs adopted, implemented, and financed in the amount of seven hundred eighty-four million dollars (\$784,000,000), by charges collected by local publicly owned electric utilities pursuant to Section 2854. ~~Nothing in this subdivision shall~~ This subdivision does not give the commission power and jurisdiction with respect to a local publicly owned electric utility or its customers.

(3) (A) Programs for the installation of solar energy systems on new construction (New Solar Homes Partnership Program), administered by the Energy Commission, and funded by charges in the amount of four hundred million dollars (\$400,000,000),

collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. If the commission is notified by the Energy Commission that funding available pursuant to Section 25751 of the Public Resources Code for the New Solar Homes Partnership Program and any other funding for the purposes of this paragraph have been exhausted, the commission may require an electrical corporation to continue administration of the program pursuant to the guidelines established for the program by the Energy Commission, until the funding limit authorized by this paragraph has been reached. The commission may determine whether a third party, including the Energy Commission, should administer the utility's continuation of the New Solar Homes Partnership Program. The commission, in consultation with the Energy Commission, shall supervise the administration of the continuation of the New Solar Homes Partnership Program by an electrical corporation or third-party administrator. After the exhaustion of funds, the Energy Commission shall notify the Joint Legislative Budget Committee 30 days ~~prior to~~ *before* the continuation of the program. This subparagraph shall become inoperative on June 1, 2018.

(B) If the commission requires a continuation of the program pursuant to subparagraph (A), any funding made available pursuant to the continuation program shall be encumbered through the issuance of rebate reservations by no later than June 1, 2018, and disbursed by no later than December 31, 2021.

(4) The changes made to this subdivision by Chapter 39 of the Statutes of 2012 do not authorize the levy of a charge or any increase in the amount collected pursuant to any existing charge, nor do the changes add to, or detract from, the commission's existing authority to levy or increase charges.

(f) Upon the expenditure or reservation in any electrical corporation's service territory of the amount specified in paragraph (1) of subdivision (e) for low-income residential housing programs pursuant to subdivision (c) of Section 2852, the commission shall authorize the continued collection of the charge for the purposes of Section 2852. The commission shall ensure that the total amount collected pursuant to this subdivision does not exceed one hundred eight million dollars (\$108,000,000). Upon approval by the commission, an electrical corporation may use amounts collected pursuant to subdivision (e) for purposes of funding the general market portion of the California Solar ~~Initiative~~ *Initiative* that remain unspent and unencumbered after December 31, 2016, to reduce the electrical corporation's portion of the total amount collected pursuant to this subdivision.

SEC. 6. Section 17072 of the Revenue and Taxation Code is amended to read:

17072. (a) Section 62 of the Internal Revenue Code, relating to adjusted gross income defined, shall apply, except as otherwise provided.

(b) Section 62(a)(2)(D) of the Internal Revenue Code, relating to certain expenses of elementary and secondary school teachers, shall not apply.

(c) Section 62(a)(21) of the Internal Revenue Code, relating to ~~attorneys~~ *attorney's* fees relating to awards to whistleblowers, shall not apply.

(d) For each taxable year beginning on or after January 1, 2026, and before January 1, 2031, Section 62(a) of the Internal Revenue Code, relating to the general rule, is modified to provide that the deduction under Section 17217 shall be allowed in determining adjusted gross income.

SEC. 7. Section 17131.4 of the Revenue and Taxation Code is amended to read:

17131.4. (a) Section 106(d) of the Internal Revenue Code, relating to contributions to health savings accounts, shall not apply.

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2026, and to taxable years beginning on or after January 1, 2031.

SEC. 8. Section 17131.5 of the Revenue and Taxation Code is amended to read:

17131.5. (a) Section 125(d)(2)(D) of the Internal Revenue Code, relating to the exception for health savings accounts, shall not apply.

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2026, and to taxable years beginning on or after January 1, 2031.

SEC. 9. Section 17215.1 of the Revenue and Taxation Code is amended to read:

17215.1. (a) Section 220(f)(5) of the Internal Revenue Code, relating to rollover contributions, shall not apply.

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2026, and to taxable years beginning on or after January 1, 2031.

SEC. 10. *Section 17215.4 of the Revenue and Taxation Code is amended to read:*

17215.4. *(a) Section 223 of the Internal Revenue Code, relating to health savings accounts, shall not apply.*

(b) This section shall apply to taxable years beginning on or after January 1, 2005, and before January 1, 2026, and to taxable years beginning on or after January 1, 2031.

SEC. 11. *Section 17217 is added to the Revenue and Taxation Code, to read:*

17217. *(a) For taxable years beginning on or after January 1, 2026, and before January 1, 2031, all of the following shall apply:*

(1) Section 223 of the Internal Revenue Code, relating to health savings accounts, shall apply, except as otherwise provided.

(2) Section 223(e)(1) of the Internal Revenue Code, relating to tax treatment of accounts, shall be modified by substituting the phrase "Section 17651 or 23731" for the phrase "Section 511 (relating to imposition on tax of unrelated business income of charitable, etc. organizations)" contained therein.

(3) Section 223(f)(2) of the Internal Revenue Code, relating to inclusion of amounts not used for qualified medical expenses, shall be modified by adding at the end of that paragraph the phrase "this paragraph shall not apply to the extent that a distribution relates to funds contributed by or on behalf of the beneficiary where the taxpayer making that contribution was not eligible for a deduction at the time the contribution was made, but would have been eligible for a deduction if that contribution were made during a taxable year beginning on or after January 1, 2026, and before January 1, 2031."

(4) Section 223(h) of the Internal Revenue Code, relating to reports, shall not apply, and shall be substituted by the phrase, "any person who provides an individual with a high deductible health plan shall make a report to the Franchise Tax Board and to the beneficiary with respect to that plan in the form and manner required by the Franchise Tax Board."

(b) This section shall remain in effect only until December 1, 2031, and as of that date is repealed.

~~**SECTION 1.** *It is the intent of the Legislature to enact subsequent legislation eliminating, reducing, and restricting taxes and fees.*~~