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AB-814 Personal Income Tax Law: exclusions: law enforcement retirement. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 814

Introduced by Assembly Member Schiavo

February 19, 2025

An act to add and repeal Section 17140.7 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 814, as introduced, Schiavo. Personal Income Tax Law: exclusions: law enforcement retirement.

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.

This bill, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, would exclude from gross income qualified payments received by a taxpayer during the taxable year. The bill would define qualified payments to mean either amounts received from a pension plan the taxpayer is the beneficiary of based on services performed as a peace officer, as defined, or amounts received as the beneficiary of an annuity plan set up for the surviving spouse or dependent of a person that lost their life in services as a peace officer, as specified.

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

This bill also would include additional information required for any bill authorizing a new tax expenditure. The bill would require the Franchise Tax Board to provide any data requested by the Legislative Analyst's Office to write the report, as provided, and would make taxpayer information received by the Legislative Analyst's Office subject to specified law limiting the collection and use of that information, the violation of which is a crime. By expanding the scope of a crime, this bill would impose a state-mandated local program.

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.

This bill would take effect immediately as a tax levy.

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

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

SECTION 1. Section 17140.7 is added to the Revenue and Taxation Code, to read:

17140.7. (a) For taxable years beginning on or after January 1, 2025, and before January 1, 2030, gross income shall not include qualified payments received during the taxable year by a taxpayer.

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

- (1) "Law enforcement agency" has the same meaning as that term is defined in Section 7286.5 of the Government Code.
- (2) "Peace officer" means a person described in Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2 of the Penal Code.
- (3) "Qualified payments" means either of the following:
 - (A) Amounts received by a taxpayer from a pension plan they are a beneficiary of based on services performed as a peace officer in this state.
 - (B) Amounts received by a taxpayer as the beneficiary of an annuity plan set up by a law enforcement agency to provide annuity payments for a surviving spouse or a dependent of a person that lost their life in service as a peace officer in this state.

(c) (1) For purposes of complying with Section 41, the Legislature finds and declares as follows:

(A) The specific goals of the exclusion are as follows:

- (i) To honor the service of California law enforcement and provide fiscal relief so that they and their families will remain or retire in California.
- (ii) To increase the number of highly skilled retired former law enforcement officers in California's workforce.

(B) The performance indicators for the Legislature to use in determining whether the exclusion is achieving its stated goals are the following:

- (i) The number of retired law enforcement and survivor benefit plan beneficiaries taking advantage of the tax exclusions.
- (ii) The economic security of retired law enforcement and survivor benefit plan beneficiaries in California.
- (iii) The number of retired law enforcement and survivor benefit plan beneficiaries leaving California.
- (iv) The earned income generated by retired law enforcement and survivor benefit plan beneficiaries subject to state income tax under the Revenue and Taxation Code.

(2) (A) On or before December 1, 2030, the Legislative Analyst's Office, in collaboration with the Department of Justice and the Franchise Tax Board, shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, on the effectiveness of the exclusions. To the extent data is available, the report shall include, but not be limited to, an analysis of the number of retired peace officers and annuity beneficiaries taking advantage of the exclusions, the impact of the exclusions on the economic security of retired peace officers and annuity beneficiaries in California, the number of retired peace officers and annuity beneficiaries leaving California, and the earned income generated by retired peace officers and survivor annuity beneficiaries subject to state income tax under this part.

(B) Notwithstanding Section 19542, the Franchise Tax Board and the Department of Justice shall provide any data requested by the Legislative Analyst's Office pursuant to this paragraph to the extent that data is available. Taxpayer information received pursuant to this paragraph by the Legislative Analyst's Office is subject to Section 19542 of the Revenue and Taxation Code.

(C) The disclosure provision of subparagraph (A) shall be treated as an exception to Section 19542.

(d) This section shall remain operative only until December 1, 2030, and as of that date is repealed.

SEC. 2. 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. 3. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.