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SB-159 Personal Income Tax Law: Corporation Tax Law: exemptions: wildfire. (2025-2026)

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Senate Bill No. 159

CHAPTER 112

An act to amend Sections 17138.7 and 24309.2 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor September 17, 2025. Filed with Secretary of State September 17, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

SB 159, Committee on Budget and Fiscal Review. Personal Income Tax Law: Corporation Tax Law: exemptions: wildfire.

Existing law establishes, in the Government Operations Agency, the Franchise Tax Board consisting of the Controller, the Director of Finance, and the Chairperson of the State Board of Equalization. Existing law prescribes various powers and duties to the Franchise Tax Board, including, among other things, the administration of state personal income taxes and corporation franchise and income taxes.

The Personal Income Tax Law, in conformity with federal income tax laws, defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from income, including, for taxable years beginning on or after January 1, 2021, and before January 1, 2030, an exclusion from income for any qualified taxpayer, as defined, for amounts received in settlement in connection with a wildfire in the state, as provided.

This bill would amend the definitions provided in that exclusion from tax and would limit the exclusion to qualified amounts made in connection with a qualified wildfire disaster, as defined.

This bill would also appropriate \$10,000 from the General Fund to the Franchise Tax Board to administer qualified wildfire disaster settlements, as specified.

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.

This 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: no

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

SECTION 1. Section 17138.7 of the Revenue and Taxation Code is amended to read:

17138.7. (a) For taxable years beginning on or after January 1, 2021, and before January 1, 2030, gross income shall not include any qualified amount received by a qualified taxpayer in the taxable year.

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

(1) "Qualified amount" means any amount received from a settlement entity by a qualified taxpayer in connection with a qualified wildfire disaster in California.

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

(A) Any taxpayer who owns real property located in an area damaged by a qualified wildfire disaster who paid or incurred expenses, and received qualified amounts from a settlement entity, arising out of or pursuant to the qualified wildfire disaster.

(B) Any taxpayer who resides within an area damaged by a qualified wildfire disaster who paid or incurred expenses, and received qualified amounts from a settlement entity, arising out of or pursuant to the qualified wildfire disaster.

(C) Any taxpayer who has a place of business within an area damaged by a qualified wildfire disaster who paid or incurred expenses, and received qualified amounts from a settlement entity, arising out of or pursuant to the qualified wildfire disaster.

(3) "Qualified wildfire disaster" means any disaster arising from a wildfire for which either the Governor has declared a state of emergency or the President of the United States has declared an emergency or major disaster as defined under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. Sec. 5121 et seq.).

(4) "Settlement entity" means an entity making a settlement payment of a qualified amount to a qualified taxpayer.

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

(d) The qualified taxpayer shall provide, upon request, all necessary information in the form and manner prescribed by the Franchise Tax Board.

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

SEC. 2. Section 24309.2 of the Revenue and Taxation Code is amended to read:

24309.2. (a) For taxable years beginning on or after January 1, 2021, and before January 1, 2030, gross income shall not include any qualified amount received by a qualified taxpayer in the taxable year.

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

(1) "Qualified amount" means any amount received from a settlement entity by a qualified taxpayer in connection with a qualified wildfire disaster in California.

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

(A) Any taxpayer that owns real property located in an area damaged by a qualified wildfire disaster that paid or incurred expenses, and received qualified amounts from a settlement entity, arising out of or pursuant to the qualified wildfire disaster.

(B) Any taxpayer that has a place of business within an area damaged by a qualified wildfire disaster that paid or incurred expenses, and received qualified amounts from a settlement entity, arising out of or pursuant to the qualified wildfire disaster.

(3) "Qualified wildfire disaster" means any disaster arising from a wildfire for which either the Governor has declared a state of emergency or the President of the United States has declared an emergency or major disaster as defined under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. Sec. 5121 et seq.).

(4) "Settlement entity" means an entity making a settlement payment of a qualified amount to a qualified taxpayer.

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

(d) The qualified taxpayer shall provide, upon request, all necessary information in the form and manner prescribed by the Franchise Tax Board.

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

SEC. 3. The sum of ten thousand dollars (\$10,000) is hereby appropriated from the General Fund to the Franchise Tax Board to administer qualified wildfire disaster settlements pursuant to Sections 17138.7 and 24309.2 of the Revenue and Taxation Code.

SEC. 4. 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.