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SB-268 Income taxes: gross income exclusions: state of emergency: natural disaster settlements. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

SENATE BILL

NO. 268

Introduced by Senator Choi
(Coauthors: Senators Jones, Niello, and Ochoa Bogh)
(Coauthors: Assembly Members Alanis, Jeff Gonzalez, and Patterson)

February 03, 2025

An act to add and repeal Sections 17139.4 and 24309.8 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 268, as amended, Choi. Income taxes: gross income exclusions: state of emergency: natural disaster settlements.

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, for taxable years beginning on or after January 1, 2025, and before January 1, 2030, would provide an exclusion from gross income for amounts received from a settlement entity, as defined, by a qualified taxpayer, as defined, to replace property that is located in a city or county in this state and that was damaged or destroyed by a disaster or accidental or human-caused event for which a state of emergency or local emergency, as defined, was proclaimed.

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.

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 17139.4 is added to the Revenue and Taxation Code, to read:

17139.4. (a) For taxable years beginning on or after January 1, 2025, and before January 1, 2030, gross income does not include any qualified amount received by a qualified taxpayer.

(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 to replace property that is located in a city or county in this state and that was damaged or destroyed by a disaster or accidental or human-caused event for which a state of emergency or local emergency was proclaimed.

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

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

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

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

(3) "Settlement entity" means the entity, approved by a class action settlement administrator, making the settlement payment to a qualified taxpayer.

(4) "State of emergency" and "local emergency" shall have the same meanings as those terms are defined in Section 8558 of the Government Code.

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

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

SEC. 2. Section 24309.8 is added to the Revenue and Taxation Code, to read:

24309.8. (a) For taxable years beginning on or after January 1, 2025, and before January 1, 2030, gross income does not include any qualified amount received by a qualified taxpayer.

(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 to replace property that is located in a city or county in this state and that was damaged or destroyed by a disaster or accidental or human-caused event for which a state of emergency or local emergency was proclaimed.

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

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

~~(B) Any taxpayer that resides within an area damaged by a disaster or accidental or human-caused event who paid or incurred expenses, and received amounts from a settlement entity, arising out of or pursuant to the disaster or event.~~

~~(C)~~

~~(B)~~ Any taxpayer that has a place of business within an area damaged by a disaster or accidental or human-caused event who paid or incurred expenses, and received amounts from a settlement entity, arising out of or pursuant to the disaster or event.

(3) "Settlement entity" means the entity, approved by a class action settlement administrator, making the settlement payment to a qualified taxpayer.

(4) "State of emergency" and "local emergency" shall have the same meanings as those terms are defined in Section 8558 of the Government Code.

(c) The settlement entity shall provide, upon request by ~~the Franchise Tax Board or~~ the qualified taxpayer, documentation of the settlement payments in the form and manner ~~requested as determined~~ by the Franchise Tax ~~Board or the qualified taxpayer, who may~~ Board. *Upon request, the settlement entity or the qualified taxpayer shall* provide the documentation to the Franchise Tax ~~Board upon request.~~ Board.

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

SEC. 3. (a) For the purpose of complying with Section 41 of the Revenue and Taxation Code with regard to the exclusion provided by Sections 17139.4 and 24309.8 of that code, the Legislature finds and declares the following:

~~(a)~~

(1) The specific goal, purpose, and objective of the exclusion is to provide essential relief to individuals who have suffered injury, loss, inconvenience, and expenses resulting from disasters or accidental or human-caused events.

~~(b)~~

(2) There is no available data to collect or report with respect to the exclusions.

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

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.