

## CONCURRENCE IN SENATE AMENDMENTS

AB 1249 (Gallagher)

As Amended August 24, 2022

2/3 vote. Urgency

**SUMMARY**

Allows a gross income exclusion to "qualified taxpayers" for amounts disbursed from the Fire Victims Trust (Trust).

**Senate Amendments**

Corrected an error in the findings and declarations, and made technical changes.

**COMMENTS**

- 1) *Pacific Gas and Electric (PG&E) bankruptcy*: In November 2018, Pacific Gas and Electric (PG&E) was sued by multiple victims of the Camp Fire. In January 2019, PG&E declared bankruptcy resulting from investigative findings that the company's equipment sparked a number of wildfires, including the Camp Fire. On June 20, 2020, the United States Bankruptcy Court for the Northern District of California approved PG&E's bankruptcy plan, which established the Trust and authorized \$13.5 billion in compensation to victims of the 2015 Butte Fire, the 2017 North Bay Fires, which included the Tubbs and Nuns fires, and the 2018 Camp Fire. This bill would allow taxpayers who have received compensation from the Trust to exclude those amounts from their gross income.
- 2) *Treatment of settlement awards under existing law*: Generally, federal and state law allows for the exclusion from gross income of amounts received in a settlement, other than punitive damages, which result from personal physical injuries or physical sickness. However, amounts resulting from emotional distress are included when calculating gross income, unless the emotional distress is the result of physical injury or sickness. In some instances, federal and state law require inclusion of attorney's fees resulting from a settlement in the calculation of gross income. Therefore, some portions of the disbursements issued from the Trust may be included in gross income. This bill would exclude all amounts disbursed from the Trust when calculating a taxpayer's gross income.
- 3) *Alternative approach*: AB 50 (Hill), Chapter 18, Statutes of 2011, excluded from gross income disaster relief payments disbursed to victims of the San Bruno pipeline explosion. Despite being declared a state disaster, the explosion was never declared a federal disaster, which prevented victims from utilizing the existing gross income exclusion for disaster relief payments in federally declared disaster areas. AB 50 authorized, for taxpayers impacted by the explosion, an exclusion from gross income for payments received from PG&E's relief fund. The fires stipulated in this bill were declared federal disasters and resulting disaster relief payments are already eligible for the existing exclusion. This bill addresses the treatment of settlement payments from the Trust.

**According to the Author**

The author has provided the following statement in support of this bill:

AB 1249 is a straightforward fix that would clarify state tax exemption criteria for victims of three of the most destructive [fires] in California's history. Victims have been through

enough and deserve to receive the maximum amount of compensation from PG&E for the amount of pain and suffering the company has caused.

### **Arguments in Support**

The Howard Jarvis Taxpayers Association, writing in support of a previous, but substantially similar, version of this bill notes:

AB 1249 would clarify that victims of three of the most destructive fires in California's history are exempt from state gross income tax for amounts received from the Fire Victims Trust. A 2011 bill exempted settlements paid out from PG&E to victims of the San Bruno explosion. This is not unprecedented, it's the right thing to do. These people have suffered enough.

### **Arguments in Opposition**

None on file

## **FISCAL COMMENTS**

According to the Senate Appropriations Committee, "The Franchise Tax Board (FTB) estimates that this bill would result in General Fund revenue losses of \$55 million in 2021-22, \$90 million in 2022-23, \$48 million in 2023-24, and \$32 million in 2024-25. FTB's costs to implement the bill would be minor and absorbable."

## **VOTES:**

### **ASM REVENUE AND TAXATION: 9-0-2**

**YES:** Burke, Nguyen, Grayson, Levine, Mullin, Petrie-Norris, Quirk, Luz Rivas, Seyarto

**ABS, ABST OR NV:** Gray, Mayes

### **ASM APPROPRIATIONS: 15-0-1**

**YES:** Holden, Bigelow, Bryan, Calderon, Luz Rivas, Davies, Fong, Gabriel, McCarty, Levine, Quirk, Robert Rivas, Akilah Weber, Stone, Mullin

**ABS, ABST OR NV:** Megan Dahle

### **ASSEMBLY FLOOR: 74-0-2**

**YES:** Aguiar-Curry, Arambula, Bauer-Kahan, Bennett, Berman, Bigelow, Bloom, Boerner Horvath, Mia Bonta, Bryan, Burke, Calderon, Carrillo, Cervantes, Chen, Choi, Cooley, Cooper, Cunningham, Megan Dahle, Daly, Davies, Flora, Fong, Friedman, Gabriel, Gallagher, Cristina Garcia, Gipson, Gray, Grayson, Holden, Irwin, Kalra, Kiley, Lackey, Lee, Levine, Low, Maienschein, Mathis, Mayes, McCarty, Medina, Mullin, Muratsuchi, Nazarian, Nguyen, O'Donnell, Patterson, Petrie-Norris, Quirk, Quirk-Silva, Ramos, Reyes, Luz Rivas, Robert Rivas, Rodriguez, Blanca Rubio, Salas, Santiago, Seyarto, Smith, Stone, Ting, Valladares, Villapudua, Voepel, Waldron, Ward, Akilah Weber, Wicks, Wood, Rendon

**ABS, ABST OR NV:** Eduardo Garcia, Jones-Sawyer

## **UPDATED**

VERSION: August 24, 2022

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