



Bill Analysis

Author: Committee on Budget Sponsor:

Bill Number: SB 139

Related Bills: See Legislative
History

Introduced January 8, 2021, &
Amended June 25, 2021

SUBJECT

Golden State Stimulus II

SUMMARY

This bill, under the Welfare and Institutions Code (WIC), would authorize the Controller to make a one-time Golden State Stimulus II (GSS II) payment in a specified amount to each qualified recipient, as defined. Individuals may qualify for this payment based on certain criteria, such as filing a California individual tax return and adjusted gross income requirements. Additionally, this bill modified the filing time requirement and federal individual taxpayer identification number (ITIN) requirements under the one-time Golden State Stimulus I (GSS I) payment provisions.

Under the Revenue and Taxation Code (RTC), the Franchise Tax Board (FTB) would be authorized to provide to the Controller return or return information to make the one-time GSS II payments to qualified recipients, and would be required, in consultation with the Controller, to report to the Legislature specified information in compliance with RTC section 41.

This analysis only addresses the provisions of the bill that impact the department's programs and operations.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

As introduced on January 8, 2021, the bill contained legislative intent language related to the Budget Bill of 2021.

The June 25, 2021, amendments removed the legislative intent language and replaced them with the provisions discussed in this analysis. This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for the bill is to provide financial relief for low-income and middle-income Californians who may have been adversely impacted by the COVID-19 emergency.

ANALYSIS

Golden State Stimulus I

This bill would modify the filing date requirement from November 15, 2021, to October 15, 2021, for tax year 2020 for eligible individuals that were allowed CalEITC. Additionally, an eligible individual or their spouse is considered a qualified recipient for the GSS I payment if they have applied for, but not received their federal ITIN by October 15th, and file their 2020 tax return on or before February 15, 2022. Late penalties and underpayment and monthly penalties on the amount of tax due would not apply for these returns.

Golden State Stimulus II

This bill would add the GSS II provisions, which are similar to GSS I (discussed below). However, some differences include that a qualified recipient does not need to be eligible for CalEITC and must meet the California adjusted gross income (CA AGI) requirement of one dollar or more, but no more than \$75,000, (or \$37,500 if married filing separate) and have wages subject to withholding of \$75,000 or less (or \$37,500 if married filing separate). A qualified recipient may receive a one-time payment of either:

- Five hundred dollars (\$500) (or \$250 if married filing separate) if they met the requirements under GSS I and claimed one or more dependents;
- Six hundred dollars (\$600) (or \$300 if married filing separate) if they did not meet the requirements under GSS I and did not claim one or more dependents;
- One thousand dollars (\$1,000) (or \$500 if married filing separate) if they filed a return using their federal ITIN (or spouse's ITIN), met the requirements under GSS I, and claimed one or more dependents; or
- One thousand one hundred dollars (\$1,100) (or \$550 if married filing separate) if they did not meet the requirements under GSS I and claimed one or more dependents.

GSS II payments would be included in the existing exclusion from third party garnishment orders against delinquent accounts. The payments would continue to be subject to child support, spousal support, family support, or criminal restitution payable to victims.

For both GSS I and II, the Controller is required to issue payments no later than July 15, 2022. However, the Controller can reissue stale, dated, or replacement checks after July 15, 2022. All returned payments are redeposited into the Golden State Stimulus Emergency Fund. Any unused money remaining in the Golden State Stimulus Emergency Fund would be transferred to the General Fund by June 1, 2024.

The GSS I and II provisions would remain in effect only until January 1, 2025, and would be repealed as of that date.

The bill would exclude the GSS II payment from gross income and would repeal the gross income exclusion for GSS I, GSS II, and the Golden State Grant (GSG) payment on January 1, 2025.

GSS II Section 41 Requirements

The FTB, in consultation with the Controller, would be required to prepare a written report to the Legislature that includes the number of qualified recipients issued a one-time GSS II payment by December 1, 2022.

Effective/Operative Date

This bill, providing for appropriations related to the Budget Bill and identified as a bill related to the budget in the Budget Bill, would be effective immediately upon enactment and operative as of that date.

The gross income exclusion for the GSS II payment is operative for taxable years beginning on or after January 1, 2021.

Federal Law

Economic Impact Payments

Federal legislation, Public Law 116-136, commonly known as the CARES Act, provided one-time economic impact payments of \$1,200 (\$2,400 for joint filers) to individuals meeting certain criteria, including having a social security number (SSN) valid for employment and adjusted gross income (AGI) that did not exceed the following amounts:

- \$150,000 if married and filing a joint return
- \$112,500 if filing as head of household or
- \$75,000 for eligible individuals using any other filing status

The payment was reduced by five percent (5%) of the amount by which AGI exceeded the applicable threshold above.

The Consolidated Appropriations Act, Public Law 116-206, authorized a second payment of \$600 (\$1,200 for a joint return), plus \$600 for each qualifying child, if the individual (and individual's spouse if filing a joint return) was not a dependent of another taxpayer on a 2019 tax return, had a SSN valid for employment, and AGI did not exceed the following amounts:

- \$150,000 if married and filing a joint return or if filing as a qualifying widow or widower;
- \$112,500 if filing as head of household; or
- \$75,000 for eligible individuals using any other filing status

The American Rescue Plan Act, Public Law 117-2, authorized a third payment of \$1,400 (\$1,800 for a joint return), plus \$1,400 for each qualifying child, if the individual (and individual's spouse if filing a joint return) was not a dependent of another taxpayer on a 2020 tax return, had a SSN valid for employment, and AGI did not exceed the following amounts:

- \$150,000 if married and filing a joint return or if filing as a qualifying widow or widower;
- \$112,500 if filing as head of household; or
- \$75,000 for eligible individuals using any other filing status

Offset and Collection Authority

Internal Revenue Code section 6331 provides that the Treasury Secretary may authorize collection of tax by levy, including levies on salary or wages, when any person liable to pay any tax neglects or refuses to pay after notice and demand.

State Law

GSS I

Earlier this year, the Legislature enacted GSS I, which authorizes the Controller to make a one-time GSS I payment of either \$600 if they meet one of the criteria required for a qualified recipient or \$1,200 if they meet both criteria (for taxable year 2020 is both an ITIN filer and a CalEITC recipient).

A qualified recipient must be a California resident and be either of the following:

- An eligible individual as determined under the CalEITC who filed a California individual income tax return for the taxable year beginning on or after January 1, 2020, and before January 1, 2021, who has been allowed the CalEITC for that taxable year by November 15, 2021, and is a resident on the date the Controller issues the payment.

- An individual who satisfies all of the following:
 - Filed a California individual income tax return on or before October 15, 2021, for the taxable year beginning on or after January 1, 2020, and before January 1, 2021.
 - Included on the return either their federal ITIN, or, if married, the federal ITIN of their spouse.
 - Had California adjusted gross income (CA AGI) of \$75,000 or less.
 - Is a California resident on the date the Controller issues the payment.

Gross Income

Existing federal and state laws provide that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded.

Existing state law provides that GSS I payments are excluded from California gross income.

Offset and Collection Authority

Under state law, the Controller is authorized to offset delinquent accounts, as specified, against personal income tax refunds that have been certified by the FTB.

FTB's Collection program collects tax owed through self-assessment, audit, settlement, and filing enforcement. The automated systems collect revenue from taxpayers who voluntarily comply while manual collection efforts make sure taxpayers who don't comply pay their fair share. FTB is authorized to issue orders to withhold to collect past due income taxes or a bill owed to local or state agencies.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 139 (Committee on Budget, 2020/2021) is identical to this bill. AB 139 did not pass out of the Senate Budget and Fiscal Review Committee because SB 139 moved forward.

AB 88 (Committee on Budget, Chapter 12, Statutes of 2021) made clarifying changes to the GSS I program, including clarifying the qualified recipient definition, excluded the GSS I payment and GSG from gross income, and exempted those payments from garnishment orders.

SB 88 (Committee on Budget, Chapter 8, Statutes of 2021) created the one-time GSS I payment and GSG program.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

Staff estimates a cost of approximately \$9.4 million for fiscal year 2021/2022 and \$292,000 for fiscal year 2022/2023, for resources to provide information to the Controller, provide customer service, and education and outreach.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 139 as Amended June 25, 2021

(\$ in Billions)

Fiscal Year	Revenue
2021-2022	-\$8.1
2022-2023	\$0
2023-2024	\$0

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Revenue Discussion

Based on return filings and historical filing trends, the estimated loss for SB 139 is \$8.1 billion.

The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None noted.

ARGUMENTS

None noted.

LEGISLATIVE CONTACT

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