



Bill Analysis

Author: Bradford, et al.

Sponsor:

Bill Number: SB 796

Related Bills: See Legislative
History

Amended: March 24, April 12,
April 19, May 03, May 28, June
23 and July 06, 2021

SUBJECT

Gross Income Exclusion for Sale or Transfer of Bruce's Beach

SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), allow for a gross income exclusion for a one-time sale, transfer, or encumbrance of a portion of land within Manhattan State Beach, known as "Peck's Manhattan Beach Tract Block 5" and commonly referred to as "Bruce's Beach."

This analysis only addresses the provisions that would impact the department.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The March 24, 2021, amendments removed the provisions related to peace officers employed by school districts and added provisions related to increasing the estimated cost limitation for new or noncommercial development on granted beach properties.

The April 12, 2021, amendments did the following:

- Removed the provision to increase the estimated cost limitation for new or expanded noncommercial development on each of granted beach properties from \$250,000 to \$750,000; and
- Added provisions that would exclude Bruce's Beach from the requirement that the property be used only for public recreation and beach purposes in perpetuity and from those specified restrictions.

The April 19, 2021, amendment added a provision specifying that this would be an urgency statute and would go into immediate effect.

The May 03, 2021, amendment revised the date for the Director of Parks to execute an amendment to a specified deed to exclude Bruce's Beach from the specified restrictions from June 30, 2022, to December 31, 2021.

The May 28, 2021, amendment, among other findings, added declaratory language stating that the land of Bruce's Beach was wrongfully taken from Willa and Charles Bruce due to racial discrimination and would be returned to their living descendants.

The June 23, 2021, amendments added provisions that would allow recipients of Bruce's Beach to exclude the following from gross income:

- Any sale, transfer, or encumbrance of Bruce's Beach, and
- Any gain, income, or proceeds received in the taxable year in which Bruce's Beach is sold, transferred, or encumbered that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

The July 6, 2021, amendment added a provision that all provisions of this act are severable.

This is the department's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to return Bruce's Beach to descendants of the family who owned that land and to relieve the tax burden created by returning the land to the family.

ANALYSIS

This bill would, under the Public Resources Code (PRC), authorize the County of Los Angeles to sell, transfer, or encumber Bruce's Beach upon terms and conditions determined by the Board of Supervisors of the County of Los Angeles to be in the best interest of the County of Los Angeles and the general public.

Under the PITL and the CTL, for the first time sale in the taxable year in which the land is sold, transferred, or encumbered, a recipient's gross income would not include:

- Any sale, transfer, or encumbrance of Bruce's Beach;
- Any gain, income, or proceeds received that is directly derived from the sale, transfer, or encumbrance of Bruce's Beach.

Section 4 establishes that the provisions of this act would be severable. If any provision of this act or its application would be held invalid, that invalidity would not affect other provisions or applications that can be given effect without the invalid provision or application.

This bill would declare the need a special statute and an urgency clause.

Effective/Operative Date

As an urgency measure, this bill would be effective and operative immediately upon enactment.

Federal/State Law

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 federal and state laws provide that certain types of income are excluded from gross income, such as amounts received as a gift or inheritance, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations.

Implementation Considerations

The department has identified the following implementation considerations, and is available to work with the author's office to resolve these and other considerations that may be identified.

The term "recipient" is undefined in this bill. The absence of a definition to clarify this term could lead to disputes with taxpayers. For clarity, it is recommended that the bill be amended.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 2380 (Choi, 2019/2020), similar to this bill, would have excluded from gross income survivor benefits and payments received under Survivor Benefit Plans. AB 2380 did not pass out of the Assembly by the constitutional deadline.

SB 343 (Bradford, Ch. 887, Stats 2018), under the PITL, excludes from gross income qualified amounts received by a taxpayer related to the remediation of the Carousel Housing Tract.

PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill as amended July 06, 2021, would have a revenue impact on the general fund, but due to its prospective nature the FTB is unable to provide the revenue impact at this time.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

The Assembly Committee on Water, Parks, and Wildlife analysis dated June 29, 2021, lists the following support and opposition.

Support: Azul; California Coastal Commission; Earthseed; Latino Outdoors; Los Angeles County; Los Angeles Neighborhood Land Trust; National Association of Social Workers, California Chapter; Outdoor Afro; Outdoor Outreach and Parks Now.

Opposition: None noted.

ARGUMENTS

The Assembly Committee on Water, Parks, and Wildlife analysis dated June 29, 2021, includes the following argument in support of SB 796:

According to Earthseed, the California Coastal Commission, the National Association of Social Workers, and Los Angeles County, "this bill would correct the unjust removal of this land from the Bruce family, allowing their descendants to have the land returned and set a strong foundation for action to be taken in similar cases across the country."

There is no argument in opposition noted in Assembly Committee on Water, Parks, and Wildlife analysis.

LEGISLATIVE CONTACT

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