



Bill Analysis

Author: Cortese and
Quirk-Silva

Sponsor:

Bill Number: SB 33

Related Bills: See Legislative
History

Introduced: December 2, 2024

SUBJECT

Homeless Pupils: California Success, Opportunity, and Academic Resilience (SOAR)
Guaranteed Income Program Payments – Gross income Exclusion

SUMMARY

This bill would, under the Welfare and Institutions Code (WIC), establish the California SOAR Guaranteed Income Program for public school pupils.

This bill would, under the Personal Income Tax Law (PITL), provide that gross income does not include any amount received as an award pursuant to the California SOAR Guaranteed Income Program. Additionally, any amount received as an award pursuant to this program would not be considered earned income for purposes of eligibility for the California Earned Income Tax Credit (CalEITC), the Young Child Tax Credit (YCTC), or the Foster Youth Tax Credit (FYTC).

This analysis only addresses the provisions of the bill that would impact the Franchise Tax Board (FTB).

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to provide support to youth experiencing homelessness during the transition out of high school and improve their access to employment and postsecondary education.

ANALYSIS

This bill would, under the WIC, establish the California SOAR Guaranteed Income Program administered by State Department of Social Services. This program, subject to appropriation by the Legislature, would provide an eligible participant with guaranteed income of \$1,000 each month for four months from May 1, 2026, to August 1, 2026, inclusive. For purposes of this program, an eligible participant would mean a public-school pupil who is in grade 12 and is a homeless child or youth, as defined.

This bill would, under the PITL, for the taxable years beginning on or after January 1, 2026, and before January 1, 2031, exclude from gross income any amount received as an award pursuant to the California SOAR Guaranteed Income Program.

For the taxable years beginning on or after January 1, 2026, and before January 1, 2031, any amount received as an award pursuant to the California SOAR Guaranteed Income Program would not be considered earned income for purposes of eligibility for the CalEITC, the YCTC, or the FYTC.

These provisions would be repealed on December 1, 2031.

Effective/Operative Date

This bill would be effective January 1, 2026. The income exclusion and earned income provisions would be specifically operative for taxable years beginning on or after January 1, 2026, and before January 1, 2031, and the California SOAR Guaranteed Income Program provisions would be operative subject to an appropriation by the Legislature and could be extended by statute or by a county that meets certain conditions.

*Federal/State Law**Federal Law*

Gross Income

Existing federal law (Internal Revenue Code (IRC) section 61) provides 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 law provides that certain types of income are excluded from gross income, such as amounts received as a gift, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations.

Although not codified in federal law, the Internal Revenue Service (IRS) has applied the “general welfare exclusion” under which gross income does not include certain payments made to or on behalf of individuals by governmental units under governmentally provided social benefit programs based on “need.” It is unknown how the IRS would treat this income. To qualify for exclusion, the payments must:

- Be made pursuant to a governmental program.
- Be for the promotion of the general welfare (generally on the basis of “need”).
- Not represent compensation for services.

State Law

California conforms, under the PITL, to IRC section 61, as to the definition of gross income. California also conforms, in part, to some of the federal statutory exclusions from income.

Implementation Considerations

None noted.

Technical Considerations

For grammatical consistency and consistency of PITL terminology, subdivisions (a) and (b) of Section 17141.6, the word “the” should be deleted to read as, “For taxable years beginning on or after...”.

Policy Considerations

An individual qualifies for this payment if they are in grade 12, and the payments go out in May, June, July, and August. If an individual graduates from grade 12 in June and is not in grade 12 in July and August, the individual would not qualify for the payments. If the author intends for these individuals to qualify, the author may want to amend the bill to clarify this issue.

LEGISLATIVE HISTORY

SB 333 (Cortese, et al., 2023/2024), similar to this bill, would have, under the WIC, established the California SOAR Guaranteed Income Program for public school pupils and, under the PITL, would have provided an exclusion from gross income for any amount received as an award pursuant to the California SOAR Guaranteed Income Program. SB 333 did not advance out of the Assembly Appropriations Committee by the constitutional deadline.

SB 444 (Hertzberg, et al., 2021/2022) would have, under the PITL, provided an exclusion from gross income for amounts received for participation in National and Community Service State Grant Program and California for All Education Award Program.

SB 444 did not advance out of the Assembly Revenue and Taxation Committee by the constitutional deadline.

SB 1341 (Cortese & Haney, 2021/2022), similar to this bill, would have, under the WIC, established the California SOAR Guaranteed Income Program for public school pupils and, under the PITL, would have provided an exclusion from gross income for any amount received as an award pursuant to the California SOAR Guaranteed Income Program. SB 1341 did not advance out of the Assembly Higher Education Committee by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT

Revenue Estimate

This bill as introduced December 2, 2024, would not impact state income or franchise tax revenue.

Revenue Discussion

This bill would for taxable years beginning on or after January 1, 2026, and before January 1, 2031, exclude from gross income an award received under the California SOAR Guaranteed Income Program. Under this program an eligible participant would receive a guaranteed income of \$4,000 in the 2026 taxable year.

The filing threshold for resident single taxpayers under the age of 65 who have no dependents and cannot be claimed as a dependent on another return is \$21,561 for the 2023 taxable year. The threshold is indexed yearly. Assuming this is the individual's only source of income and they cannot be claimed as a dependent, because the guaranteed income would be below the filing threshold in the 2026 taxable year, there would be no requirement to file a return and report the income. Therefore, there would be no revenue impact.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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