# Tax

# Expenditure Report

2021-22

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# 2021-22
# Tax Expenditure Report

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## Introduction

The Department of Finance has been required to provide a tax expenditure report to the Legislature since 1971. Chapter 1762, Statutes of 1971, required that a biennial report be submitted to the Legislature. Chapter 268, Statutes of 1984, increased the reporting frequency from once every two years to once a year. Chapter 49, Statutes of 2006, required the report to include each of the following:

- A comprehensive list of tax expenditures exceeding $5 million.
- The statutory authority for each provision.
- A description of the legislative intent of each provision, if specified in the enacting legislation.
- The sunset date of each provision.
- The beneficiaries of the provision.
- An estimate of the state and local revenue loss for the current and two subsequent fiscal years.
- For personal income tax expenditures, the number of taxpayers and returns affected for the most recent tax year.
- For corporation and sales tax expenditures, the number of returns or businesses affected for the most recent year for which data is available.
- A listing of any comparable federal benefit.
- A description of any tax expenditure evaluation or compilation of information completed by any state agency since the last tax expenditure report by the Department of Finance.

This report fulfills the Department's statutory requirement pursuant to Government Code Section 13305. The narrative descriptions and revenue estimates for the tax expenditures included in this report are based on state laws for these tax expenditures as of June 30, 2021.

## Definitions

There is no absolute rule for defining tax expenditures, and the concept of a "tax expenditure" can be defined in several different ways. Section 13305 defines tax expenditure as "a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state." Although this definition is very broad, Finance has interpreted it to mean that aspects of the law that are basic to the tax structure are not tax expenditures. While the term "basic" is still ambiguous, it at least presents a framework for discussion as to what is not a tax expenditure. Following are some examples of items that are not considered tax expenditures.

- Because the basic structure of each tax is used as the starting point for determining what constitutes a tax expenditure, elements of the basic tax structure that exempt certain categories of transactions are not considered tax expenditures. For example, the sales tax is imposed on retailers for the privilege of selling tangible personal property at retail. According to its basic definition, California's sales tax does not apply to sales or leases of real property, sales of services, wholesale transactions, or sales of securities and insurance. These exemptions are therefore not considered tax expenditures.

- The net operating loss (NOL) deduction levels the playing field for firms with volatile and steady income, and is also not considered a tax expenditure for this report. For example, consider two firms, one with a $100 loss in year one and a $300 gain in year two, the second with a $100 gain in each year. Without an NOL deduction, over the two years, the first firm would report $300 taxable income, while the second would report $200, even though each had $200 net income over the two years. The 2020-21 Budget Act adopted a temporary limitation on the usage of NOLs for taxpayers with income above $1 million for tax years 2020, 2021, and 2022. In addition, a cap of $5 million on usage of business tax credits was adopted. These two provisions and their interaction increase revenues in the near term while they are in effect and decrease revenues in the out years when they are no longer in effect.Only the tax expenditures related to the usage of business tax credits are discussed in this report.

- Across-the-board tax rate reductions do not represent tax expenditures. Tax expenditures resulting from changes in the rate structure only exist if different sets of rates are applied to a similar base.

- Progressive rate structures do not constitute tax expenditures. The basic structure of California's income tax is progressive. For that reason, application of different tax rates to different income levels is a basic characteristic of the tax and does not represent a tax expenditure.

- Exemptions or exclusions required by the U.S. Constitution, the California Constitution, or federal laws are generally not considered tax expenditures, even if they would qualify as tax expenditures if adopted by statute. An example of an exemption required by the California Constitution is the limitation on on the growth of assessed value under Proposition 13. This limitation implies a homeowner who had bought a home at the California median price in 1980 would be paying property taxes that are about one-fourth of what a new homeowner would pay in property taxes for buying a house at the median price in 2021. The limitations on assessed value for both commercial and residential property imply subsidies to existing property owners that would be equal to tens of billions of dollars.

- One exception to the general rule that Constitutional prohibitions are not deemed to be tax expenditures is this report's inclusion of the sales tax exemption for candy, which has been prohibited by the California Constitution from being taxed since 1992, but had been subject to sales tax prior to that constitutional change.

- Changes in tax law that alter penalties or interest or that accelerate or defer tax payments are generally not considered tax expenditures unless they are very narrowly targeted.

- This report, consistent with the last five annual reports, does not include apportionment rules as a tax expenditure. In the past, the state has at various times adopted the following rules for apportioning income to California for most businesses that operate both inside and outside California: equal-weighted three-factor formula, double-weighted sales factor, elective single-sales factor, and mandatory single-sales factor. The 2015-16 Tax Expenditure Report and previous versions had considered equal-weighted three-factor formula to be normal tax law. The revenue impact of any of the other three apportionment rules was measured against this normal law. However, now that mandatory single-sales factor apportionment is required for most multi-state businesses and is used by the majority of the states in the nation, it is considered part of California's basic tax structure. As such, this report does not treat mandatory single-sales factor as a tax expenditure.

There is no single rule for determining what constitutes an element of the basic tax structure. For this reason, this report may exclude items that are included in other tax expenditure reports and vice versa.

## Why Adopt Tax Expenditures

Tax expenditures may be classified into the following two broad groups:

- Those which provide an incentive for a particular type of behavior.
- Those which provide tax relief for taxpayers facing a particular economic hardship.

There are several differences between tax expenditures and direct expenditures (those authorized through the budget process). First, tax expenditures are reviewed less frequently than direct expenditures once they are in place. This can offer taxpayers more certainty than if tax expenditures were subject to annual review, but can also result in tax expenditures remaining in the tax code when their cost outweighs their social benefits. Also, with certain notable exceptions, there is no control over the amount of foregone revenue that results from a tax expenditure once that provision has become part of the tax code. Finally, the vote requirements for tax expenditures and direct expenditures may be different. Tax expenditures that are adopted legislatively (except those adopted as urgency measures) require approval by a simple majority of both houses of the Legislature. A two-thirds vote is required for General Fund appropriations outside the Budget. Additionally, the repeal of a tax expenditure requires a two-thirds majority vote, while normal expenditures can be repealed with a simple majority vote.[1]

## Revenue Estimates

The estimates listed in this report are intended as a general indication of revenue losses from tax expenditure programs. In general, revenue estimates for the Personal Income Tax and Corporation Tax Laws are easier to quantify than those for the Sales and Use Tax Law. Personal income and corporation tax returns contain significant detail regarding different sources of income and types of exemptions, exclusions, deductions, and credits claimed. Thus, tax return data are often available when estimating the fiscal impact of various income and corporation tax expenditure programs. In contrast, returns filed by taxpayers under the Sales and Use Tax Law contain little specific information regarding items purchased from individual retailers. For this reason, independent data sources must be used when estimating the revenue impacts of various sales tax expenditure programs, and these estimates can be less accurate than those for the Personal Income Tax and Corporation Tax Laws. Nonetheless, even the revenue estimates for the personal income and corporate income tax expenditures can be subject to significant margins of error due to data limitations.

Due to the effects of tax law interactions and taxpayer reactions to changes in tax law, the estimates for any individual tax expenditure in this report do not necessarily reflect the revenue gain that would occur if the tax expenditure was repealed. For example, repeal of the Section 529 Scholarshare plans may shift savings into Coverdell education savings accounts with similar tax benefits. Or, elimination of the mortgage interest deduction could lead to lower home prices and a reduction in the amount of property tax deductions for income tax purposes. Further, while the report displays the total value of the major identified expenditures within each major tax, these figures are best viewed as a general indication of revenue losses. Since each tax expenditure is measured separately and independently of other tax provisions, the fiscal impact of individual tax expenditures when added together may significantly overstate the fiscal impact to the state if all the tax expenditures were repealed.

[1] The Earned Income Tax Credit is subject to legislative appropriation each year by a simple majority vote to set its adjustment factor for a given year.

With the exception of the deduction for charitable contributions, the revenue loss for tax expenditures that are included in both Corporate and Personal Income Tax Laws are shown under the tax with the greatest revenue loss. For Subchapter S corporation treatment, the revenue gain under the personal income tax is netted against the loss for the corporation tax and the result is shown under the corporation tax.

The Tax Cuts and Jobs Act (Public Law 115-97) enacted in December 2017 made significant changes to federal tax laws beginning in 2018, which increased the uncertainty of the estimates made in the last two tax expenditure reports. The estimates in this year's report uses actual tax return data from 2018, which was the first year that the Tax Cuts and Jobs Act was in effect. As expected, the revenue loss from like-kind exchanges went down significantly from the revenue losses reported prior to 2018 because the Tax Cuts and Jobs Act reduced like-kind exchange activity since there is no longer any federal tax exclusion for like-kind exchanges outside of real estate. California conformed to the limits on like-kind exchanges, so there is not state exclusion, either. As noted in prior reports, behavioral impacts from tax law changes are difficult to predict and increase uncertainty as to California's estimated revenue losses from its tax expenditures. For example, the revenue estimate for charitable contributions increased significantly from last year as the tax data from 2018 indicates that the Tax Cuts and Jobs Act's increase in the standard deduction, which resulted in fewer taxpayers itemizing their deductions at the federal level, did not negatively impact charitable contributions as much as expected. .

The 2019-20 Budget conformed or partially conformed to the following provisions of the Tax Cuts and Jobs Act:

- Small Business Accounting Reform and Simplification
- Limitation on Deduction of Non-Corporate Business Losses
- Limitation on Deduction of Federal Deposit Insurance Corporation Premiums
- Repeal of Technical Termination of Partnerships
- Limit Like-Kind Exchanges to Real Property
- Modification of Limitation on Excessive Employee Remuneration
- Eliminate Net Operating Loss Carrybacks
- Allow Increased Contributions to Achieving a Better Life Experience (ABLE) Accounts
- Allow 529 Plans to Rollover to ABLE Accounts
- Eliminate IRS Section 338 Election

Of the above provisions, only the like-kind exchanges are referenced in this report. The changes to small business accounting and net operating losses accelerate or defer tax collection and therefore are not considered tax expenditures. The changes to the ABLE accounts fall below this report's $5 million threshold. The remaining provisions increase state revenue and therefore are not tax expenditures.

The 2020-21 Budget included a provision that temporarily limited usage of business incentive tax credits to offset no more than $5 million in tax liability for each taxpayer in 2020, 2021, and 2022. Unlike last year's report, the revenue estimates in this report attempt to reflect the impact of this provision, which will change the timing of credit usage but will not necessarily materially impact the total amount of credits used.

The 2021-22 Budget Act was enacted in July 2021, and therefore the following changes are not reflected in this report because they were enacted after June 30, 2021. These changes will be reflected in the 2022-23 Tax Expenditure Report:

- Expansion of the Film Tax Credit
- One-time expansion of the Cal Competes Tax Credit of $110 million in fiscal year 2021-22
- Main Street Small Business Hiring Credit II
- Homeless Hiring Credit

As part of early action to the 2021 Budget Act, two tax expenditures were enacted in March 2021 and are reflected in this report: 1) Conformity to federal tax law, with certain exceptions, related to the taxation of forgiven Paycheck Protection Program Loans and 2) Golden State Stimulus I that provided tax refunds to low-income households. Also included in this report for the first time is the Main Street Small Business Hiring Credit I that was enacted in September 2020.

The California Office of Tax Appeals, in a pending precedential opinion, held that a taxpayer could consider In-Home Supportive Servides (IHSS) payments as "earned income" for the purposes of the California Earned income Tax Credit (EITC). The decision is effective as of May 5, 2021, and is applicable to any open statute year. The impact of this change is expected to be in the range of low tens of millions of dollars per year and is reflected in the estimate for the EITC.

**State Revenue Losses**
As noted in the prior section, the total sum of individual tax expenditures can overstate the actual fiscal impact to the state. Nonetheless, totals are presented here to facilitate comparison to prior reports.

**Personal Income Tax** The Personal Income Tax Law includes the vast majority of all tax expenditure programs approved to date. It is estimated that tax expenditures will reduce 2021-22 Personal Income Tax General Fund revenues by more than $61.4 billion.

**Sales and Use Tax** The Sales and Use Tax Law contains separately identifiable state General Fund tax expenditures worth about $11.9 billion in 2021-22. Examples of these include food; prescription medicines; gas, electricity, and water delivered through mains; farm equipment; and fuel sold to common carriers.

**Corporation Tax** Fiscal year 2021-22 General Fund tax expenditures in the corporation category amount to about $7.8 billion. Examples of these expenditures include provisions for research and development, the film tax credit, and provisions for water's edge election.

**Other Taxes** Remaining tax expenditure programs are estimated to reduce revenues by over $100 million annually. Much of this revenue loss results from aircraft jet fuel used by common carriers and the armed services, and diesel fuel used by transit districts and schools.

**Local Revenue Losses**

The revenue losses to local governments are also shown for the sales tax and the property tax. Property taxes are local taxes, and the legislative exemptions or preferential provisions do not constitute state tax expenditures. Nonetheless, they impact state finances because local property tax exemptions reduce property tax allocations to schools. Under school finance law, the state is generally required to provide the difference in funding between local property tax allocations and school districts' revenue limits. Consequently, each dollar of property tax revenue foregone by schools results in additional state funding through the school apportionment process. Passage of Proposition 98 in November 1988 created an additional link between property taxes and state operations. The Proposition 98 minimum funding guarantee is determined each year according to a particular test—Test 1, Test 2, or Test 3—based on specified economic and fiscal circumstances in a given year. Under the Test 2 and Test 3 formulas, the minimum funding level is affected by the level change in property taxes. However, under Test 1, property taxes allocated to schools and community colleges are not part of the guaranteed funding level.

Local government revenue losses from identifiable property tax exemptions are estimated to be in excess of $100 million, while losses from sales tax expenditures are estimated to be in the range of $10 billion.

**Unknown Revenue Loss Areas**

It is not always possible to quantify the revenue loss of a particular tax expenditure. Fortunately, in most instances, those tax expenditures whose revenue impact cannot be estimated represent unique situations and probably do not result in significant revenue losses. Some examples of tax expenditures for which revenue losses cannot be quantified include sales tax exemptions for printed advertising and motion picture production services, and property tax exemptions for computer programs and fixtures excluded from the supplemental roll.

**Legislative Intent**

This report includes the legislative intent of the tax expenditure when that intent was specified in the enacting or amending legislation.

**Other Tax Expenditure Reports**

The Franchise Tax Board released the latest version of their report, *California Income Tax Expenditures, Compendium of Individual Provisions: Report for 2017 Tax Year Data,* covering personal income tax and corporation tax expenditures, in November 2020. A copy of this report can be obtained by calling the Franchise Tax Board at (916) 845-6745.

The California Department of Tax and Fee Administration released the latest version of its Publication 61 *Sales and Use Taxes: Exemptions and Exclusions* in March of 2018. This report can be accessed at https://www.cdtfa.ca.gov/formspubs/pubs.htm.

The Legislative Analyst's Office released a report, the Annual Report on Tax Exemptions for Medicinal Cannabis in July of 2021. The report contains data related to the amount of medicinal cannabis products donated, number of medicinal cannabis patients served, and the amount of tax revenue lossed in 2020 as a result of Chapter 837 of 2019 (SB 34). The report can be accessed at https://lao.ca.gov/Publications.

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

| Personal Income Tax | | | | | |
|---|---|---|---|---|---|
| | State General Fund Revenue Loss | | | | |
| Provision | 2019-20/e | 2020-21/e | 2021-22/e | 2022-23/e | 2023-24/e |
| Exclusion of employer pension contributions | 12,000 | 13,000 | 15,000 | 17,000 | 19,000 |
| Exclusion of employer contributions to health plans | 8,000 | 8,500 | 9,000 | 9,000 | 9,500 |
| Exclusion of social security benefits[1] | 4,000 | 4,200 | 4,400 | 4,600 | 4,900 |
| Home mortgage interest deduction | 3,900 | 4,000 | 4,000 | 4,100 | 4,200 |
| Charitable contributions deduction | 3,600 | 3,900 | 4,100 | 4,200 | 4,300 |
| Exclusion of capital gains on sale of principal residence | 3,500 | 3,500 | 3,800 | 4,000 | 4,200 |
| Basis step-up on inherited property | 3,200 | 3,300 | 3,300 | 3,500 | 3,600 |
| Exclusion of benefits provided under cafeteria plans | 2,000 | 2,100 | 2,200 | 2,400 | 2,400 |
| Real estate, personal property and other tax deduction | 1,840 | 1,640 | 1,640 | 1,740 | 1,840 |
| Dependent exemption in excess of personal exemption credit | 1,400 | 1,300 | 1,400 | 1,500 | 1,600 |
| Employee business and miscellaneous expenses deduction | 1,300 | 1,400 | 1,400 | 1,500 | 1,500 |
| Contributions to IRAs deduction | 1,200 | 1,200 | 1,300 | 1,400 | 1,400 |
| Head-of-household and qualifying widower filing status | 1,200 | 1,000 | 1,100 | 1,200 | 1,200 |
| Earned Income Tax Credit | 1,140 | 1,110 | 1,170 | 1,180 | 1,240 |
| Like-kind exchanges[2] | 1,100 | 1,000 | 1,100 | 1,100 | 1,100 |
| Exclusion of investment income on insurance and annuity contracts[2] | 650 | 650 | 650 | 650 | 650 |
| Exclusion of unemployment insurance benefits | 600 | 600 | 350 | 270 | 230 |
| Exclusions for self-employed retirement plans | 550 | 550 | 600 | 600 | 650 |
| Medical and dental expenses deduction | 440 | 440 | 450 | 460 | 470 |
| Deduction of health insurance paid by self-employed | 400 | 430 | 440 | 460 | 470 |
| Exclusion of miscellaneous fringe benefits | 360 | 360 | 380 | 400 | 410 |
| Exemption for senior citizens | 330 | 350 | 360 | 380 | 390 |
| Exclusion of meals and lodgings furnished by non-military employers | 280 | 330 | 320 | 330 | 340 |
| Exclusion of transportation-related fringe benefits | 260 | 230 | 230 | 240 | 250 |

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Personal Income Tax (continued)**

| Provision | State General Fund Revenue Loss | | | | |
|---|---|---|---|---|---|
| | 2019-20[e] | 2020-21[e] | 2021-22[e] | 2022-23[e] | 2023-24[e] |
| Exclusion of scholarship/fellowship income | 170 | 180 | 190 | 190 | 200 |
| Exclusion of employer contributions to life insurance plans | 160 | 160 | 170 | 170 | 180 |
| Renters' credit | 150 | 150 | 160 | 170 | 180 |
| Exclusion of employee child care benefits | 95 | 95 | 95 | 95 | 95 |
| Exclusion of compensation for injuries or sickness | 85 | 85 | 85 | 85 | 90 |
| Student loan interest deduction | 80 | 85 | 100 | 110 | 110 |
| Exclusion of employer-provided educational assistance | 80 | 80 | 75 | 75 | 75 |
| Exclusion of non-resident military pay | 65 | 65 | 70 | 70 | 70 |
| Exclusion of income earned on Section 529 (Scholarshare) plans | 60 | 55 | 60 | 70 | 85 |
| Exclusion of state lottery winnings | 56 | 43 | 46 | 46 | 49 |
| Exclusion of housing for clergy | 33 | 36 | 38 | 41 | 42 |
| Exclusion of Foster Care Payments | 23 | 24 | 27 | 28 | 28 |
| Exclusion of Waiver Personal Care Service Providers' Wages | 23 | 24 | 27 | 28 | 28 |
| Child and dependent care credit (Nonrefundable) | 23 | 20 | 22 | 24 | 24 |
| Limited partnerships investment source rules | 16 | 18 | 18 | 18 | 17 |
| Moving expense deduction | 14 | 14 | 14 | 15 | 15 |
| Agricultural soil or water conservation and prevention of erosion cost expensing[2] | 5 | 5 | 5 | 5 | 5 |
| Exclusion of Coverdell education savings accounts earnings | 5 | 5 | 5 | 5 | 5 |
| Casualty losses deduction | 5 | 5 | 5 | 5 | 5 |
| Golden State Stimulus I | 0 | 2,800 | 0 | 0 | - |
| Paycheck Protection Program Exclusion[4] | 0 | 70 | 1,450 | 750 | 475 |
| Main Street Small Business Hiring Credit I[2] | 0 | 38 | 0 | 0 | 0 |
| **Total** | **$54,398** | **$59,147** | **$61,352** | **$64,210** | **$67,618** |

[e]Estimated

[1]Some recipients of Social Security are not required to report this income on their federal tax returns. The number of returns reported here is the number of Californians with Social Security income that was reported on their federal tax return.

[2]This item includes corporate tax amounts.

[3]This item includes corporate tax amounts, but the corporate tax is minor.

[4]The portion of this tax expenditure affecting corporate taxes is shown in the corporate tax table.

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Corporation Tax**

| Provision | State General Fund Revenue Loss | | | | |
|---|---|---|---|---|---|
| | 2019-20[e] | 2020-21[e] | 2021-22[e] | 2022-23[e] | 2023-24[e] |
| Water's edge election | 3,300 | 3,800 | 3,900 | 3,700 | 3,500 |
| Research and development credit[1] | 2,240 | 2,150 | 2,160 | 2,470 | 2,670 |
| Enterprise Zone And Similar Areas[1] | 390 | 220 | 170 | 160 | 270 |
| Subchapter S corporations | 300 | 400 | 400 | 400 | 350 |
| Employee stock ownership plans[1] | 180 | 200 | 210 | 230 | 250 |
| Charitable contributions deduction | 160 | 180 | 180 | 170 | 170 |
| Tax-exempt status for qualifying corporations | 160 | 160 | 160 | 170 | 170 |
| Accelerated depreciation of research and experimental costs[1] | 120 | 100 | 100 | 95 | 85 |
| Credit union treatment | 100 | 110 | 110 | 110 | 110 |
| Cable Companies Apportionment Exclusion | 70 | 75 | 80 | 75 | 70 |
| First Year Minimum Tax Exclusion | 60 | 100 | 140 | 150 | 100 |
| California Competes Credit[1] | 55 | 55 | 70 | 100 | 120 |
| Film credit[1] | 40 | 40 | 40 | 130 | 250 |
| Low-income housing credit[2] | 36 | 44 | 50 | 84 | 151 |
| Expensing of timber growing costs[2] | 10 | 11 | 12 | 12 | 12 |
| Percentage depletion of mineral and other natural resources[1] | 9 | 8 | 9 | 9 | 9 |
| Intangible Drilling Cost Expensing[1] | 8 | 7 | 7 | 7 | 7 |
| Reforestation[1] | 5 | 5 | 5 | 5 | 5 |
| Paycheck Protection Program Exclusion[3] | 0 | 70 | 1,450 | 750 | 475 |
| New Advanced Strategic Aircraft Credit | * | * | * | * | * |
| **Corporate Tax Total** | **$7,243** | **$7,665** | **$7,803** | **$8,077** | **$8,299** |

[e]Estimated

[1]This item includes personal income tax amounts.

[2]This item includes personal income tax amounts, but the personal income tax is minor.

[3]This portion of this tax expenditure affecting personal income taxes is shown in the personal income tax table.

*Numbers not displayed due to taxpayer confidentiality.

**Major Identifiable Tax Expenditures of $5 Million or More**
**(Dollars in Millions)**

| Sales and Use Taxes | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019-20 | | 2020-21 | | 2021-22 | | 2022-23 | | 2023-24 | |
| Provision | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] |
| Food products | $ 3,867 | $ 4,546 | $ 4,107 | $ 4,810 | $ 4,340 | $ 5,083 | $ 4,357 | $ 5,103 | $ 4,454 | $ 5,217 |
| Gas, electricity, and water | 3,050 | 3,587 | 2,763 | 3,237 | 2,811 | 3,293 | 2,859 | 3,349 | 2,909 | 3,407 |
| Prescription medicine | 2,280 | 2,681 | 2,318 | 2,715 | 2,319 | 2,717 | 2,320 | 2,718 | 2,322 | 2,719 |
| Candy, confectionery, snack foods, and bottled water | 683 | 803 | 650 | 761 | 686 | 804 | 689 | 807 | 704 | 825 |
| Animal life, feed, seeds, plants, fertilizer, drugs, medicines | 659 | 775 | 639 | 749 | 632 | 740 | 625 | 732 | 618 | 724 |
| Manufacturing and research & development equipment exemption[2] | 292 | - | 320 | - | 358 | - | 365 | - | 377 | - |
| Farm equipment and machinery | 165 | 44 | 129 | 35 | 132 | 36 | 135 | 36 | 138 | 37 |
| Fuel sold to common carriers | 136 | 160 | 105 | 124 | 136 | 160 | 136 | 159 | 135 | 159 |
| Meals furnished by institutions | 92 | 108 | 85 | 100 | 92 | 108 | 99 | 116 | 107 | 126 |
| Rentals of Linen Supplies | 78 | 91 | 72 | 85 | 77 | 90 | 82 | 96 | 87 | 102 |
| Custom computer programs | 70 | 82 | 70 | 82 | 73 | 86 | 77 | 90 | 80 | 94 |
| California Alternative Energy | 46 | 54 | 46 | 54 | 46 | 54 | 46 | 54 | 46 | 54 |
| Subscription periodicals | 41 | 48 | 38 | 44 | 36 | 42 | 34 | 40 | 33 | 38 |
| Water common carriers | 33 | 39 | 23 | 27 | 24 | 28 | 24 | 28 | 12 | 15 |
| Diesel fuel used in farming and processing | 30 | 8 | 25 | 7 | 26 | 7 | 26 | 7 | 27 | 7 |
| Children's Diapers | 16 | 19 | 32 | 37 | 32 | 37 | 32 | 38 | 33 | 39 |
| Printed advertising | 16 | 19 | 14 | 17 | 13 | 16 | 13 | 15 | 12 | 14 |
| Oxygen Delivery System | 12 | 12 | 12 | 14 | 12 | 14 | 12 | 15 | 13 | 15 |
| Teleproduction and post-production equipment | 8 | 2 | 8 | 2 | 8 | 2 | 8 | 2 | 8 | 2 |
| Menstrual Products | 6 | 7 | 12 | 14 | 12 | 15 | 13 | 15 | 13 | 15 |
| Film credit (sales tax portion only) | 5 | 4 | 7 | 9 | 7 | 9 | 7 | 9 | 7 | 9 |
| Main Street Hiring Credit I | - | - | 16 | - | - | - | - | - | - | - |
| Leases of motion picture and television films and tapes[3] | - | - | - | - | - | - | - | - | - | - |
| Motion picture production services[3] | - | - | - | - | - | - | - | - | - | - |
| Professional Health Services[3] | - | - | - | - | - | - | - | - | - | - |
| Blood Storage Units[3] | - | - | - | - | - | - | - | - | - | - |
| Veterinarians[3] | - | - | - | - | - | - | - | - | - | - |
| Wheelchairs, Clutches, Canes, and Walkers[3] | - | - | - | - | - | - | - | - | - | - |
| Youth Organizations[3] | - | - | - | - | - | - | - | - | - | - |
| Worthless Accounts[3] | - | - | - | - | - | - | - | - | - | - |
| Fuel From Organic Products and Waste By-Products[3] | - | - | - | - | - | - | - | - | - | - |
| **Total** | **$ 11,585** | **$ 13,091** | **$ 11,491** | **$ 12,921** | **$ 11,874** | **$ 13,339** | **$ 11,960** | **$ 13,430** | **$ 12,135** | **$ 13,617** |

[1] Rate includes the 2011 Realignment 1.0625%,1991 Local Revenue Fund 0.50%, Local Public Safety Fund 0.50%, Local Bradley Burns 1.25%, and the average county add-on of 1.3%.

[2] Includes the expansion from Chapter 137, Statutes of 2017 (AB 398); does not account for backfill from the Greenhouse Gas Reduction Fund beginning in 2018-19.

[3] Unknown losses.

**Fuel Taxes**

| Major Identifiable Tax Expenditures of $5 Million or More (Dollars in Millions) | | | | | |
|---|---|---|---|---|---|
| **Fuel Taxes** | | | | | |
| | State Special Fund Revenue Loss | | | | |
| **Provision** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |
| Aircraft jet fuel used by common carriers and military | $23 | $23 | $23 | $23 | $23 |
| Fuel used by transit districts and schools | 17 | 17 | 17 | 17 | 17 |
| **Total** | **$39** | **$39** | **$40** | **$40** | **$40** |

## Property Tax

**Major Identifiable Tax Expenditures of $5 Million or More**
**(Dollars in Millions)**

| Provision | Local Revenue Loss | | | | |
|---|---|---|---|---|---|
| **Property Tax** | | | | | |
| **Provision** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |
| Computer programs[1] | - | - | - | - | - |
| Fixtures excluded on the supplemental roll[2] | - | - | - | - | - |

[1] Unknown, but in excess of $100 million per year.

[2] Unknown, but in low tens of millions of dollars per year.

## Personal Income Tax

### Exclusion of Employer Pension Contributions

**Description:**
Employer contributions to qualified retirement plans are generally excluded from employees' income, subject to annual limits.

**Statutory Authority:**
Revenue and Taxation Code Section 17501 which conforms to Internal Revenue Code Section 401

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
California generally conforms to federal law concerning employers' deductions for pension contributions.

## Personal Income Tax

### Exclusion of Employer Contributions to Health Plans

**Description:**
Contributions by employers to provide accident and health benefits are excluded from the income of employees.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 in conformity with Internal Revenue Code Section 106

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Social Security Benefits

**Description:**
Social Security and federal railroad retirement benefits are not subject to tax.

**Statutory Authority:**
Revenue and Taxation Code Section 17087

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For 2018, 2 million tax returns claimed this exclusion, which represented 3.1 million taxpayers.

**Comparable Federal Benefit:**
Under federal law, these benefits are partially taxed.

## Personal Income Tax

### Home Mortgage Interest Deduction

**Description:**
Taxpayers may generally deduct a limited amount of interest paid or accrued within the taxable year for acquiring, constructing, substantially improving, or refinancing their principal and one other residence.

**Statutory Authority:**
Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 163

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 4.4 million returns claimed a deduction for home mortgage interest expenses. This represented 7.3 million taxpayers.

**Comparable Federal Benefit:**
This provision partially conforms to federal law. For tax years 2018 through 2025, federal law changed and California will no longer be in conformity with federal law. For tax years 2018 through 2025, the federal mortgage deductions is limited to $750,000 for mortgages acquired after 2017.

## Personal Income Tax

### Charitable Contribution Deduction

**Description:**
A deduction is allowed for cash or certain non-cash contributions to qualifying nonprofit or governmental entities. For personal income taxpayers, the deduction is only available to those who itemize their deductions. The deduction amount is limited depending upon the type of contribution and recipient, but in no case may exceed 50 percent of adjusted gross income. For corporate taxpayers, the limit is 10 percent of taxable income. Contributions in excess of these amounts may be carried forward for up to five years.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201, 17275.5, 24357-24359.1 in conformity with Internal Revenue Code Section 170

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 5 million personal income tax returns claimed this deduction, representing 8 million taxpayers. This deduction was also claimed on 189,464 corporation tax returns.

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Capital Gains on Sale of a Principal Residence

**Description:**
An individual may exclude up to $250,000 of gain realized on the sale of a principal residence. For joint returns, the exclusion is $500,000.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 and 17152 in conformity with Internal Revenue Code Section 121

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Basis Step-Up on Inherited Property

**Description:**
The tax basis of property acquired by bequest, devise, or inheritance is reassessed to the fair market value at the date of death. Therefore, appreciation that occurred prior to the death is not taxed.

**Statutory Authority:**
Revenue and Taxation Code Sections 18031, 18035.6, 18036.6 in conformity with Internal Revenue Code Section 1014

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Benefits Provided Under Cafeteria Plans

**Description:**
The value of benefits received from an employer-sponsored cafeteria plan is not subject to tax. Cafeteria plans allow employees to choose between monetary compensation and qualified benefits, such as health insurance, life insurance, and dependent care benefits. If monetary compensation rather than benefits is selected, the amount is subject to tax.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 125

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision substantially conforms to federal law with minor differences in qualifying income limits due to the Tax Cuts and Jobs Act.

## Personal Income Tax

### Real Estate, Personal Property, and Other Taxes Deduction

**Description:**
Individual taxpayers may deduct certain taxes as an itemized deduction. This includes property taxes, personal property taxes including vehicle license fees, one-half of self-employment taxes, and other state, local, and foreign taxes relating to a trade or business or property held for the production of income.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201, 17220, 17222 which conforms to Internal Revenue Code Section 164

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 4.9 million returns, representing 7.8 million taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision conformed to federal law prior to January 1, 2018. As of January 1, 2018, federal law limited the deduction for state and local taxes, including real estate and personal property taxes, to $10,000 per tax return. This provision does not conform to that change.

## Personal Income Tax

### Dependent Exemption in Excess of Personal Exemption Credit

**Description:**
A nonrefundable personal exemption credit is allowed for all taxpayers and their dependents. The exemption credit for dependents is over three times greater than the exemption allowed for the taxpayer or their spouse. A temporary reduction of the dependent credit to the level of the personal credit was instituted for the 2009 and 2010 tax years.

**Statutory Authority:**
Revenue and Taxation Code Sections 17054, 17054.1, 17056, and 17733

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 6.3 million tax returns, representing 9.6 million taxpayers, claimed this credit.

**Comparable Federal Benefit:**
Prior to January 1, 2018, federal law allowed a personal exemption deduction, rather than a credit. The deduction amount for dependents was the same as that for taxpayers. Federal law also allowed a child tax credit of $1,000 per child. The Federal Tax Cuts and Jobs Act eliminated personal exemptions, increased the standard deduction, and increased the child tax credit to $2,000 per child for tax years 2018 through 2025.

## Personal Income Tax

### Employee Business and Miscellaneous Expenses Deduction

**Description:**
Certain unreimbursed employee expenses, expenses of producing income, and other qualifying expenses may be deducted as a miscellaneous itemized deduction. Amounts for meals and entertainment are limited to 50 percent of the expense. The deduction is limited; only the amount in excess of 2 percent of the taxpayer's federal adjusted gross income may be deducted.

**Statutory Authority:**
Revenue and Taxation Code Sections 17072, 17076, 17201 which generally conform to Internal Revenue Code Sections 62(a), 67, 68, 162, 274

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 1.6 million returns, representing 2.4 million taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision was in general conformity with federal law prior to January 1, 2018. For tax years 2018 through 2025, federal law suspended all miscellaneous itemized deductions subject to the 2 percent floor, including the 50-percent deduction for meals and entertainment. This provision does not conform to that change.

## Personal Income Tax

### Deductions for Contributions to Individual Retirement Accounts

**Description:**
Taxpayers who receive compensation that is included in gross income and who are under 70-1/2 years of age may be allowed a deduction in computing adjusted gross income for contributions to their Individual Retirement Account (IRA). Earnings in IRAs are excluded from income until they are distributed to the taxpayer.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201, 17203, 17501, 17504-09, 17551, and 17563.5 in conformity to Internal Revenue Code Section 219

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Head-of-Household and Qualifying Widow(er) Filing Status

**Description:**
Individuals who provide a home for a qualifying relative are eligible for lower tax rates than are available for single persons or a married person filing separately.

A qualifying widow(er) may claim a larger personal exemption in addition to the lower tax rates provided to heads-of-households. A qualifying widow(er) is an individual whose spouse died within the two prior years and has not remarried, and who provides the main home for an eligible dependent.

**Statutory Authority:**
Revenue and Taxation Code Section 18521 which is in partial conformity with Internal Revenue Code Section 2

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 2.4 million returns, representing 2.4 million taxpayers, used the head-of-household or qualifying widow(er) filing status.

**Comparable Federal Benefit:**
This provision is in partial conformity with federal law.

## Personal Income Tax

### Earned Income Tax Credit

**Description:**
Taxpayers with wage income below specified amounts in 2015, dependent on the number of their qualifying children, may claim a refundable tax credit. The credit matches a specified percent, referred to as the adjustment factor, of the taxpayer's calculated federal earned income tax credit for 2015, up to a specified amount of wages and is scaled depending on the number of qualifying children, if any. Beginning in 2017, the legislature expanded the credit to taxpayers with self-employment income, and the phase-out ranges were extended depending on the number of qualifying children. In 2018, the phase-out ranges were further extended and qualification was extended to individuals age 18 through 24 or over 65. In 2019, the EITC was expanded to provide a $1,000 credit, referred to as the Young Child Tax Credit, to any family that qualifies for the credit and has a child under age 6. Its phase-out range was further increased to a maximum eligible earned income of $30,000, and the credit phases out more gradually. In 2020, the EITC was expanded to include taxpayers who file using an Individual Taxpayer Identification Number.

The adjustment factor is set each year in the annual budget act, and would be zero if no adjustment factor is specified. For tax years 2015 through 2018, the adjustment factor was set at 85 percent and the estimates in this report assume an 85 percent adjustment factor in subsequent years.

**Statutory Authority:**
Revenue and Taxation Code Section 17052

**Sunset Date:** None

**Earned Income Tax Credit (continued)**

**Legislative Intent:**
In future years, to expand the credit to benefit a broader section of working poor Californians.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 2.2 million tax returns were allowed to claim the credit.

**Comparable Federal Benefit:**
Federal law allows taxpayers to claim a refundable tax credit based on the level of their wage and self-employment income, number of qualifying children, and filing status. Federal law limits the qualifying ages to 25 through 65. The federal level of income at which the credit is phased out is higher than California's phase out level.

## Personal Income Tax

### Like-Kind Exchanges

**Description:**
No gain or loss is recognized when real property is exchanged solely for similar (like-kind) property. If, as part of the exchange, dissimilar property (not like-kind) or money is received, gain is recognized on the value of dissimilar property or money received, but a loss is not recognized. The tax deferral on like-kind exchanges for personal property was eliminated in conformity with federal law as of January 1, 2019, with an exception for individual taxpayers with adjusted gross income less than $250,000 or joint filers with adjusted gross income less than $500,000.

**Statutory Authority:**
Revenue and Taxation Code sections 18031 and 24941 which conform to Internal Revenue Code Section 1031

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals, incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision partially conforms to federal law.

## Personal Income Tax

### Exclusion of Investment Income on Life Insurance and Annuity Contracts

**Description:**
The proceeds of a life insurance policy of a deceased person are generally excluded from the income of the beneficiary. Amounts received from a "living benefits" contract are also excluded from income, as are certain survivor benefits paid as an annuity to the beneficiary of a public safety officer killed in the line of duty.

**Statutory Authority:**
Revenue and Taxation Code Sections 17131, 17132.5, 24302, and 24305 which conform to Internal Revenue Code Section 101

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision generally conforms to federal law.

## Personal Income Tax

### Exclusion of Unemployment Insurance Benefits

**Description:**
Benefits received from the state's unemployment insurance program are excluded from income for tax purposes. For privately-provided unemployment compensation, benefits up to the amount of prior contributions are not taxable, but benefits in excess of this amount are taxable.

**Statutory Authority:**
Revenue and Taxation Code Section 17083

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 902,252 returns, representing 1.3 million taxpayers, claimed this exclusion.

**Comparable Federal Benefit:**
None

## Personal Income Tax

### Deductions for Self-Employed Retirement Plans

**Description:**
Self-employed persons are allowed a limited deduction when computing adjusted gross income for contributions to a self-employed retirement plan. Income generated by these contributions is also excluded from taxation until the assets are withdrawn.

**Statutory Authority:**
Revenue and Taxation Code Sections 17501, 17504, 17506, and 17507 which generally conform to Internal Revenue Code Sections 219, 401-404, 408, and 415

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Self-employed individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 164,790 tax returns, representing 285,731 taxpayers, claimed this exclusion.

**Comparable Federal Benefit:**
This provision generally conforms to federal law.

## Personal Income Tax

### Medical and Dental Expenses Deduction

**Description:**
Taxpayers may take an itemized deduction for qualified medical and dental expenses incurred on behalf of the taxpayer, the taxpayer's spouse, and/or the taxpayer's dependents. Only unreimbursed expenditures that exceed 7.5 percent of federal adjusted gross income are deductible.

**Statutory Authority:**
Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 213

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 1.4 million returns, representing 2.1 million taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision conforms with modifications to federal law. Except for tax years 2017 and 2018 when the 7.5-percent threshold was the same, the threshold for deduction differs at the federal level, which is 10 percent.

## Personal Income Tax

### Deduction of Health Insurance Paid by Self-Employed

**Description:**
Self-employed individuals are allowed to deduct the cost of premiums paid for health insurance for themselves and their families. The deduction is limited to the taxpayer's net income earned from the trade or business for which the plan was established. This deduction can be taken regardless of whether the taxpayer itemizes their deductions.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201, 17203, 17273 which generally conform to Internal Revenue Code Section 162

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 559,652 returns, representing 903,214 taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision generally conforms to federal law.

## Personal Income Tax

### Exclusion of Miscellaneous Fringe Benefits

**Description:**
Certain fringe benefits are excluded from the income of the employees who receive them. This includes free special services such as free stand-by flights provided to airline employees, employee discounts for the purchase of company products, use of company equipment such as a company car, employee achievement awards, and "de minimis" fringe benefits such as the use of a work-site gym.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which partially conforms to Internal Revenue Code Section 132

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
Prior to January 1, 2018, this provision conformed to federal law. For tax years 2018 through 2025, federal law prohibited certain types of property to qualify for a tax exclusion as an employee achievement award. This provision does not conform to that change.

## Personal Income Tax

### Exemption for Senior Citizens

**Description:**
Individuals over the age of 65 are eligible for an additional personal exemption credit.

**Statutory Authority:**
Revenue and Taxation Code Sections 17054 and 17054.1

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 3.1 million returns, representing 4.1 million taxpayers, claimed this exemption.

**Comparable Federal Benefit:**
Federal law allows taxpayers over the age of 65 to claim an additional standard deduction amount.

## Personal Income Tax

### Exclusion of Meals and Lodging Furnished by Non-Military Employers

**Description:**
The value of meals and lodging furnished by non-military employers to an employee, spouse, or dependent is excluded from the income of the employee. The meals and lodging must be provided at the employer's place of business, for the convenience of the employer, and as a precondition for employment.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 119

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Transportation-Related Fringe Benefits

**Description:**
Employees are allowed to exclude qualified compensation for employer-provided transportation benefits from income. These benefits include up to a specified amount for parking, transit passes, and ridesharing programs. The exclusion is limited to the fair market value of the benefits received.

**Statutory Authority:**
Revenue and Taxation Code Sections 17090 and 17149 which generally conform to Internal Revenue Code Section 132

**Sunset Date:**
None

**Legislative Intent:**
This exclusion was intended to encourage ridesharing and transit use.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
Prior to January 1, 2018, this provision generally conformed to federal law. After January 1, 2018, federal tax law eliminated business deductions for employer-provided transportation benefits. This provision does not conform to that change.

## Personal Income Tax

### Exclusion of Scholarship/Fellowship Income

**Description:**
Individuals may exclude from income any qualifying scholarships, fellowships, and tuition grants or reductions they receive that are used for qualified educational expenses.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 117

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Employer Contributions to Life Insurance Plans

**Description:**
An employer's contribution to an employee's group term life insurance policy is exempted from the employee's gross income for the first $50,000 of coverage.

**Statutory Authority:**
Revenue and Taxation Code Section 17081 which conforms to Internal Revenue Code Section 79

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Renters' Credit

**Description:**
Low-income individuals who rent their principal residence are eligible for a credit of $60 if they are single, or $120 if married filing jointly or a head of household. To be eligible, the taxpayer's income cannot exceed specified levels.

**Statutory Authority:**
Revenue and Taxation Code Section 17053.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 2 million returns claimed this credit.

**Comparable Federal Benefit:**
None

## Personal Income Tax

### Exclusion of Employee Child Care Benefits

**Description:**
Employees may exclude the amount of child and dependent care benefits received through an employer-sponsored payroll deduction program. The exclusion is the lesser of $5,000 per year, the amount of the taxpayer's earned income, or the amount of the taxpayer's spouse's earned income.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 129

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Compensation for Injuries or Sickness

**Description:**
Taxpayers may exclude from income the compensation received from workers' compensation, accident insurance, state disability insurance, and health insurance for injuries or illness. This also includes compensatory damages awarded in court settlements for injury or sickness, but not punitive damages. Also, employer reimbursement for expenses incurred for the care of an employee, or an employee's spouse or dependents, is excluded from tax.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 104

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Student Loan Interest Deduction

**Description:**
Taxpayers may deduct interest paid on qualified education loans up to a maximum amount. This deduction is phased-out for taxpayers above a specified income level. In federal law, beginning in 2013, the AGI level at which the phase-out begins will be reduced. As California conforms to federal law, the state AGI phase-out levels will decline as well.

**Statutory Authority:**
Revenue and Taxation Code Section 17204 which conforms to Internal Revenue Code Section 221

**Sunset Date:**
None

**Legislative Intent:**
The intent of this provision was to make the expenses of higher education more affordable.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 1 million tax returns representing 1.4 million taxpayers claimed this deduction.

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Employer-Provided Educational Assistance

**Description:**
Individuals may exclude from income up to $5,250 of qualified educational assistance contributions made by their employer.

**Statutory Authority:**
Revenue and Taxation Code Section 17151 which partially conforms to Internal Revenue Code Section 127

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision generally conforms to federal law.

## Personal Income Tax

### Exclusion of Nonresident Military Pay

**Description:**
The military compensation of a person who is not domiciled or taxable in California, but attributable to a resident spouse because of community property laws is exempt from tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 17140.5

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to ease administration and provide tax relief to military personnel.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 62,227 returns claimed this credit.

**Comparable Federal Benefit:**
This issue is only relevant to state taxation.

## Personal Income Tax

### Exclusion of Income Earned on Section 529 (Scholarshare) Plans

**Description:**
Individuals may exclude earnings of Section 529 educational savings accounts (such as California's Scholarshare program) from income, provided that, upon withdrawal, the money from the accounts is used for qualified educational expenses.

**Statutory Authority:**
Revenue and Taxation Code Section 17140 which conforms to Internal Revenue Code Section 529

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to encourage taxpayers to invest for future higher education expenses to make the attainment of higher education possible for the greatest number of citizens of California.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision partially conforms to federal law. For tax years 2018 through 2025, federal law allows education expenses to include elementary school and secondary school tuition.

## Personal Income Tax

### Exclusion of State Lottery Winnings

**Description:**
Winnings from the California State Lottery are exempt from tax.

**Statutory Authority:**
Government Code Section 8880.68

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 17,031 returns claimed this exclusion, which represented 24,707 taxpayers.

**Comparable Federal Benefit:**
None

## Personal Income Tax

### Exclusion of Housing for Clergy

**Description:**
The rental value of a minister's dwelling is exempt from tax. Also, state-employed members of the clergy may allocate up to 50 percent of their gross salary to either the rental value of a home furnished to them or to the rental allowance paid to them to rent a home.

**Statutory Authority:**
Revenue and Taxation Code Sections 17131 and 17131.6 which partially conforms to Internal Revenue Code Section 107

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision partially conforms to federal law.

## Personal Income Tax

### Exclusion of Foster Care Payments

**Description:**
Payments received from state and local governments, as well as tax-exempt foster care placement agencies, as reimbursements for the costs of caring for a foster child are excluded from income. In addition, supplemental “difficulty of care” payments to compensate the foster parents for the care of a foster child with a physical, mental, or emotional handicap are excluded from income. The foster child must live in the taxpayer's home for the exclusion to apply.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 131

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Waiver Personal Care Service Providers’ Wages

**Description:**
Wages received by Waiver Personal Care Service providers who live in the same home with the recipient of those services are excluded from gross income for tax purposes.

**Statutory Authority:**
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 131

**Sunset Date:**
None

**Legislative Intent:**
None

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns**
Not available

**Comparable Federal Benefit:**
Conforms with federal law

## Personal Income Tax

### Child and Dependent Care Credit

**Description:**
A refundable credit is allowed for a portion of qualifying child or dependent care expenses paid for the purpose of allowing the taxpayer to be gainfully employed. The credit is a percentage of a parallel federal credit. The percentage decreases as income increases and is eliminated for taxpayers with AGI greater than $100,000. Chapter 14, Statutes of 2011 (SB 86) repealed the refundable portion of the Child and Dependent Care credit, effective January 1, 2011.

**Statutory Authority:**
Revenue and Taxation Code Section 17052.6 which generally conforms to Internal Revenue Code Section 21

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 154,847 returns representing 221,998 taxpayers claimed this credit.

**Comparable Federal Benefit:**
This provision generally conforms to federal law; however, under federal law this credit does not have an income limit.

## Personal Income Tax

### Limited Partnerships Investment Source Rules

**Description:**
The dividends, interest, or gains and losses from qualified investment securities of members of limited partnerships are exempted from taxation if the members reside outside California, and their only contact with this state is through a security dealer, broker, or an investment advisor located in this state.

**Statutory Authority:**
Revenue and Taxation Code Section 17955

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This issue is only relevant to state taxation.

## Personal Income Tax

### Moving Expense Deduction

**Description:**
An above-the-line deduction is allowed for certain unreimbursed moving expenses that are required to start a new job. The deduction is limited to the cost of transportation of household goods and personal effects, and travel (including lodging, but not meals) to the new residence.

**Statutory Authority:**
Revenue and Taxation Code Sections 17072 and 17076 which conform to Internal Revenue Code Section 217

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For 2018, 150,939 tax returns, representing 144,872 taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision conforms to federal law prior to January 1, 2018. For tax years 2018 through 2025, federal tax law no longer allows this deduction except for a member of the Armed Forces of the United States on active duty who moves pursuant to a military order. This provision does not conform to that change.

## Personal Income Tax

### Agricultural Soil or Water Conservation and Prevention of Erosion Cost Expensing

**Description:**
This provision allows taxpayers to deduct qualified costs associated with soil and water conservation, and the prevention of erosion.

**Statutory Authority:**
California Code of Regulations Title 18 Section 24369(a) and generally conform to Internal Revenue Code Section 26

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Exclusion of Coverdell Education Savings Accounts Earnings

**Description:**
Individuals may exclude earnings of Coverdell educational savings accounts from income, provided that, upon withdrawal, the money from the accounts is used for qualified educational expenses.

**Statutory Authority:**
Revenue and Taxation Code Section 23712 which conforms to Internal Revenue Code Section 530

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to encourage taxpayers to invest for future higher education expenses to make the attainment of higher education possible for the greatest number of citizens of California.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Personal Income Tax

### Casualty Losses Deduction

**Description:**
Taxpayers may deduct from gross income qualified casualty losses for which they were not compensated by insurance or other means. Casualty losses are losses caused by sudden, unexpected, or unusual events, such as floods, fires, storms, earthquakes, vandalism, theft, etc. Casualty losses are limited to losses that are greater than $100 per loss and where the sum of all casualty losses during a year is greater than 10 percent of federal adjusted gross income.

**Statutory Authority:**
Revenue and Taxation Code Sections 17131, 17207, and 24347.5 which generally conform to Internal Revenue Code Section 165

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals, incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
For 2018, 1,142 tax returns, representing 1,878 taxpayers, claimed this deduction.

**Comparable Federal Benefit:**
This provision generally conforms to federal law except that it is limited to losses sustained in California.

## Personal Income Tax

### Golden State Stimulus I

**Description**
Taxpayers received a one-time $600 or $1,200 tax refund payment if on their 2020 tax return they met one of the following criteria: 1) $1,200 payment if qualified for the state EITC and filed with an ITIN; 2) $600 payment if did not qualify for the state EITC, filed with an ITIN, and had AGI of $75,000 or less; 3) $600 payment if qualified for the state EITC and filed with an SSN.

**Statutory Authority**
Welfare and Institutions Code Section 8150

**Sunset Date**
January 1, 2025

**Legislative Intent**
This provision was intended to provide financial relief to low-income Californians who may have been adversely impacted by the economic disruptions resulting from the COVID-19 emergency.

**Beneficiaries**
Individuals

**Number of Taxpayers/Number of Returns:**
For tax year 2020, 4.2 million tax returns are expected to receive a payment.

**Comparable Federal Benefit:**
Federal law provided for three rounds of direct relief payments to individuals during the COVID-19 crisis.

## Personal Income Tax

### Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program Exclusions

**Description:**
Businesses with forgiven loans under the federal PPP or advance grants under the EIDL program are able to exclude the income from taxation and deduct related expenses to avoid taxation. Public companies and businesses that cannot demonstrate a 25-percent reduction in sales in one quarter of calendar year 2020 versus a comparable quarter in 2019 are excluded from the benefit.

**Statutory Authority:**
Revenue and Taxation Code Sections 17131.8 and 24308.6

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Non-public companies with 25 percent sales reduction.

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This treatment conforms with federal law except for the exclusions of public companies and businesses that do not meet the 25-percent sales reduction threshold.

## Corporation Tax

### Water's Edge Election

**Description:**
Unitary multinational corporations are allowed the option of computing the income attributable to California on the basis of a water's-edge (domestic) combined report, as opposed to a worldwide combined report. Under the water's edge provision, a business may elect to compute its California tax by reference to only the income and factors of a limited number of entities. In general, these entities include United States incorporated entities, the United State activities of foreign incorporated entities, and the activities of various foreign entities that are included in the federal consolidated return. The election is generally for a seven-year period.

**Statutory Authority:**
Revenue and Taxation Code Sections 25110-25113

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Corporations

**Number of Taxpayers/Number of Returns:**
For 2018, 16,962 returns elected the water's edge method.

**Comparable Federal Benefit:**
Federal law uses a different method of determining income subject to tax, but it relies on the same information as the water's edge method.

## Corporation Tax

### Research and Development Credit

**Description:**
Businesses are allowed a credit for increased research expenditures over a four-year base period.

**Statutory Authority:**
Revenue and Taxation Code Sections 17052.12 and 23609 in partial conformity with Internal Revenue Code Section 41

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
For 2018, 19,585 personal income tax returns claimed this credit. In 2018, 5,426 corporate tax returns claimed this credit.

**Comparable Federal Benefit:**
This provision partially conforms to federal law.

## Enterprise Zones and Similar Areas

**Description:**
Several tax incentives are available for certain types of expenditures or income earned in economically depressed areas of the state. These include areas designated as Enterprise Zones (EZs), Local Agency Military Base Recovery Areas (LAMBRAs), Targeted Tax Areas (TTAs), and Manufacturing Enhancement Areas (MEAs).

(1) Employers in these areas may be allowed a credit for a portion of the wages paid to qualified individuals.
(2) Employers may be eligible for a credit for the amount of sales and use taxes paid on certain purchases of machinery or parts.
(3) Employees in these designated areas may be eligible for an income tax credit of five percent of their qualified wages.
(4) Taxpayers may exclude the net interest from certain investments or loans to businesses in economically distressed areas.
(5) Businesses in designated areas are allowed to expense part of the costs of business equipment beyond normal expensing limits.

**Statutory Authority:**
Chapter 12.8 of the Government Code, and Revenue and Taxation Code Sections 17053.33 17053.34, 17053.45, 17053.46, 17053.47, 17053.7, 17053.74, 17053.75, 17268, 17276.2, 23612.2, 23622.7, 23622.8, 23633, 23634, 23645, and 23646

**Sunset Date:**
January 1, 2014



## Enterprise Zones and Similar Areas (continued)

**Legislative Intent:**
These provisions were intended to help attract business and industry to the state, and more specifically to selected areas meeting various criteria, to help retain and expand existing state business and industry, and to create increased job opportunities for all Californians.

**Beneficiaries:**
Individuals and incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
In 2018, 23,804 personal income tax returns and 4,869 corporate returns claimed these tax incentives.

**Comparable Federal Benefit:**
These provisions do not conform to federal law; however, federal law does provide similar tax incentives for designated empowerment zones and renewal communities. The Tax Cuts and Jobs Act, after January 1, 2018, provides preferential tax treatment to investments in opportunity zones.

**Repeal of Enterprise Zones Provisions:**
Chapter 69, Statutes of 2013, repealed provisions allowing for Enterprise Zones and similar development areas, effective January 1, 2014. The Enterprise Zone (and similar areas) program has been replaced, for taxable years beginning on or after January 1, 2014. The new economic development program includes a hiring credit in high poverty areas, a sales tax exemption for manufacturing equipment, and a credit awarded on a competitive basis to

**Enterprise Zones and Similar Areas (continued)**

businesses that attract or retain jobs in the state.

## Corporation Tax

### Subchapter S Corporations

**Description:**
Corporations that meet specified criteria are allowed to elect Subchapter S corporation status for tax purposes. An S corporation pays tax on corporate income at a reduced rate of 1.5 percent, except for financial institutions, which are subject to a 3.5 percent rate. An S corporation is not subject to the Alternative Minimum Tax but is subject to the applicable corporate minimum tax. Individual shareholders of an S corporation pay personal income taxes on their pro rata share of corporate income.

**Statutory Authority:**
Revenue and Taxation Code Sections 17087.5, 18006, and 23800-23813 which partially conform to Internal Revenue Code Sections 1361-1379

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available.

**Comparable Federal Benefit:**
This provision generally conforms to federal law; however, no entity-level tax is imposed at the federal level.

## Corporation Tax

### Employee Stock Ownership Plans (ESOP)

**Description:**
Employers that provide employee stock ownership plans are allowed a deduction for dividends paid to an ESOP, when those dividends are paid by the ESOP to participants or are used to retire ESOP debt. Also, capital gains on the sale of stock to an ESOP are deferred if the proceeds are used to acquire a similar type of security.

**Statutory Authority:**
Revenue and Taxation Code Sections 18042 and 24601-24612 which generally conform to Internal Revenue Code Sections 401-424 and 1042

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to broaden employee ownership of California businesses, as well as prevent undue recordkeeping burdens and costs of compliance by being out of conformity with federal law.

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Corporation Tax

### Tax-Exempt Status for Qualifying Nonprofit an Charitable Corporations

**Description:**
Qualifying nonprofit and charitable organizations may request exemption from corporate franchise and income taxes.

**Statutory Authority:**
Revenue and Taxation Code Section 23701

**Sunset Date:**
None

**Legislative Intent:**
Provide tax relief to nonprofit, charitable, and qualified membership organizations.

**Beneficiaries:**
Nonprofit Corporations

**Number of Taxpayers/Number of Returns:**
In 2018, 192,145 returns claimed this exemption.

**Comparable Federal Benefit:**
None

## Accelerated Depreciation of Research and Experimental Costs

**Description:**
Research and experimental expenditures may be deducted currently, or may be amortized over a 60-month period at the election of the taxpayer.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201 and 24365 which conform to Internal Revenue Code Sections 59 and 174

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
Prior to the enactment of the Tax Cuts and Jobs Act in late 2017, this provision conformed to federal law. Beginning in tax year 2022, federal law will newly require research and experimental expenditures to be amortized over 60 months, or, for specified research and experimental costs attributable to research outside of the United States, 15 years. This provision does not conform to that change.



## Credit Union Treatment

**Description:**
Credit unions are exempt from state income and franchise taxes. Since credit unions are nonprofit, membership organizations, only their member income is generally exempt from tax. This provision also exempts their "nonmember" income (such as investment income on excess deposits or miscellaneous sources of income, such as ATM fees charged to nonmembers) from taxation.

**Statutory Authority:**
Revenue and Taxation Code Section 23153

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Non-profit cooperative associations

**Number of Taxpayers/Number of Returns:**
Not available.

**Comparable Federal Benefit:**
None

## Corporation Tax

### Cable Companies Proposition 39 Exclusion

**Description:**
Under Proposition 39, cable companies with $250 or higher in business expenditures are allowed to lower their tax liability by excluding 50 percent of their California sales from the numerator of their California apportionment formula.

**Statutory Authority:**
Revenue and Taxation Code Section 25136.1

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Cable companies

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
None.

## Corporation Tax

### Exemption from the Minimum Tax for First-Year Corporations and Exemption from the Annual Tax for First-Year Limited Liability Companies (LLCs), Limited Partnerships (LPs), and Limited Liability Partnerships (LLPs)

**Description:**
A minimum tax of $800 is generally imposed on corporations subject to the corporation franchise tax. However, corporations in their first year of business are generally not subject to the minimum tax. LLCs LLPs, and LPs are generally subject to an $800 annual tax. However, these entities are exempt from the tax for their first year for tax years 2020, 2021, and 2022.

**Statutory Authority:**
Revenue and Taxation Code Section 23153

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Corporations

**Number of Taxpayers/Number of Returns:**
In 2018, 109,013 returns claimed this exemption.

**Comparable Federal Benefit:**
None

**Corporation Tax**

**California Competes Credit**

**Description:**
An income tax credit is competitively awarded based on several factors, including the number of jobs in California, compensation paid to its employees, the amount of investment in California, and the business' economic impact. The maximum credit that can be allocated is $30 million in 2013-14, $150 million in 2014-15, $200 million annually in 2015-16 through 2017-18, $180 million annually in 2018-19 through 2020-21, $290 million in 2021-22, and $180 million in 2022-23. These maximum amounts may be reduced to ensure that the total estimated amounts of the sales tax exemption on manufacturing equipment, the New Employment credit, and this credit do not exceed $750 million per year.

**Statutory Authority:**
Revenue and Taxation Code Sections 17059.2 and 23689

**Sunset Date:**
December 1, 2030

**Legislative Intent:**
To attract and retain high-value employers in the state by allowing businesses to publicly apply for tax credits on the basis of job creation and retention standards.

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 650 personal income tax returns and 213 corporation tax returns claimed this credit.

**Comparable Federal Benefit:**
This is a state-only benefit.

**Corporation Tax**

**Film Credit**

**Description:**
Provides a nonrefundable corporation franchise tax, personal income tax, or sales tax credit to qualified taxpayers who produce a motion picture in California or relocate a television series or independent film to California. The credits are allocated and certified by the California Film Commission. The annual allocation of credits is $100 million per year through 2014-15 and $330 million per year for 2015-16 through 2024-25.

**Statutory Authority:**
Revenue and Taxation Code Sections 17053.85, 17053.95, 17053.98, 23685, 23695, 23698, 6902.5

**Sunset Date:**
2024-25 is the final year in statute that credit allocations can be made. Any credit amounts that cannot be used in the year generated can be carried forward for 9 to 12 years.

**Legislative Intent:**
Not specified.

**Beneficiaries:**
Corporations and Individuals

**Number of Taxpayers/Number of Returns:**
In 2018, 17 corporate returns and 10 personal income tax returns claimed these tax credits.

**Comparable Federal Benefit:**
None

## Corporation Tax

### Low-Income Housing Credit

**Description:**
A tax credit is allowed for a portion of the costs of investing in qualified low-income rental housing. The aggregate amount of the credit is capped, and specific credits are allocated to applicants by the California Tax Credit Allocation Committee. Credits are allocated to developers who, in turn, sell them to investors in exchange for project funding. All projects receiving the California credit must also receive the parallel federal credit. Chapter 159, Statutes of 2019 expanded the program by $500 million for 2020 and ongoing annually pursuant to an authorization in the Budget Act.

**Statutory Authority:**
Revenue and Taxation Code Sections 17058 and 23610.5 in conformity with Internal Revenue Code Section 42

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals, unincorporated and incorporated businesses

**Number of Taxpayers/Number of Returns:**
For the 2018 tax year, 243 personal income tax returns and 40 corporation tax returns claimed this credit.

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Corporation Tax

### Expensing of Timber Growing Costs

**Description:**
Costs incurred with acquiring timber are ordinarily capital expenditures. Taxpayers can elect to deduct up to $10,000 in qualifying reforestation costs for each timber property. Any remaining costs can be amortized over an 84-month period.

**Statutory Authority:**
Revenue and Taxation Code Sections 17201, 17278.5, 17681, 24343, 24373.2, and 24831 which conform to Internal Revenue Code Sections 162, 194, and 611

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Corporation Tax

### Percentage Depletion of Mineral and Other Natural Resources

**Description:**
Taxpayers may deduct a fixed percentage of gross income for resource depletion, which is generally more than the deduction that would be allowed under the normal cost-depletion method. The percentage depends upon the type of resource, and the depletion allowance cannot be more than 50 percent of the taxpayer's related net income prior to the depletion deduction, or more than 100 percent for oil and gas properties.

**Statutory Authority:**
Revenue and Taxation Code Sections 17681 and 24831 which conform to Internal Revenue Code Sections 611, 612, 613, and 613A

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Corporation Tax

### Intangible Drilling Cost Expensing

**Description:**
Costs incurred during the drilling and preparation of new gas and oil wells are ordinarily capital expenditures. Tangible costs are usually deducted using depreciation or depletion. Under this provision 70 percent of intangible drilling costs, such as survey work, ground clearing, drainage, and repairs, can be deducted as a current business expense immediately, with the remainder spread over five years, as opposed to normal tax law that requires these expenses to be deducted over the same period of time as profits are made.

**Statutory Authority:**
Revenue and Taxation Code Section 24423

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Corporations

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Corporation Tax

### Reforestation

**Description:**
Under this program, taxpayers can amortize over seven years up to $10,000 per year of qualifying reforestation expenditures. These expenditures include the direct costs of forestation and reforestation, such as site preparation, seeds, labor and equipment.

**Statutory Authority:**
Revenue and Taxation Code Section 17278.5 and 24372.5, which conforms to Internal Revenue Code Section 194

**Sunset Date:**
None

**Legislative Intent:**
The program's intent is to speed up the reforestation of depleted timberlands.

**Beneficiaries:**
Individuals and incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This treatment conforms to federal practice, except that the benefit is limited to reforestation activities located in California.

## Corporation Tax

### New Advanced Strategic Aircraft Hiring Credit

**Description:**
Qualified aerospace companies are allowed a credit equal to 17.5 percent of wages paid to qualified employees during a taxable year with annual caps over 15 years ranging from $25 to $31 million.

**Statutory Authority:**
Revenue and Taxation Code Sections 23636 and 23689

**Sunset Date:**
December 1, 2030

**Legislative Intent:**
Not specified

**Beneficiaries:**
Corporations

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
None.

## Sales and Use Taxes

### Food Products

**Description:**
Sales of food for human consumption are not generally subject to the sales and use taxes. However, this exemption does not generally include hot prepared food, food sold and consumed at or on the seller's facility, or food sold for consumption where there is an admission charge.

**Statutory Authority:**
Revenue and Taxation Code Section 6359

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Gas, Electricity, and Water

**Description:**
Gas, electricity, and water delivered through mains, lines, or pipes are exempt from tax. Water sold in bulk quantities of 50 gallons or more and liquefied petroleum gas delivered for use in a residence is also exempt.

**Statutory Authority:**
Revenue and Taxation Code Section 6353

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Prescription Medicine

**Description:**
Medicine that is prescribed for an individual and furnished by a registered pharmacist is exempt from tax. This exemption also includes such things as orthotic and prosthetic devices and parts.

**Statutory Authority:**
Revenue and Taxation Code Sections 6369 and 6369.1

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Candy, Confectionery, Snack Foods, and Bottled Water

**Description:**
Candy, gum, confectionery, snack foods, and bottled water are not subject to the sales and use taxes.

**Statutory Authority:**
Revenue and Taxation Code Section 6359

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, and Medicines

**Description:**
Sales of animals which are generally used for human food, as well as the feed and drugs used for those animals is exempt from tax. Also, seeds and plants that are normally used for human food and fertilizer for those plants are exempt from tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6358

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Manufacturing and Research & Development Equipment Exemption

**Description:**
Beginning July 1, 2014, manufacturers and certain research and development businesses may qualify for a partial exemption of sales and use tax on qualifying manufacturing and research and development equipment purchases and leases. Beginning January 1, 2018, this exemption is expanded to specified electric power and agricultural activities.

**Statutory Authority:**
Revenue and Taxation Code Section 6377.1

**Sunset Date:**
July 1, 2030

**Legislative Intent:**
To make California more competitive in attracting new businesses to the state, and to bring California in line with the 48 other states that exempt manufacturing equipment from sales and use tax.

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
In 2020-21, 21,829 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Farm Equipment and Machinery

**Description:**
Sales of farm equipment, machinery, and their parts are exempt from the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when sold to qualified persons engaged in the business of producing and harvesting agricultural products.

**Statutory Authority:**
Revenue and Taxation Code 6356.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
In 2020-21, 11,009 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Fuel Sold to Common Carriers

**Description:**
Sales of fuel and petroleum products to air common carriers for international flights are exempt from tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6357.5

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to allow domestic fuel producers to compete equally with foreign producers, who are exempt under federal law from state sales taxes on airline fuel used in international travel.

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Meals Furnished by Institutions

**Description:**
Meals furnished by institutions such as schools, health facilities, and residential care facilities for the elderly, drug treatment facilities, community care facilities, and alcohol recovery facilities are not subject to tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 6363 and 6363.6

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

Sales and Use Taxes

## Rental of Linen Supplies

**Description:**
Linen supplies and similar articles furnished as part of a recurring service of laundering or cleaning such linen supplies and similar articles are exempt from sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 6408

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses and individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Custom Computer Programs

**Description:**
The transfer of custom computer programs, other than a basic operational program, and separate charges for custom modifications to existing prewritten programs are excluded from the definition of "sale." Therefore, these computer programs are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code 6010.9

**Sunset Date:**
None

**Legislative Intent:**
This provision was intended to provide an incentive for the development and utilization of computer software.

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### California Alternative Energy

**Description:**
Authorizes the California Alternative Energy and Advanced Transportation Financing Authority to approve a sales and use tax exemption on the purchase of tangible personal property that is used for the design, manufacture, production, or assembly of advanced transportation technologies or alternative energy products.

In 2012, this program was expanded to allow the sales tax exemption for tangible personal property used in advanced manufacturing projects. In 2016, the sales tax exemption was expanded to projects that process and use recycled feedstock.

**Statutory Authority:**
Public Resources Code Section 26003

**Sunset Date:**
The entire sales and use tax exclusion program will sunset on January 1, 2026.

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Subscription Periodicals

**Description:**
Sales of periodicals that appear at stated intervals of at least 4 times per year but not more than 60 times per year, and their ingredient and component parts are exempt from the sales and use taxes when the periodical is sold by subscription and delivered by mail or common carrier.

**Statutory Authority:**
Revenue and Taxation Code Section 6362.7

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Water Common Carriers

**Description:**
The sale of fuel and petroleum products is exempt from sales and use tax when sold to a water common carrier for immediate shipment outside this state.

**Statutory Authority:**
Revenue and Taxation Code Section 6385

**Sunset Date:**
January 1, 2024

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Diesel Fuel Used in Farming and Processing

**Description:**
Sales of diesel fuel are not subject to the 5percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when that fuel is consumed during the activities of a farming or food processing business. Farming business includes transporting farm products to the marketplace.

**Statutory Authority:**
Revenue and Taxation Code 6357.1

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
In 2020-21, 570 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Children’s Diapers

**Description:**
Diapers designed, manufactured, processed, fabricated, or packaged for use by infants and children are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code 6363.9

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Printed Advertising

**Description:**
Sales of printed material which is substantially advertisements for good and services are exempt from tax if the material is (1) printed to the special order of the purchaser, (2) mailed or delivered by the seller, the seller's agent, or a mailing house, and (3) delivered to another person at no cost to that person.

**Statutory Authority:**
Revenue and Taxation Code 6379.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Oxygen Delivery Systems

**Description:**
Medical oxygen delivery systems, including, but not limited to, liquid oxygen containers, high pressure cylinders, and regulators, when sold, leased, or rented to an individual as directed by a physician, are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6369.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals.

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Tele-production and Post-Production Equipment

**Description:**
Sales of tele-production and post production equipment to businesses primarily engaged in tele-production and post production activities are not subject to the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when that property is used 50 percent or more in those activities.

**Statutory Authority:**
Revenue and Taxation Code Section 6378

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
In 2020-21, 947 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax

Sales and Use Taxes

## Menstrual Products

**Description:**
Menstrual hygiene products including tampons, menstrual cups, menstrual sponges, and sanitary napkins are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code 6363.10

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Main Street Small Business Hiring Credit I

**Description:**
Hiring credit against income taxes or sales and use taxes of $1,000 for each net increase in full-time equivalent employees over specified periods and available to qualified businesses with less than 100 employees and that suffered a 50-percent decline in gross receipts when comparing second quarter 2020 versus second quarter 2019.

**Statutory Authority:**
Revenue and Taxation Code Sections 6902.7, 6902.8, and 6902.9

**Sunset Date:**
None

**Legislative Intent:**
Provide financial relief for the economic disruptions resulting from COVID-19 that have resulted in unprecedented job losses.

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
In 2020-21, 3,168 returns claimed this exemption.

**Comparable Federal Benefit:**
Federal law provided a similar Employee Retention Credit that was a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees from March 12, 2020 to December 31, 2020.

Sales and Use Taxes

## Leases of Motion Picture and Television Films and Tapes

**Description:**
Leases of motion pictures, animated motion pictures, and television films and tapes are not considered sales. The lessor is considered the consumer of such tangible personal property it leases.

**Statutory Authority:**
Revenue and Taxation Code Sections 6006 and 6010

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Motion Picture Production Services

**Description:**
Transfers of any qualified motion picture or any interest or rights therein prior to the date that the qualified motion picture is exhibited or broadcast to its general audience and the performance of qualified motion picture production services are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6010.6

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Local governments, individuals, and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Professional Health Services

**Description:**
A licensed healthcare professional is generally the consumer and not the retailer of property furnished in the performance of healthcare services, and therefore any tangible goods used while providing services are taxed when purchased by the doctor rather than when administered to the patient.

**Statutory Authority:**
Revenue and Taxation Code Sections 6018, 6018.4, 6018.5, 6018.7 and 6020

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Blood Storage Units

**Description:**
Containers used to collect or store human blood, plasma, blood products, or blood derivatives, including any disposable tubing, filters, grommets, and needles sold along with the bags and held in a blood bank for medical purposes, are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 6364.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Veterinarians

**Description:**
Drugs or medicines that are administered by licensed veterinarians to animal life as an additive to feed or drinking water or in the regular course of business, and the primary purpose of those drugs or medicines is the prevention and control of disease, are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 6018.1, 6358, and 6358.4

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Wheelchairs, Crutches, Canes, and Walkers

**Description:**
Wheelchairs, crutches, canes, quad canes, white canes used by the legally blind, and walkers, and replacement parts for these devices, when sold to an individual for personal use as directed by a physician are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6369.2

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals.

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Sales and Use Taxes

### Nonprofit Youth Organizations

**Description:**
Food products, nonalcoholic beverages, or other tangible personal property made or produced by members of the organization provided and sold on an intermittent basis, and that the profits from those sales are used exclusively in furtherance of the purposes of the organization, are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6361

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Nonprofit organizations

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

### Sales and Use Taxes

## Worthless Accounts

**Description:**
Retailer accounts found worthless and which are charged off for income tax purposes are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Sections 6055 and 6203.5

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses.

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

### Sales and Use Taxes

## Fuel from Organic Products and Waste Byproducts

**Description:**
Organic products grown for fuel purposes and waste byproducts from agricultural or forest products, municipal refuse, or manufacturing operations which are used as fuel in an industrial facility in lieu of traditional fuel sources are not subject to sales and use tax.

**Statutory Authority:**
Revenue and Taxation Code Section 6358.1

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
There is no federal sales tax

## Fuel Taxes

### Aircraft Jet Fuel Used by Common Carriers and Military

**Description:**
Air common carriers engaged in the business of transporting persons or property for compensation under certification of public necessity by the state, national, or any foreign government, persons engaged in the business of constructing or reconstructing aircraft, and the United States armed forces are exempt from the tax on aircraft jet fuel.

**Statutory Authority:**
Revenue and Taxation Code Section 7389

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses and U.S. government

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
This provision conforms to federal law.

## Fuel Taxes

### Fuel Used by Transit Districts and Schools

**Description:**
Diesel fuel purchased by certain public transit agencies, school districts, and common carriers is taxed at a reduced rate of 1 cent per gallon.

**Statutory Authority:**
Revenue and Taxation Code Sections 8655, 60039, and 60502.2

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Government agencies and businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
Federal law exempts these sales.

## Property Tax

### Computer Programs

**Description:**
Computer programs other than basic operational programs which are necessary for the fundamental functioning of the computer are exempt from tax. The storage media for the programs are, however, taxable.

**Statutory Authority:**
Revenue and Taxation Code 995

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
None

## Property Tax

### Fixtures Excluded From the Supplemental Roll

**Description:**
Fixtures that are valued as a separate appraisal unit from the structure on the property are exempt from supplemental property tax assessment. Fixtures are personal property such as equipment that are affixed to and incorporated into real property.

**Statutory Authority:**
Revenue and Taxation Code Section 75.5 and 75.15

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Businesses

**Number of Taxpayers/Number of Returns:**
Not available

**Comparable Federal Benefit:**
None

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