Tax
EXPENDITURE REPORT
2023-24
Contents
Introduction .............................................................................................................................................6
Definitions ...........................................................................................................................................7
Why Adopt Tax Expenditures........................................................................................................ 8
Revenue Estimates ...................................................................................................................... 8
Revenue Estimate for EITC ........................................................................................................... 10
State Revenue Losses ................................................................................................................ 10
Personal Income Tax ................................................................................................................ 10
Sales and Use Tax ....................................................................................................................... 10
Corporation Tax ........................................................................................................................ 11
Other Taxes ....................................................................................................................................11
Local Revenue Losses ................................................................................................................. 11
Unknown Revenue Loss Areas .................................................................................................. 11
Legislative Intent ......................................................................................................................... 11
Other Tax Expenditure Reports .................................................................................................. 11
Personal Income Tax ....................................................................................................................21
Employer Pension Contributions Exclusion ............................................................................ 21
Employer Contributions to Health Plans Exclusion ................................................................. 22
Social Security Benefits Exclusion ............................................................................................. 23
Basis Step-Up on Inherited Property ......................................................................................... 24
Capital Gains on Sale of a Principal Residence Exclusion ...................................................... 25
Charitable Contribution Deduction ............................................................................................ 26
Home Mortgage Interest Deduction ........................................................................................... 27
Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program Exclusions ................................................................................................................................. 28
Real Estate, Personal Property, and Other Taxes Deduction ..................................................... 29
Benefits Provided Under Cafeteria Plans Exclusion ................................................................ 31
Dependent Exemption in Excess of Personal Exemption Credit ................................................. 32
Head of Household and Qualifying Widow(er) Filing Status ...................................................... 33
Contributions to Individual Retirement Accounts Deduction .................................................... 34
Employee Business and Miscellaneous Expenses Deduction .................................................... 35
Like-Kind Exchanges ................................................................................................................... 36
Earned Income Tax Credit (EITC) ................................................................................................. 37
Unemployment Insurance Benefits Exclusion ............................................................................. 39
Investment Income on Life Insurance and Annuity Contracts Exclusion .................................. 40
Self-Employed Retirement Plans Deduction .............................................................................. 41
Medical and Dental Expenses Deduction .................................................................................. 42
Department of Finance 2023-24 Tax Expenditure Report

Miscellaneous Fringe Benefits Exclusion ................................................................. 43
Senior Citizens Exemption Credit ........................................................................ 44
Self-Employed Health Insurance Premium Deduction .............................................. 45
Young Child Tax Credit ......................................................................................... 46
Meals and Lodging Furnished by Non-Military Employers Exclusion .................... 47
Transportation-Related Fringe Benefits Exclusion .................................................. 48
Scholarship/Fellowship Income Exclusion ............................................................... 49
Employer Contributions to Life Insurance Plans Exclusion .................................... 50
Renters' Credit ........................................................................................................ 51
Income Earned on Section 529 (Scholarshare) Plans Exclusion .................................. 52
Employee Child Care Benefits Exclusion ............................................................... 53
Compensation for Injuries or Sickness Exclusion .................................................... 54
State Lottery Winnings Exclusion ...................................................................... 55
Restaurant Revitalization Fund Grant Exclusion ................................................... 56
Nonresident Military Pay Exclusion ..................................................................... 57
Employer-Provided Educational Assistance Exclusion ........................................... 58
Income for In-Home Supportive Services or Waiver Personal Care Services Providers' Wages Exclusion ................................................................. 59
Shuttered Venue Operator Grant Exclusion ............................................................. 60
Housing for Clergy Exclusion ............................................................................. 61
Student Loan Interest Deduction ....................................................................... 62
Limited Partnerships Investment Source Rules ..................................................... 63
Foster Care Payments Exclusion ....................................................................... 64
Child and Dependent Care Credit ................................................................... 65
Moving Expense Deduction .............................................................................. 66
Coverdell Education Savings Accounts Earnings Exclusion .................................. 67
New Employment Credit .................................................................................... 68
Reforestation .......................................................................................................... 69
Agricultural Soil or Water Conservation and Prevention of Erosion Cost Expensing ...... 70
Foster Youth Earned Income Tax Credit ............................................................... 71
Homeless Hiring Credit ....................................................................................... 72
Cannabis High-Road Business Tax Credit ............................................................. 73
Corporation Tax ..................................................................................................... 74
Water's Edge Election .......................................................................................... 74
Research and Development Credit .................................................................. 75
Enterprise Zones and Similar Areas Tax Incentives ............................................ 77
Tax-Exempt Status for Qualifying Nonprofit and Charitable Corporations ............. 79
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>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)</td>
<td>80</td>
</tr>
<tr>
<td>Credit Union Treatment</td>
<td>81</td>
</tr>
<tr>
<td>Accelerated Depreciation of Research and Experimental Costs</td>
<td>82</td>
</tr>
<tr>
<td>Employee Stock Ownership Plans (ESOP)</td>
<td>83</td>
</tr>
<tr>
<td>Low-Income Housing Credit</td>
<td>84</td>
</tr>
<tr>
<td>Cable Companies Proposition 39 Exclusion</td>
<td>85</td>
</tr>
<tr>
<td>California Competes Credit</td>
<td>86</td>
</tr>
<tr>
<td>Film and Television Tax Credit</td>
<td>88</td>
</tr>
<tr>
<td>Expensing of Timber Growing Costs</td>
<td>89</td>
</tr>
<tr>
<td>Percentage Depletion of Mineral and Other Natural Resources</td>
<td>90</td>
</tr>
<tr>
<td>Intangible Drilling Cost Expensing</td>
<td>91</td>
</tr>
<tr>
<td>State Historic Tax Credit</td>
<td>92</td>
</tr>
<tr>
<td>New Advanced Strategic Aircraft Hiring Credit</td>
<td>93</td>
</tr>
<tr>
<td>Sales and Use Taxes</td>
<td>94</td>
</tr>
<tr>
<td>Food Products Exemption</td>
<td>94</td>
</tr>
<tr>
<td>Gas, Electricity, and Water Exemption</td>
<td>95</td>
</tr>
<tr>
<td>Prescription Medicine Exemption</td>
<td>96</td>
</tr>
<tr>
<td>Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, and Medicines Exemption</td>
<td>97</td>
</tr>
<tr>
<td>Candy, Confectionery, Snack Foods, and Bottled Water Exemption</td>
<td>98</td>
</tr>
<tr>
<td>Manufacturing and Research &amp; Development Equipment Exemption</td>
<td>99</td>
</tr>
<tr>
<td>Fuel Sold to Common Carriers Exemption</td>
<td>101</td>
</tr>
<tr>
<td>Meals Furnished by Institutions Exemption</td>
<td>102</td>
</tr>
<tr>
<td>Linen Supplies Rentals Exemption</td>
<td>103</td>
</tr>
<tr>
<td>Custom Computer Programs Exemption</td>
<td>104</td>
</tr>
<tr>
<td>California Alternative Energy Exclusion</td>
<td>105</td>
</tr>
<tr>
<td>Subscription Periodicals Exemption</td>
<td>106</td>
</tr>
<tr>
<td>Children’s Diapers Exemption</td>
<td>107</td>
</tr>
<tr>
<td>Diesel Fuel Used in Farming and Processing Exemption</td>
<td>108</td>
</tr>
<tr>
<td>Printed Advertising Exemption</td>
<td>109</td>
</tr>
<tr>
<td>Menstrual Products Exemption</td>
<td>110</td>
</tr>
<tr>
<td>Oxygen Delivery Systems Exemption</td>
<td>111</td>
</tr>
<tr>
<td>Tele-production and Post-Production Equipment Exemption</td>
<td>112</td>
</tr>
<tr>
<td>Main Street Small Business Hiring Credit II</td>
<td>113</td>
</tr>
<tr>
<td>Fuel Sold to Water Common Carriers Exemption</td>
<td>114</td>
</tr>
<tr>
<td>One-Year Diesel Fuel Sales Tax Exemption</td>
<td>115</td>
</tr>
<tr>
<td>Motion Picture Production Services Exemption</td>
<td>116</td>
</tr>
</tbody>
</table>
Leases of Motion Picture and Television Films and Tapes Exemption............................117
Professional Health Services Exemption...........................................................................118
Blood Storage Units Exemption........................................................................................119
Medicine Administered by Veterinarians Exemption.....................................................120
Wheelchairs, Crutches, Canes, and Walkers Exemption ................................................121
Nonprofit Youth Organizations Exemption.......................................................................122
Worthless Accounts Exemption ........................................................................................123
Fuel from Organic Products and Waste Byproducts Exemption....................................124
Fuel Taxes.............................................................................................................................................125
Aircraft Jet Fuel Used by Common Carriers and Military Exemption.............................125
Fuel Used by Transit Districts and Schools Exemption ......................................................126
Property Tax.........................................................................................................................................126
Computer Programs Exemption.......................................................................................127
Fixtures Excluded From the Supplemental Roll Exemption ........................................128
Introduction

The Department of Finance (Finance) is required to provide a tax expenditure report to the Legislature annually. 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, and Chapter 55, Statutes of 2023, require the report to include each of the following:

- A comprehensive list of tax expenditures with an annual cost 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, and the cost to the state resulting from these personal income tax expenditures categorized by taxpayers’ income levels, for which data is readily available.
- 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 Finance.

This report fulfills Finance’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, 2023.

This report, beginning with the 2023-24 report, includes tables for certain personal income and corporate income tax expenditures categorized by taxpayers’ income level for which data is readily available.

- All tables are for resident taxpayers only and exclude nonresident returns.
- For personal income tax and corporation tax credit tables, the column showing the amount of credit allowed represents the estimated reduction in tax liability for taxpayers within a particular adjusted gross income (AGI) range since each dollar of credit allowed reduces tax liability by a corresponding dollar.
- For tables related to personal income tax deductions and exclusions, the tax impact column represents the estimated reduction in tax liability for taxpayers within a particular AGI range. For tax exclusions and deductions, the tax impact is estimated by calculating how the changes in income due to the claiming of the deduction or exclusion, as reflected in the amount of deductions or exclusions claimed column, will result in changes in tax liability depending on tax rates, use of other deductions and exclusions, and credit usage among taxpayers in a given AGI range.
- The tables are only included for tax expenditures that are readily identifiable on the tax return. Many tax exclusions, for example, do not have accompanying tables because the excluded income is not reported on the tax return.
Definitions

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 presents a framework for discussion as to what is not a tax expenditure.

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 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 in taxable income, while the second would report $200, even though each had $200 net income over the two years.

- 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. 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 seven annual reports, does not include apportionment rules as a tax expenditure. 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.

- This report, beginning with the 2023-24 report, does not include Subchapter S Corporations as a tax expenditure on the basis that Subchapter S Corporations are taxed as pass-through entities and this taxation is basic to the tax law because it
mirrors how S Corporations are taxed in other states. The fact that California applies an additional 1.5-percent tax on S Corporations at the entity level is viewed as an additional tax rather than a tax expenditure. Tax expenditure reports prior to 2023-24 instead calculated the difference between the standard 8.84-percent corporation tax rate and the 1.5-percent S Corporation tax rate as the amount of the tax expenditure.

- The Pass-Through Entity Elective Tax (PTET) is not listed as a tax expenditure. While the PTET is taken as a personal income tax credit, it is fully offset by an elective tax paid by business entities, and therefore does not decrease state revenues.

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 prepared by other state agencies and vice versa.

Unless otherwise specified as refundable, all credits discussed in this report are nonrefundable.

**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 generally 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, however, it can also result in tax expenditures remaining in the tax code when their cost outweighs their social benefits. Secondly, 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.1 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 direct expenditures can be repealed with a simple majority vote.

**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

---

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.
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 and can vary considerably depending on the methodology used. 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 and the lag in the availability of the tax data. For example, the personal income and corporate income tax estimates in this report released in November 2023 are based on data from tax year 2020.

Due to the effects of tax law interactions and taxpayers’ behavioral 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. As another example 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.

With the exception of the deduction for charitable contributions, the research and development tax credit, like-kind exchanges, and amounts received under life insurance contracts exclusion, which are reflected in both tables due to significant impacts on both taxes 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.

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 three tax expenditure reports. The estimates in this year’s report use actual tax return data through 2020, the third year 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 no state exclusion, either. Behavioral impacts from tax law changes are difficult to predict and increase uncertainty as to California’s estimated revenue losses from its tax expenditures.

The 2019-20 Budget Act 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 Act 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, while amendments to the 2021-22 Budget removed the limitation for 2022. The revenue estimates in this report attempt to reflect the impact of this temporary limitation for 2020 and 2021, which is expected to change the timing of credit usage but not necessarily materially impact the total amount of credits used.

Revenue Estimate for EITC

The California Office of Tax Appeals, in a pending precedential opinion, held that a taxpayer could consider In-Home Supportive Services (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 tax expenditures’ actual fiscal impact to the state. Nonetheless, totals are presented here to facilitate comparison to prior reports.

Personal Income Tax

The personal income tax is a tax levied on the wages, salaries, dividends, interest, and other income of an individual. 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 2023-24 Personal Income Tax General Fund revenues by $66 billion.

Sales and Use Tax

The sales and use tax is a tax imposed on the retail sale or the use of tangible personal property in the state by an individual, business, or other entity. The Sales and Use Tax Law contains separately identifiable state General Fund tax expenditures worth nearly $13.8 billion in 2023-24. Examples of these tax expenditures include sales tax exemptions for food; prescription medicines; gas, electricity, and water delivered through mains; farm equipment; fuel sold to common carriers, and the temporary one-year pause on General Fund taxation of diesel fuel.
Corporation Tax

The corporation tax is a tax imposed on the profits of a corporation. Fiscal year 2023-24 General Fund tax expenditures in the corporation category amount to about $7.6 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 as well as 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, however 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 formula.

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

Unknown Revenue Loss Areas

Certain tax expenditures under Sales and Use Tax and Other Taxes have unknown revenue losses due to a lack of data and difficulty in estimating the extent of their usage. Generally, these types of tax expenditures that have no estimated revenue loss are relatively small and do not result in significant revenue losses.

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

A copy of this report can be obtained by emailing the Franchise Tax Board at FTBopendata@ftb.ca.gov.

The Franchise Tax Board released the latest version of their report, California Competes Tax Credit Report, in March 2023. The report contains data on the amount of California Competes Tax Credits claimed for tax year 2021.

The Franchise Tax Board released the latest version of their report, California Earned Income and Young Child Tax Credit Report, in June 2022. The report contains data for tax year 2020 on the number and dollar amount of EITC claims, as well as the characteristics of claimants and an estimate of the number of families lifted out of deep poverty.

The Franchise Tax Board released its report, Minimum Tax and Annual Tax Exemption for Deployed Military, in December 2022. The report contains data on the numbers of returns filed for tax year 2021 that qualified for the exemption and the number of those businesses that closed during that year.

The Franchise Tax Board released the latest version of their report, New Employment Credit Report, in March 2023. The report contains data on the number and dollar amount of credits claimed, and identifies options for increasing claims in future years.

The Franchise Tax Board released the latest version of their report, Donated Fresh Fruits and Vegetables Credit Report, in December 2022. The report contains data on the number of returns claiming the credit and the amount of those credits, as well as the value of the fruit and vegetables donated, through tax year 2021.

The California Department of Tax and Fee Administration released the latest version of its Publication 61 Sales and Use Taxes: Exemptions and Exclusions in December 2022. The report contains a summary of all exemptions and exclusions under the sales and use tax law as of publication and provides an estimate of foregone revenue.

The Legislative Analyst’s Office released a report, the Annual Report on Tax Exemptions for Medicinal Cannabis, in June 2023, which contains data related to the amount of medicinal cannabis products donated, number of medicinal cannabis patients served, and amount of tax revenue foregone in 2022 as a result of Chapter 837 of 2019 (SB 34).

The California Film Commission released a report, the Film and Television Tax Credit Program: Progress Report, in November 2022. The report includes an assessment of the tax credit program and data from fiscal year 2021-22 related to production expenditures, television series that relocated to California, and productions that unsuccessfully applied for tax credits and did filming out of state.

The California Tax Credit Allocation Committee released a report, the 2022 Annual Report to the Legislature. The report covers federal and state low-income housing tax credits, including the number of credits allocated and the number of housing units those credits will help develop.

The California Alternative Energy and Advanced Transportation Financing Authority released a report, the 2022 Annual Report to the California State Legislature, in March 2023. Among other topics, the report provided information on the Sales and Use Tax Exclusion Program for Manufacturers, including data on applications and awards from the program’s inception through 2022.
This page is intentionally left blank.
### Major Identifiable Tax Expenditures of $5 Million or More

(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer pension contributions exclusion</td>
<td>$13,000</td>
<td>$15,000</td>
<td>$17,000</td>
<td>$20,000</td>
<td>$22,000</td>
<td></td>
</tr>
<tr>
<td>Employer contributions to health plans exclusion</td>
<td>8,500</td>
<td>9,000</td>
<td>9,000</td>
<td>9,500</td>
<td>9,500</td>
<td></td>
</tr>
<tr>
<td>Social security benefits exclusion</td>
<td>4,700</td>
<td>5,000</td>
<td>5,500</td>
<td>5,500</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Basis step-up on inherited property</td>
<td>4,200</td>
<td>4,800</td>
<td>4,900</td>
<td>5,000</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Capital gains on sale of principal residence exclusion</td>
<td>3,900</td>
<td>3,900</td>
<td>3,800</td>
<td>3,900</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Charitable contributions deduction</td>
<td>3,600</td>
<td>3,800</td>
<td>4,000</td>
<td>4,100</td>
<td>4,300</td>
<td></td>
</tr>
<tr>
<td>Home mortgage interest deduction</td>
<td>3,500</td>
<td>3,600</td>
<td>3,500</td>
<td>3,400</td>
<td>3,300</td>
<td></td>
</tr>
<tr>
<td>Paycheck Protection Program Exclusion</td>
<td>3,060</td>
<td>1,660</td>
<td>1,015</td>
<td>524</td>
<td>247</td>
<td></td>
</tr>
<tr>
<td>Real estate, personal property and other tax deduction</td>
<td>2,420</td>
<td>2,530</td>
<td>2,630</td>
<td>2,740</td>
<td>2,840</td>
<td></td>
</tr>
<tr>
<td>Benefits provided under cafeteria plans exclusion</td>
<td>2,200</td>
<td>2,300</td>
<td>2,400</td>
<td>2,500</td>
<td>2,400</td>
<td></td>
</tr>
<tr>
<td>Dependent exemption in excess of personal exemption credit</td>
<td>1,400</td>
<td>1,500</td>
<td>1,600</td>
<td>1,700</td>
<td>1,800</td>
<td></td>
</tr>
<tr>
<td>Head-of-household and qualifying widow(er) filing status</td>
<td>1,400</td>
<td>1,500</td>
<td>1,600</td>
<td>1,600</td>
<td>1,700</td>
<td></td>
</tr>
<tr>
<td>Contributions to Individual Retirement Accounts deduction</td>
<td>1,200</td>
<td>1,200</td>
<td>1,300</td>
<td>1,400</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Employee business and miscellaneous expenses deduction</td>
<td>950</td>
<td>1,000</td>
<td>1,100</td>
<td>1,100</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>Like-kind exchanges</td>
<td>900</td>
<td>900</td>
<td>900</td>
<td>950</td>
<td>950</td>
<td></td>
</tr>
<tr>
<td>Earned Income Tax Credit</td>
<td>700</td>
<td>850</td>
<td>900</td>
<td>950</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Unemployment insurance benefits exclusion</td>
<td>700</td>
<td>200</td>
<td>220</td>
<td>230</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Amounts received under life insurance contracts exclusion</td>
<td>650</td>
<td>650</td>
<td>700</td>
<td>750</td>
<td>750</td>
<td></td>
</tr>
<tr>
<td>Contributions to self-employed retirement plans deduction</td>
<td>550</td>
<td>600</td>
<td>600</td>
<td>650</td>
<td>650</td>
<td></td>
</tr>
<tr>
<td>Medical and dental expenses deduction</td>
<td>440</td>
<td>440</td>
<td>450</td>
<td>460</td>
<td>470</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous fringe benefits exclusion</td>
<td>420</td>
<td>450</td>
<td>470</td>
<td>490</td>
<td>480</td>
<td></td>
</tr>
<tr>
<td>Senior citizens exemption</td>
<td>400</td>
<td>430</td>
<td>460</td>
<td>480</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Health insurance paid by self-employed deduction</td>
<td>380</td>
<td>400</td>
<td>420</td>
<td>440</td>
<td>460</td>
<td></td>
</tr>
<tr>
<td>Young Child Tax Credit</td>
<td>340</td>
<td>400</td>
<td>410</td>
<td>450</td>
<td>480</td>
<td></td>
</tr>
<tr>
<td>Meals and lodgings furnished by non-military employers exclusion</td>
<td>310</td>
<td>310</td>
<td>320</td>
<td>330</td>
<td>330</td>
<td></td>
</tr>
<tr>
<td>Transportation-related fringe benefits exclusion</td>
<td>310</td>
<td>350</td>
<td>360</td>
<td>380</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Research and development credit</td>
<td>220</td>
<td>230</td>
<td>240</td>
<td>250</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>Scholarship/fellowship income exclusion</td>
<td>200</td>
<td>210</td>
<td>220</td>
<td>230</td>
<td>220</td>
<td></td>
</tr>
<tr>
<td>Employer contributions to life insurance plans exclusion</td>
<td>170</td>
<td>180</td>
<td>190</td>
<td>210</td>
<td>210</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Provision</th>
<th>State General Fund Revenue Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021-22</td>
</tr>
<tr>
<td>Renters’ credit</td>
<td>140</td>
</tr>
<tr>
<td>Income earned on Section 529 (Scholarshare) plans exclusion</td>
<td>110</td>
</tr>
<tr>
<td>Employee child care benefits exclusion</td>
<td>100</td>
</tr>
<tr>
<td>Compensation for injuries or sickness exclusion</td>
<td>90</td>
</tr>
<tr>
<td>State lottery winnings exclusion</td>
<td>85</td>
</tr>
<tr>
<td>Restaurant Revitalization Grant Exclusion⁠²</td>
<td>85</td>
</tr>
<tr>
<td>Nonresident military pay exclusion</td>
<td>75</td>
</tr>
<tr>
<td>Employer-provided educational assistance exclusion</td>
<td>60</td>
</tr>
<tr>
<td>Income for In-Home Supportive Services exclusion</td>
<td>60</td>
</tr>
<tr>
<td>Shuttered Venue Operator Grant Exclusion⁠²</td>
<td>45</td>
</tr>
<tr>
<td>Housing for clergy exclusion</td>
<td>38</td>
</tr>
<tr>
<td>Student loan interest deduction</td>
<td>31</td>
</tr>
<tr>
<td>Limited partnerships investment source rules</td>
<td>26</td>
</tr>
<tr>
<td>Foster care payment exclusion</td>
<td>21</td>
</tr>
<tr>
<td>Child and dependent care credit</td>
<td>19</td>
</tr>
<tr>
<td>Moving expense deduction</td>
<td>11</td>
</tr>
<tr>
<td>Coverdell education savings accounts earnings exclusion</td>
<td>8</td>
</tr>
<tr>
<td>New Employment Credit⁠²</td>
<td>5</td>
</tr>
<tr>
<td>Reforestation⁠³</td>
<td>5</td>
</tr>
<tr>
<td>Agricultural soil or water conservation and prevention of erosion cost expensing⁠³</td>
<td>5</td>
</tr>
<tr>
<td>Main Street Small Business Hiring Credit II⁠²</td>
<td>2</td>
</tr>
<tr>
<td>Foster Youth Earned Income Tax Credit</td>
<td>0</td>
</tr>
<tr>
<td>Homeless Hiring Credit</td>
<td>0</td>
</tr>
<tr>
<td>Cannabis High-Road Business Tax Credit</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$61,741</td>
</tr>
</tbody>
</table>

¹Some 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.

²This item includes corporate tax amounts.

³This item includes corporate tax amounts, but the corporate tax is minor.
## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Water’s edge election</td>
<td>$3,900</td>
<td>$3,600</td>
<td>$3,700</td>
<td>$4,000</td>
<td>$4,300</td>
<td></td>
</tr>
<tr>
<td>Research and development credit</td>
<td>2,000</td>
<td>2,700</td>
<td>2,700</td>
<td>2,900</td>
<td>3,100</td>
<td></td>
</tr>
<tr>
<td>Charitable contributions deduction</td>
<td>220</td>
<td>210</td>
<td>210</td>
<td>230</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Enterprise Zone and Similar Areas(^2)</td>
<td>160</td>
<td>170</td>
<td>140</td>
<td>85</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Tax-exempt status for qualifying nonprofit and charitable corporations</td>
<td>160</td>
<td>170</td>
<td>170</td>
<td>170</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>First Year Minimum Tax Exemption</td>
<td>160</td>
<td>180</td>
<td>140</td>
<td>95</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Credit union treatment</td>
<td>140</td>
<td>160</td>
<td>170</td>
<td>180</td>
<td>190</td>
<td></td>
</tr>
<tr>
<td>Accelerated depreciation of research and experimental costs(^1)</td>
<td>110</td>
<td>100</td>
<td>95</td>
<td>90</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Employee stock ownership plans</td>
<td>100</td>
<td>110</td>
<td>120</td>
<td>130</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>Low-income housing credit(^1)</td>
<td>90</td>
<td>170</td>
<td>250</td>
<td>340</td>
<td>390</td>
<td></td>
</tr>
<tr>
<td>Exclusion of amounts received under life insurance contracts</td>
<td>60</td>
<td>75</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>Cable Companies Proposition 39 Exclusion</td>
<td>60</td>
<td>55</td>
<td>55</td>
<td>60</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Like-kind exchanges</td>
<td>50</td>
<td>8</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>California Competes Credit</td>
<td>50</td>
<td>60</td>
<td>55</td>
<td>55</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Film and Television Tax Credit(^1)</td>
<td>49</td>
<td>95</td>
<td>150</td>
<td>200</td>
<td>240</td>
<td></td>
</tr>
<tr>
<td>Expensing of timber growing costs(^1)</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Percentage depletion of mineral and other natural resources(^1)</td>
<td>8</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Intangible Drilling Cost Expensing(^1)</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>State Historic Tax Credit</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>New Advanced Strategic Aircraft Hiring Credit</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

**Corporate Tax Total** | $7,716 | $8,391 | $8,589 | $9,163 | $9,759 |

\(^1\)This item includes personal income tax amounts.

\(^2\)This item includes personal income tax amounts, but the personal income tax is minor.

*Numbers not displayed due to taxpayer confidentiality.
## Major Identifiable Tax Expenditures of $5 Million or More

(Dollars in Millions)

<table>
<thead>
<tr>
<th>Provision</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
<th>2024-25</th>
<th>2025-26</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales and Use Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food Products Exemption</td>
<td>$4,506</td>
<td>$5,278</td>
<td>$4,642</td>
<td>$5,411</td>
<td>$4,854</td>
</tr>
<tr>
<td>Gas, Electricity, and Water Exemption</td>
<td>3,143</td>
<td>3,343</td>
<td>3,468</td>
<td>4,104</td>
<td>4,170</td>
</tr>
<tr>
<td>Prescription Medicine Exemption</td>
<td>2,391</td>
<td>2,800</td>
<td>2,542</td>
<td>3,167</td>
<td>3,568</td>
</tr>
<tr>
<td>Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, Medicines Exemption</td>
<td>664</td>
<td>778</td>
<td>901</td>
<td>815</td>
<td>919</td>
</tr>
<tr>
<td>Candy, Confectionery, Snack Foods, and Bottled Water Exemption</td>
<td>577</td>
<td>676</td>
<td>590</td>
<td>687</td>
<td>724</td>
</tr>
<tr>
<td>Manufacturing and Research &amp; Development Equipment Exemption²</td>
<td>405</td>
<td>0</td>
<td>438</td>
<td>419</td>
<td>455</td>
</tr>
<tr>
<td>Farm Equipment and Machinery³</td>
<td>251</td>
<td>68</td>
<td>265</td>
<td>73</td>
<td>269</td>
</tr>
<tr>
<td>Fuel Sold to Common Carriers Exemption</td>
<td>226</td>
<td>265</td>
<td>136</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Meals Furnished by Institutions Exemption</td>
<td>117</td>
<td>137</td>
<td>126</td>
<td>148</td>
<td>155</td>
</tr>
<tr>
<td>Film and Television Tax Credit (Sales Tax Portion Only)³</td>
<td>90</td>
<td>24</td>
<td>90</td>
<td>24</td>
<td>90</td>
</tr>
<tr>
<td>Linen Supplies Rentals Exemption</td>
<td>78</td>
<td>91</td>
<td>95</td>
<td>111</td>
<td>103</td>
</tr>
<tr>
<td>Custom Computer Programs Exemption</td>
<td>71</td>
<td>84</td>
<td>84</td>
<td>98</td>
<td>89</td>
</tr>
<tr>
<td>California Alternative Energy Exclusion</td>
<td>41</td>
<td>48</td>
<td>45</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>Subscription Periodicals Exemption</td>
<td>53</td>
<td>62</td>
<td>67</td>
<td>79</td>
<td>66</td>
</tr>
<tr>
<td>Children’s Diapers Exemption</td>
<td>34</td>
<td>40</td>
<td>36</td>
<td>43</td>
<td>70</td>
</tr>
<tr>
<td>Diesel Fuel Used in Farming and Processing³</td>
<td>27</td>
<td>7</td>
<td>38</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Printed Advertising Exemption</td>
<td>15</td>
<td>18</td>
<td>16</td>
<td>19</td>
<td>16</td>
</tr>
</tbody>
</table>

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

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 Exempted rates include the 0.25 percent General Fund rate and the 4.75 percent General Fund Rate, 1.0625 percentage points of which are directed to the Local Revenue Fund 2011.
### Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Menstrual Products Exemptions</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Main Street Hiring Credit II</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Oxygen Delivery Systems Exemption</td>
<td>12</td>
<td>14</td>
<td>14</td>
<td>16</td>
<td>13</td>
<td>16</td>
<td>13</td>
<td>15</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>Tele-production and Post-Production Equipment Exemption&lt;sup&gt;3&lt;/sup&gt;</td>
<td>10</td>
<td>3</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Fuel Sold to Water Common Carriers Exemption</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>One-Year Diesel Fuel Sales Tax Pause Exemption</td>
<td>0</td>
<td>0</td>
<td>273</td>
<td>0</td>
<td>112</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Motion Picture Production Services Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Leases of Motion Picture and Television Films and Tapes Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional Health Services Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Blood Storage Units Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Medicine Administered by Veterinarians Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wheelchairs, Clutches, Canes, and Walkers Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Nonprofit Youth Organizations Exemption&lt;sup&gt;3&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Worthless Accounts Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fuel From Organic Products and Waste By-Products Exemption&lt;sup&gt;4&lt;/sup&gt;</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$12,739</td>
<td>$13,753</td>
<td>$13,752</td>
<td>$14,950</td>
<td>$13,808</td>
<td>$15,223</td>
<td>$14,109</td>
<td>$15,683</td>
<td>$14,528</td>
<td>$16,155</td>
</tr>
</tbody>
</table>

<sup>1</sup> Rate includes the 2011 Realignment 1.0625 percent, 1991 Local Revenue Fund 0.50 percent, Local Public Safety Fund 0.50 percent, Local Bradley Burns 1.25 percent, and the average county add-on of 1.3 percent.

<sup>3</sup> Exempted rates include the 0.25 percent General Fund rate and the 4.75 percent General Fund Rate, 1.0625 percentage points of which are directed to the Local Revenue Fund 2011.

<sup>4</sup> Unknown losses.
## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Fuel Taxes</th>
<th>State Special Fund Revenue Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provision</td>
</tr>
<tr>
<td>Aircraft jet fuel used by common carriers and military</td>
<td>$26</td>
</tr>
<tr>
<td>Fuel used by transit districts and schools</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$43</strong></td>
</tr>
</tbody>
</table>
## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

<table>
<thead>
<tr>
<th>Property Tax</th>
<th>Local Revenue Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021-22</td>
</tr>
<tr>
<td>Computer Programs¹</td>
<td>-</td>
</tr>
<tr>
<td>Fixtures excluded on the supplemental roll²</td>
<td>-</td>
</tr>
</tbody>
</table>

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

Employer Pension Contributions Exclusion

**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.
Employer Contributions to Health Plans Exclusion

**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.
Social Security Benefits Exclusion

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 2020, 2.2 million tax returns, representing 3.4 million taxpayers, claimed this exclusion.

Tax Exclusion Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Exclusion (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Exclusion Claimed (Millions)</th>
<th>Tax Impact of Exclusion (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>86</td>
<td>118</td>
<td>$512</td>
<td>$0.5</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>172</td>
<td>233</td>
<td>$739</td>
<td>$2.6</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>743</td>
<td>1,082</td>
<td>$8,744</td>
<td>$256</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>607</td>
<td>980</td>
<td>$12,962</td>
<td>$770</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>370</td>
<td>647</td>
<td>$8,604</td>
<td>$748</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>183</td>
<td>325</td>
<td>$5,189</td>
<td>$513</td>
</tr>
<tr>
<td>Total</td>
<td>2,162</td>
<td>3,385</td>
<td>$36,748</td>
<td>$2,290</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
Under federal law, these benefits are partially taxed.
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.
Capital Gains on Sale of a Principal Residence Exclusion

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

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 2020 tax year, 5.3 million personal income tax returns representing 8.2 million taxpayers, claimed this deduction. This deduction was also claimed on 154,836 corporation tax returns.

Personal Income Tax Deduction Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed by (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>227</td>
<td>282</td>
<td>$305</td>
<td>$0.8</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>240</td>
<td>298</td>
<td>$388</td>
<td>$0.1</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>845</td>
<td>1,123</td>
<td>$1,811</td>
<td>$20</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>1,382</td>
<td>2,009</td>
<td>$3,934</td>
<td>$194</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>1,474</td>
<td>2,482</td>
<td>$5,921</td>
<td>$529</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>1,115</td>
<td>2,031</td>
<td>$25,105</td>
<td>$2,455</td>
</tr>
<tr>
<td>Total</td>
<td>5,283</td>
<td>8,226</td>
<td>$37,465</td>
<td>$3,200</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
This provision generally conforms to federal law, except that due to the Tax Cuts and Jobs Act, for tax years 2018 through tax year 2025, California does not conform to the federal increase in limitations for certain charitable contributions.
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 residence and one other residence up to $1 million on mortgages and an additional $100,000 on equity debt.

**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 2020 tax year, 4.5 million returns representing 7.5 million taxpayers claimed this deduction.

**Tax Deduction Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed by (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>190</td>
<td>275</td>
<td>$1,862</td>
<td>$0.7</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>146</td>
<td>206</td>
<td>$1,238</td>
<td>$0.3</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>589</td>
<td>859</td>
<td>$5,138</td>
<td>$55</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>1,202</td>
<td>1,828</td>
<td>$12,027</td>
<td>$566</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>1,396</td>
<td>2,428</td>
<td>$17,404</td>
<td>$1,453</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>1,027</td>
<td>1,905</td>
<td>$18,923</td>
<td>$1,482</td>
</tr>
<tr>
<td>Total</td>
<td>4,549</td>
<td>7,501</td>
<td>$56,592</td>
<td>$3,557</td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
This provision partially conforms to federal law. For tax years 2018 through 2025, the federal mortgage deduction is limited to $750,000 for mortgages acquired after 2017, and equity debt is only deductible if used to substantially improve the property that secures the loan.
Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program Exclusions

Description:
Eligible businesses with forgiven loans under the federal PPP or advance grants under the EIDL program can exclude these grants from their taxable income and deduct related expenses. 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 a minimum 25-percent sales reduction year-over-year in one quarter of calendar year 2020.

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.
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 like 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 2020 tax year, 5.2 million returns representing 8.6 million taxpayers claimed the real property tax deduction and 4.5 million returns representing 7 million taxpayers claimed the personal property and other tax deduction.

**Tax Deduction Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>243</td>
<td>347</td>
<td>$1,445</td>
<td>$1.5</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>193</td>
<td>268</td>
<td>$832</td>
<td>$0.2</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>742</td>
<td>1,076</td>
<td>$3,252</td>
<td>$32</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>1,370</td>
<td>2,088</td>
<td>$7,143</td>
<td>$277</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>1,537</td>
<td>2,661</td>
<td>$9,678</td>
<td>$778</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>1,145</td>
<td>2,114</td>
<td>$15,426</td>
<td>$1,048</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,231</strong></td>
<td><strong>8,554</strong></td>
<td><strong>$37,776</strong></td>
<td><strong>$2,137</strong></td>
</tr>
</tbody>
</table>
### Personal Income Tax

#### Personal Property, and Other Taxes Deduction

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>255</td>
<td>326</td>
<td>$122</td>
<td>$0.03</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>184</td>
<td>235</td>
<td>$80</td>
<td>$0.03</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>688</td>
<td>933</td>
<td>$424</td>
<td>$4</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>1,188</td>
<td>1,749</td>
<td>$842</td>
<td>$29</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>1,287</td>
<td>2,204</td>
<td>$919</td>
<td>$54</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>863</td>
<td>1,597</td>
<td>$650</td>
<td>$29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,466</strong></td>
<td><strong>7,045</strong></td>
<td><strong>$3,037</strong></td>
<td><strong>$116</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**

This provision conformed to federal law prior to January 1, 2018. For tax years 2018 through 2025, federal law changed and 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.
Benefits Provided Under Cafeteria Plans Exclusion

**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 different indexing implemented under the Tax Cuts and Jobs Act.
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 2020, 6 million tax returns representing 9.1 million taxpayers claimed this credit.

Tax Credit Usage Details for Tax Year 2020:
Not available

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. The American Rescue Plan Act temporarily, for tax year 2021 only, increased the child tax credit from $2,000 to $3,600 for qualifying children 5 and under, from $2,000 to $3,000 for other qualifying children, and increased the age limit from 16 to 17 years of age.
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 2020 tax year, 2.4 million returns representing 2.4 million taxpayers used the head of household or qualifying widow(er) filing status.

**Filing Status Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Claiming Status (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Tax Impact of Status (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>320</td>
<td>320</td>
<td>$0.0</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>340</td>
<td>340</td>
<td>$0.1</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>927</td>
<td>927</td>
<td>$139</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>562</td>
<td>562</td>
<td>$706</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>171</td>
<td>171</td>
<td>$295</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>49</td>
<td>49</td>
<td>$151</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,370</strong></td>
<td><strong>2,370</strong></td>
<td><strong>$1,291</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
This provision is in partial conformity with federal law.
Contributions to Individual Retirement Accounts Deduction

_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

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 2020 tax year, 1.5 million returns representing 2.2 million taxpayers claimed this deduction.

**Tax Deduction Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed by (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>155</td>
<td>193</td>
<td>$1,086</td>
<td>$2</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>82</td>
<td>100</td>
<td>$260</td>
<td>$0.6</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>223</td>
<td>278</td>
<td>$1,322</td>
<td>$19</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>407</td>
<td>558</td>
<td>$2,834</td>
<td>$122</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>404</td>
<td>668</td>
<td>$3,333</td>
<td>$236</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>209</td>
<td>373</td>
<td>$6,959</td>
<td>$433</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,480</strong></td>
<td><strong>2,169</strong></td>
<td><strong>$15,794</strong></td>
<td><strong>$813</strong></td>
</tr>
</tbody>
</table>

**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.
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

Earned Income Tax Credit (EITC)

**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 of age 18 to 24 and over 65. In 2019, the 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 2023, 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

**Legislative Intent:**
To expand the credit to benefit a broader section of working poor Californians.

**Beneficiaries:**
Individuals

**Number of Taxpayers/Number of Returns:**
For the 2020 tax year, 4.1 million tax returns representing 4.6 million taxpayers were allowed the credit.
**Personal Income Tax**

**Tax Credit Usage Details for Tax Year 2020**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Thousands)</th>
<th>Taxpayers Allowed Credit (Thousands)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to 0</td>
<td>70</td>
<td>83</td>
<td>$18</td>
</tr>
<tr>
<td>$1 - $5,000</td>
<td>782</td>
<td>849</td>
<td>$172</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td>817</td>
<td>896</td>
<td>$289</td>
</tr>
<tr>
<td>$10,001 - $15,000</td>
<td>736</td>
<td>816</td>
<td>$185</td>
</tr>
<tr>
<td>$15,001 - $20,000</td>
<td>633</td>
<td>708</td>
<td>$100</td>
</tr>
<tr>
<td>$20,001 - $25,000</td>
<td>576</td>
<td>650</td>
<td>$57</td>
</tr>
<tr>
<td>$25,001 - $30,000</td>
<td>522</td>
<td>588</td>
<td>$19</td>
</tr>
<tr>
<td>Greater than $30,000</td>
<td>10</td>
<td>13</td>
<td>$1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,146</strong></td>
<td><strong>4,603</strong></td>
<td><strong>$842</strong></td>
</tr>
</tbody>
</table>

**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.
Unemployment Insurance Benefits Exclusion

**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 2020, 4.9 million returns representing 6.6 million taxpayers claimed this exclusion.

**Tax Exclusion Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Exclusion (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Exclusion Claimed (Millions)</th>
<th>Tax Impact of Exclusion (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>1,484</td>
<td>1,668</td>
<td>$26,674</td>
<td>$136</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>827</td>
<td>957</td>
<td>$13,422</td>
<td>$193</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>1,234</td>
<td>1,594</td>
<td>$17,011</td>
<td>$467</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>737</td>
<td>1,216</td>
<td>$10,071</td>
<td>$556</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>438</td>
<td>808</td>
<td>$5,657</td>
<td>$487</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>167</td>
<td>321</td>
<td>$2,195</td>
<td>$210</td>
</tr>
<tr>
<td>Total</td>
<td>4,887</td>
<td>6,564</td>
<td>$75,031</td>
<td>$2,049</td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
No comparable federal benefit, except the American Rescue Act of 2021 allowed an exclusion of $10,200 from federal AGI for single filers, and $20,400 for joint filers for the 2020 tax year only.
Investment Income on Life Insurance and Annuity Contracts Exclusion

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

Self-Employed Retirement Plans Deduction

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 2020 tax year, 155,592 tax returns representing 267,142 taxpayers claimed this deduction.

Tax Deduction Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>2</td>
<td>3</td>
<td>13</td>
<td>0.1</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>2</td>
<td>2</td>
<td>14</td>
<td>0.3</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>9</td>
<td>12</td>
<td>84</td>
<td>3</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>19</td>
<td>28</td>
<td>267</td>
<td>20</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>38</td>
<td>64</td>
<td>725</td>
<td>71</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>86</td>
<td>159</td>
<td>3,537</td>
<td>413</td>
</tr>
<tr>
<td>Total</td>
<td>156</td>
<td>267</td>
<td>$4,639</td>
<td>$508</td>
</tr>
</tbody>
</table>

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 2020 tax year, 1.5 million returns representing 2.2 million taxpayers claimed this deduction.

Tax Deduction Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed by (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>304</td>
<td>405</td>
<td>$1,835</td>
<td>$0.5</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>221</td>
<td>290</td>
<td>$1,285</td>
<td>$0.2</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>420</td>
<td>616</td>
<td>$3,140</td>
<td>$25</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>343</td>
<td>529</td>
<td>$3,685</td>
<td>$131</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>178</td>
<td>306</td>
<td>$2,692</td>
<td>$182</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>43</td>
<td>77</td>
<td>$1,362</td>
<td>$89</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,508</strong></td>
<td><strong>2,222</strong></td>
<td><strong>$14,000</strong></td>
<td><strong>$428</strong></td>
</tr>
</tbody>
</table>

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

**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 worksite 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

**Senior Citizens Exemption Credit**

**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 2020 tax year, 3.4 million returns representing 4.6 million taxpayers were allowed this credit.

**Tax Credit Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Credit (Thousands)</th>
<th>Taxpayers Allowed Credit (Thousands)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>515</td>
<td>687</td>
<td>$48</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>317</td>
<td>422</td>
<td>$29</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>691</td>
<td>973</td>
<td>$66</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>832</td>
<td>1,240</td>
<td>$83</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>670</td>
<td>1,148</td>
<td>$75</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>370</td>
<td>662</td>
<td>$42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,395</strong></td>
<td><strong>5,131</strong></td>
<td><strong>$344</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
Federal law does not allow a credit but instead allows taxpayers over the age of 65 to claim an additional standard deduction amount.
Self-Employed Health Insurance Premium Deduction

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 2020, 496,967 returns representing 803,691 taxpayers claimed this deduction.

Tax Deduction Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>46</td>
<td>64</td>
<td>$202</td>
<td>$0.1</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>32</td>
<td>42</td>
<td>$118</td>
<td>$0.4</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>85</td>
<td>125</td>
<td>$410</td>
<td>$7</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>101</td>
<td>162</td>
<td>$650</td>
<td>$36</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>98</td>
<td>167</td>
<td>$895</td>
<td>$81</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>136</td>
<td>244</td>
<td>$2,036</td>
<td>$224</td>
</tr>
<tr>
<td>Total</td>
<td>497</td>
<td>804</td>
<td>$4,311</td>
<td>$349</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
This provision generally conforms to federal law.
Young Child Tax Credit

Description:
Beginning in tax year 2019, a new $1,000-refundable credit, referred to as the Young Child Tax Credit (YCTC), is provided to any family that qualifies for the EITC and has a child under age 6. Beginning in tax year 2022, the YCTC is indexed to inflation and taxpayers with zero earned income or negative earned income may claim the credit. Earned income consists of wages, salaries, tips, and other employee compensation that is subject to California withholding, or net income from self-employment.

Statutory Authority:
Revenue and Taxation Code Section 17052.1

Sunset Date:
None

Legislative Intent:
Not specified

Beneficiaries:
Individuals

Number of Taxpayers/Number of Returns:
For the 2020 tax year, 416,980 tax returns representing 494,988 taxpayers were allowed the YCTC.

Tax Credit Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Thousands)</th>
<th>Taxpayers Allowed Credit (Thousands)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than or equal to 0</td>
<td>6</td>
<td>8</td>
<td>$6</td>
</tr>
<tr>
<td>$1 - $5,000</td>
<td>57</td>
<td>66</td>
<td>$57</td>
</tr>
<tr>
<td>$5,001 - $10,000</td>
<td>77</td>
<td>88</td>
<td>$77</td>
</tr>
<tr>
<td>$10,001 - $15,000</td>
<td>80</td>
<td>94</td>
<td>$80</td>
</tr>
<tr>
<td>$15,001 - $20,000</td>
<td>71</td>
<td>85</td>
<td>$71</td>
</tr>
<tr>
<td>$20,001 - $25,000</td>
<td>64</td>
<td>79</td>
<td>$64</td>
</tr>
<tr>
<td>$25,001 - $30,000</td>
<td>59</td>
<td>74</td>
<td>$32</td>
</tr>
<tr>
<td>Greater than $30,000</td>
<td>1</td>
<td>2</td>
<td>$0.9</td>
</tr>
<tr>
<td>Total</td>
<td>417</td>
<td>495</td>
<td>$388</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
None
Meals and Lodging Furnished by Non-Military Employers Exclusion

**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.
Transportation-Related Fringe Benefits Exclusion

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. For tax years 2018 through 2025, federal tax law eliminated business deductions for employer-provided transportation benefits. This provision does not conform to that change.
Personal Income Tax

Scholarship/Fellowship Income Exclusion

**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.
Employer Contributions to Life Insurance Plans Exclusion

Description:
An employer’s contribution to an employee’s group term life insurance policy is excluded 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.
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 2020 tax year, 1.9 million returns, representing 2.3 million taxpayers were allowed this credit.

Tax Credit Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Thousands)</th>
<th>Taxpayers Allowed Credit (Thousands)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>13</td>
<td>13</td>
<td>$0.4</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>162</td>
<td>162</td>
<td>$7</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>1,232</td>
<td>1,288</td>
<td>$75</td>
</tr>
<tr>
<td>$50,000 to $69,999</td>
<td>281</td>
<td>408</td>
<td>$29</td>
</tr>
<tr>
<td>More than $69,999</td>
<td>235</td>
<td>401</td>
<td>$27</td>
</tr>
</tbody>
</table>
| Total                       | 1,923                              | 2,272                               | $139                              

Comparable Federal Benefit:
None
Income Earned on Section 529 (Scholarshare) Plans Exclusion

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.
Employee Child Care Benefits Exclusion

**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.
**Compensation for Injuries or Sickness Exclusion**

**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.
State Lottery Winnings Exclusion

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 2020 tax year, 15,819 returns representing 22,432 taxpayers claimed this exclusion.

Tax Exclusion Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Exclusion (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Exclusion Claimed (Millions)</th>
<th>Tax Impact of Exclusion (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>3</td>
<td>3</td>
<td>$89</td>
<td>$16</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>2</td>
<td>2</td>
<td>$53</td>
<td>$2</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>4</td>
<td>5</td>
<td>$84</td>
<td>$5</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>4</td>
<td>6</td>
<td>$95</td>
<td>$7</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>3</td>
<td>5</td>
<td>$74</td>
<td>$5</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>1</td>
<td>2</td>
<td>$36</td>
<td>$3</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>22</td>
<td>$431</td>
<td>$38</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
None
Restaurant Revitalization Fund Grant Exclusion

Description:
Restaurant Revitalization Fund grants are excluded from income for the purposes of state taxation. The Restaurant Revitalization Fund was a federal program which distributed grants in April and May of 2021 to restaurants financially disadvantaged by the COVID-19 Pandemic.

Statutory Authority:
Revenue and Taxation Code Sections 17158.2 and 24308.2

Sunset Date:
Not specified

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.
Personal Income Tax

Nonresident Military Pay Exclusion

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 2020 tax year, 71,957 returns claimed this exclusion.

Comparable Federal Benefit:
This issue is only relevant to state taxation.
Personal Income Tax

Employer-Provided Educational Assistance Exclusion

**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

Income for In-Home Supportive Services or Waiver Personal Care Services Providers' Wages Exclusion

Description:
Wages received by In-Home Supportive Services or Waiver Personal Care Services 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:
This provision conforms to federal law.
Shuttered Venue Operator Grant Exclusion

Description:
Shuttered Venue Operator Grants are excluded from income for the purposes of state taxation. The federal Shuttered Venue Operator Grant program distributed grants in April through August of 2021 to theaters, museums, and similar businesses financially disadvantaged by the COVID-19 Pandemic.

Statutory Authority:
Revenue and Taxation Code Sections 17158.3 and 24308.3

Sunset Date:
Not specified

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.
Housing for Clergy Exclusion

Description:
The rental value of a minister's dwelling is exempt from tax. Additionally, 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.
## Student Loan Interest Deduction

**Description:**
Taxpayers may deduct interest paid on qualified education loans up to a maximum of $2,500. This deduction is phased out based on the taxpayer’s modified adjusted gross income, adjusted annually for inflation.

**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 2020, 789,690 million tax returns representing 1.1 million taxpayers claimed this deduction.

### Tax Deduction Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>65</td>
<td>72</td>
<td>$44</td>
<td>$4</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>52</td>
<td>57</td>
<td>$36</td>
<td>$3</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>219</td>
<td>248</td>
<td>$143</td>
<td>$14</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>300</td>
<td>405</td>
<td>$209</td>
<td>$20</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>153</td>
<td>307</td>
<td>$120</td>
<td>$12</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>0.5</td>
<td>1</td>
<td>$0.4</td>
<td>$0.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>790</strong></td>
<td><strong>1,090</strong></td>
<td><strong>$553</strong></td>
<td><strong>$53</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
This provision conforms to federal law.
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 the state is through a security dealer, broker, or an investment advisor located in the 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.
Foster Care Payments Exclusion

**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.
Child and Dependent Care Credit

Description:
A 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 adjusted gross income 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 2020, 102,534 returns representing 139,329 taxpayers claimed this credit.

Credit Usage Details for Tax Year 2020

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Units)</th>
<th>Taxpayers Allowing Credit (Units)</th>
<th>Amount of Credit Allowed (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>37</td>
<td>55</td>
<td>$16</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>57</td>
<td>70</td>
<td>$11</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>10,869</td>
<td>11,028</td>
<td>$1,105</td>
</tr>
<tr>
<td>More than $50,000</td>
<td>91,571</td>
<td>128,176</td>
<td>$16,882</td>
</tr>
<tr>
<td>Total</td>
<td>102,534</td>
<td>139,329</td>
<td>$18,013</td>
</tr>
</tbody>
</table>

Comparable Federal Benefit:
This provision generally conforms to federal law; however, under federal law this credit does not have an income limit.
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 2020, 68,063 tax returns representing 90,255 taxpayers claimed this deduction.

**Tax Deduction Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Claiming Deduction (Thousands)</th>
<th>Taxpayer Count (Thousands)</th>
<th>Amount of Deduction Claimed (Millions)</th>
<th>Tax Impact of Deduction (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>14</td>
<td>19</td>
<td>$51</td>
<td>$0.03</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>7</td>
<td>8</td>
<td>$26</td>
<td>$0.2</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>19</td>
<td>23</td>
<td>$52</td>
<td>$1</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>14</td>
<td>19</td>
<td>$51</td>
<td>$3</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>9</td>
<td>13</td>
<td>$56</td>
<td>$4</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>5</td>
<td>8</td>
<td>$40</td>
<td>$3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>90</strong></td>
<td><strong>$278</strong></td>
<td><strong>$10</strong></td>
</tr>
</tbody>
</table>

**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.
Coverdell Education Savings Accounts Earnings Exclusion

**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.
New Employment Credit

**Description:**
Employers who obtain a tentative credit reservation may claim a credit worth 35 percent of a qualified full-time employee’s wages between 150 percent and 350 percent of their minimum wage. Qualification for the credit is also subject to geographic restrictions and employee characteristics. This credit was expanded for tax years 2023 through 2025 for certain companies; including semiconductor companies that have or intend to apply for CHIPS Act funding, manufacturers of electric airplanes, lithium producers, and manufacturers of lithium batteries. These companies are not subject to geographic restrictions and are allowed to calculate the credit beginning at 100 percent of qualifying wages. The credit is operative for tax years 2014 to 2025.

**Statutory Authority:**
Revenue and Taxation Code Sections 17053.73 and 23626

**Sunset Date:**
December 1, 2027

**Legislative Intent:**
Not specified

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

**Number of Taxpayers/Number of Returns:**
For 2020, 288 tax returns representing 501 taxpayers were allowed this credit.

**Tax Credit Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Units)</th>
<th>Taxpayers Allowed Credit (Units)</th>
<th>Amount of Credit Allowed (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $49,999</td>
<td>22</td>
<td>29</td>
<td>$59</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>24</td>
<td>37</td>
<td>$24</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>46</td>
<td>85</td>
<td>$74</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>196</td>
<td>350</td>
<td>$3,175</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>288</strong></td>
<td><strong>501</strong></td>
<td><strong>$3,331</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
None.
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, and labor and equipment.

Statutory Authority:
Revenue and Taxation Code Sections 17278.5 and 24372.5, which conform 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, 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.
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.
Foster Youth Earned Income Tax Credit

**Description:**
Beginning in 2022, former foster youth ages 18 through 25 who qualify for the EITC and were in foster care while age 13 or older qualify for a $1,000-refundable credit.

**Statutory Authority:**
Revenue and Taxation Code Sections 17052.2 and 19551.4

**Sunset Date:**
None

**Legislative Intent:**
Not specified

**Beneficiaries:**
Individuals

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

**Comparable Federal Benefit:**
None
Homeless Hiring Credit

**Description:**
Employers who obtain a tentative credit reservation and receive certification from a certifying organization may claim a credit of $2,500 to $10,000 per eligible employee, up to a total of $30,000 per employer per taxable year. The credit amount depends on the number of hours the eligible employee works. The credit is operative for tax years 2022 to 2026.

**Statutory Authority:**
Revenue and Taxation Code Section 23629

**Sunset Date:**
December 1, 2029

**Legislative Intent:**
Not specified

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

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

**Comparable Federal Benefit:**
None.
Cannabis High-Road Business Tax Credit

Description:
Commercial cannabis businesses that provide full-time employees with employment compensation, employer-provided group health insurance, and employer-provided retirement benefits or pension benefits are allowed annual tax credits equal to 25 percent of qualified expenditures up to $250,000 from 2023 through 2027. The credit has a cumulative cap of $20 million over the lifetime of the credit.

Statutory Authority:
Revenue and Taxation Code Sections 17053.64 and 23664

Sunset Date:
January 1, 2028

Legislative Intent:
Not specified

Beneficiaries:
Individuals, unincorporated and incorporated businesses

Number of Taxpayers/Number of Returns:
Not available

Comparable Federal Benefit:
None
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 States 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 2020, 16,847 returns elected the water's edge method.

Tax Expenditure Usage Details for Tax Year 2020:
Not available

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.
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 2020, 21,139 personal income tax returns representing 38,401 personal income taxpayers claimed this credit. In addition, 6,456 corporate tax returns were allowed this credit.

**Personal Income Tax Credit Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Units)</th>
<th>Taxpayers Allowed Credit (Units)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $10,000</td>
<td>255</td>
<td>379</td>
<td>$11</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>30</td>
<td>38</td>
<td>$0.1</td>
</tr>
<tr>
<td>$20,000 to $49,999</td>
<td>150</td>
<td>187</td>
<td>$1</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>380</td>
<td>528</td>
<td>$1</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>1,409</td>
<td>2,345</td>
<td>$5</td>
</tr>
<tr>
<td>$200,000 to $499,999</td>
<td>4,721</td>
<td>8,573</td>
<td>$29</td>
</tr>
<tr>
<td>$500,000 to $999,999</td>
<td>6,045</td>
<td>11,200</td>
<td>$39</td>
</tr>
<tr>
<td>More than $1,000,000</td>
<td>8,149</td>
<td>15,151</td>
<td>$183</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21,139</td>
<td>38,401</td>
<td><strong>$269</strong></td>
</tr>
</tbody>
</table>
Corporate Income Tax Credit Usage Details for Tax Year 2020:

**Research and Development Credit—Corporation Tax**

<table>
<thead>
<tr>
<th>Size of Gross Receipts</th>
<th>Returns Allowing Credit (Units)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Known</td>
<td>470</td>
<td>$65</td>
</tr>
<tr>
<td>Less than $1 million</td>
<td>578</td>
<td>$12</td>
</tr>
<tr>
<td>$1 million to $5 million</td>
<td>1,530</td>
<td>$16</td>
</tr>
<tr>
<td>$5 million to $25 million</td>
<td>1,937</td>
<td>$64</td>
</tr>
<tr>
<td>$25 million to $100 million</td>
<td>987</td>
<td>$69</td>
</tr>
<tr>
<td>$100 million to $1 billion</td>
<td>609</td>
<td>$168</td>
</tr>
<tr>
<td>$1 billion to $10 billion</td>
<td>319</td>
<td>$388</td>
</tr>
<tr>
<td>More than $10 billion</td>
<td>73</td>
<td>$215</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,503</strong></td>
<td><strong>$996</strong></td>
</tr>
</tbody>
</table>

**Comparable Federal Benefit:**
This provision partially conforms to federal law.
Enterprise Zones and Similar Areas Tax Incentives

**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). Employers in these areas may be allowed a credit for a portion of the wages paid to qualified individuals. Employers may be eligible for a credit for the amount of sales and use taxes paid on certain purchases of machinery or parts. Employees in these designated areas may be eligible for an income tax credit of five percent of their qualified wages. Taxpayers may exclude the net interest from certain investments or loans to businesses in economically distressed areas. 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

**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, incorporated and unincorporated businesses

**Number of Taxpayers/Number of Returns:**
In 2020, 2,736 personal income tax returns and 3,152 corporate returns were allowed these tax credits.

**Tax Credit Usage Details for Tax Year 2020:**
Not available.

**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
Corporation Tax

similar development areas, effective January 1, 2014, although credits may still be carried forward and utilized for up to 10 years. 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 businesses that attract or retain jobs in the state.
Tax-Exempt Status for Qualifying Nonprofit and 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 2020, 202,497 returns claimed this exemption.

Tax Expenditure Usage Details for Tax Year 2020:
Not available

Comparable Federal Benefit:
None
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 annual 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:
Incorporated and unincorporated businesses

Number of Taxpayers/Number of Returns:
In 2020, 99,910 returns claimed this exemption.

Tax Exemption Usage Details for Tax Year 2020:
Not available

Comparable Federal Benefit:
None
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
Accelerated Depreciation of Research and Experimental Costs

Description:
Research and experimental expenditures may be deducted immediately in the taxable year that the expense occurred 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 requires 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.
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. Additionally, 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.
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. The Budget Acts for 2020-21, 2021-22, 2022-23, and 2023-24 each authorized the $500-million expansion.

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 2020 tax year, 137 personal income tax returns and 32 corporation tax returns claimed this credit.

Tax Credit Usage Details for Tax Year 2020:
Not available

Comparable Federal Benefit:
This provision conforms to federal law.
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:**
In 2020, 140 returns claimed this exclusion.

**Tax Exclusion Usage Details for Tax Year 2020:**
Not available

**Comparable Federal Benefit:**
None.
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 annually from 2022-23 to 2027-28. 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 2020 tax year, 375 personal income tax returns and 152 corporation tax returns claimed this credit.

**Personal Income Tax Credit Usage Details for Tax Year 2020:**

<table>
<thead>
<tr>
<th>Adjusted Gross Income Class</th>
<th>Returns Allowing Credit (Units)</th>
<th>Taxpayers Allowed Credit (Units)</th>
<th>Amount of Credit Allowed (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 to $49,999</td>
<td>22</td>
<td>37</td>
<td>$1,216</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>18</td>
<td>28</td>
<td>$17</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>42</td>
<td>77</td>
<td>$214</td>
</tr>
<tr>
<td>More than $199,999</td>
<td>293</td>
<td>535</td>
<td>$12,315</td>
</tr>
<tr>
<td>Total</td>
<td>375</td>
<td>677</td>
<td>$13,762</td>
</tr>
</tbody>
</table>
Corporate Tax

Corporate Income Tax Credit Usage Details for Tax Year 2020:

<table>
<thead>
<tr>
<th>Size of Gross Receipts</th>
<th>Returns Allowing Credit (Units)</th>
<th>Amount of Credit Allowed (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $1 million</td>
<td>20</td>
<td>$1</td>
</tr>
<tr>
<td>$1 million to $5 million</td>
<td>33</td>
<td>$0</td>
</tr>
<tr>
<td>$5 million to $25 million</td>
<td>28</td>
<td>$1</td>
</tr>
<tr>
<td>$25 million to $100 million</td>
<td>24</td>
<td>$2</td>
</tr>
<tr>
<td>$100 million to $1 billion</td>
<td>33</td>
<td>$9</td>
</tr>
<tr>
<td>Greater than $1 billion</td>
<td>14</td>
<td>$28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>152</strong></td>
<td><strong>$40</strong></td>
</tr>
</tbody>
</table>

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

Film and Television Tax Credit

Description:
Provides a 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 2029-30. From 2025-26 to 2029-30, the credit is electively refundable at a discounted 90-percent rate and the refundable credit is taken over 5 years. There is an additional $90 million in 2021-22 and $90 million in 2022-23 in allocations reserved for relocating and recurring television shows and an additional cumulative $150-million in allocations from 2022 to 2032 for motion picture productions at newly constructed soundstages in California.

Statutory Authority:
Revenue and Taxation Code Sections 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, 29698.1, 6902.5

Sunset Date:
2029-30 is the final year in statute that credit allocations can be made, except for the $150 million related to soundstages filming, which can be allocated through 2032. 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:
Not available.

Comparable Federal Benefit:
None
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

State Historic Tax Credit

Description:
Taxpayers are allowed a tax credit for the rehabilitation of certified historic structures and qualified owner-occupied residences. The maximum credit that can be allocated in calendar years 2021 through 2027 is $50 million per year, subject to a Budget Act appropriation.

Statutory Authority:
Revenue and Taxation Code Sections 17053.91 and 23691

Sunset Date:
January 1, 2027

Legislative Intent:
Not specified

Beneficiaries:
Individuals, unincorporated and incorporated businesses

Number of Taxpayers/Number of Returns:
Not available

Comparable Federal Benefit:
Federal law allows a Historic Rehabilitation Tax Credit for expenditures to rehabilitate historic buildings.
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 million 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 Exemption

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 Exemption

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 or for use in producing or harvesting agricultural products, are 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 Exemption

*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, insulin syringes, and sutures.

*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

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

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

Candy, Confectionery, Snack Foods, and Bottled Water Exemption

Description:
Candy, gum, confectionery, snack foods, and bottled water are exempt from tax.

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

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 2022-23, 24,811 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 2022-23, 10,879 returns claimed this exemption.

Comparable Federal Benefit:
There is no federal sales tax.
Fuel Sold to Common Carriers Exemption

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 Exemption

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 exempt from 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.
Linen Supplies Rentals Exemption

**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.
Custom Computer Programs Exemption

*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.
California Alternative Energy Exclusion

**Description:**
Authorizes the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) 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. The maximum allocation is $100 million per year.

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. The maximum allocation of sales tax exemptions was increased from $100 million to $115 million for calendar years 2022, 2023, and 2024 with the additional $15 million reserved for lithium extraction, recovery, and processing.

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

**Sunset Date:**
The entire CAEATFA 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.
Subscription Periodicals Exemption

**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

Children’s Diapers Exemption

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.
Diesel Fuel Used in Farming and Processing Exemption

**Description:**
Sales of diesel fuel are not subject to the 5-percent 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 2022-23, 525 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax.
Printed Advertising Exemption

Description:
Sales of printed material which is substantially advertisements for goods 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

Menstrual Products Exemption

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.
Oxygen Delivery Systems Exemption

**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 Exemption

**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 2022-23, 1,007 returns claimed this exemption.

**Comparable Federal Benefit:**
There is no federal sales tax.
Main Street Small Business Hiring Credit II

**Description:**
Provides a 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 500 employees and that suffered at least a 20-percent decline in gross receipts in calendar year 2020 compared to calendar year 2019.

**Statutory Authority:**
Revenue and Taxation Code Sections 6902.7, 6902.8, 6902.9, 17053.71, and 23268

**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 2021-22, 2,955 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.
Fuel Sold to Water Common Carriers Exemption

**Description:**
The sale of fuel and petroleum products is exempt from sales and use tax when sold to a water common carrier for use after the vessel reaches its first out-of-state destination.

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

**Sunset Date:**
January 1, 2029

**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

One-Year Diesel Fuel Sales Tax Exemption

Description:
Sales of diesel fuel were exempted from the 3.9375-percent General Fund sales tax rate from October 1, 2022 to September 30, 2023.

Statutory Authority:
Revenue and Taxation Code Section 6357.4

Sunset Date:
October 1, 2023

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

Motion Picture Production Services Exemption

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

Leases of Motion Picture and Television Films and Tapes Exemption

Description:
Leases of motion pictures, animated motion pictures, and television films and tapes are not considered sales and are therefore exempt from tax. 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.
Professional Health Services Exemption

**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 Exemption

**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

Medicine Administered by Veterinarians Exemption

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.
Wheelchairs, Crutches, Canes, and Walkers Exemption

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.
Nonprofit Youth Organizations Exemption

**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 Exemption

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.
Fuel from Organic Products and Waste Byproducts Exemption

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 Exemption

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 Exemption

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 Exemption

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 Exemption

**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 Sections 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