



## SB-302 Personal Income Tax Law and Corporation Tax Law: exclusions: environmental credits. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

### SENATE BILL

**NO. 302**

**Introduced by Senator Padilla**  
**(Coauthors: Senators Allen, Becker, and Stern)**  
**(Coauthors: Assembly Members Irwin and Petrie-Norris)**

**February 10, 2025**

An act to add *and repeal* Sections 17132.3 and 24310.5 ~~to of~~ the Revenue and Taxation Code, relating to ~~taxation~~ *taxation, to take effect immediately, tax levy*.

### LEGISLATIVE COUNSEL'S DIGEST

SB 302, as amended, Padilla. Personal Income Tax Law and Corporation Tax Law: exclusions: environmental credits.

Existing law, the Personal Income Tax Law and the Corporation Tax Law, in conformity with federal income tax law, generally defines "gross income" as income from whatever source derived, except as specifically excluded, and provides various exclusions from gross income. Existing federal law authorizes an applicable entity, as defined, to receive a refund for specified environmental credits against the taxes imposed under federal law and excludes a refund payment made pursuant to that law from gross income. Existing federal law also authorizes an eligible taxpayer, as defined, to transfer the value of that refundable credit and exempts from gross income payment received by the transferor as consideration for the transfer. Existing federal law prohibits the transferee from deducting the amount paid as consideration for the transfer.

This bill, in conformity with federal law, for taxable years beginning on or after January 1, ~~2023~~, *2026, and before January 1, 2031*, would exclude from gross income a refund payment made for the specified federal environmental credits described above and any payment received by a transferor as consideration for a transfer, as provided. The bill would also prohibit a transferee from deducting the amount paid as consideration for the transfer, in conformity with federal law.

Existing law requires a bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would include additional information required for any bill authorizing a new tax expenditure.

~~This bill would make findings and declarations related to a gift of public funds.~~

*This bill would take effect immediately as a tax levy.*

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

### **SECTION 1.** The Legislature finds and declares all of the following:

(a) It is essential that California implement all feasible measures to ensure that electric rates remain affordable throughout the clean energy transition.

(b) California has created ambitious climate and energy goals to achieve a net-zero carbon economy by 2045. The State Air Resources Board 2022 Scoping Plan calls for California to cut air pollution by 71 percent and reduce fossil fuel consumption by 86 percent.

(c) The 100 Percent Clean Energy Act of 2018 enacted by Senate Bill 100 (Chapter 312 of the Statutes of 2018) updated the California Renewables Portfolio Standard Program to ensure that by 2030, at least 60 percent of California's electricity is renewable and for California to provide 100 percent of its retail sales from renewable zero-emission sources by 2045.

(d) The Clean Energy, Jobs and Affordability Act of 2022 enacted by Senate Bill 1020 (Chapter 351 of the Statutes of 2022) made it the policy of the state that eligible renewable energy resources and zero-carbon resources supply 90 percent of all retail sales of electricity by December 31, 2035, 95 percent of all retail sales by December 31, 2040, 100 percent of all retail sales by December 31, 2045, and 100 percent of electricity procured to serve all state agencies by December 31, 2035.

(e) The federal Inflation Reduction Act of 2022 (Public Law 117-169) represents the largest federal investment in clean energy and climate action to date. The act's goal is to accelerate the transition to clean energy, reduce greenhouse gas emissions, and support energy innovation and investment, creating jobs and improving public health outcomes.

(f) The federal Inflation Reduction Act of 2022 (Public Law 117-169) created additional tools—direct pay and transferability—for clean energy tax credits that seek to expand and increase investment in the clean energy sector.

(g) Clean energy tax credits help to reduce the costs of renewable energy projects and increase investment in the clean energy sector.

(h) California's ambitious climate and energy goals will require a massive buildout of new clean energy projects. California must nearly double its clean energy capacity over the next five years alone to stay on track with its goals.

(i) It is critical that California take full advantage of all tools and resources at its disposal to help accelerate the pace and scale of clean energy development in California.

### **SEC. 2.** Section 17132.3 is added to the Revenue and Taxation Code, to read:

**17132.3.** (a) For taxable years beginning on or after January 1, ~~2023~~, 2026, and before January 1, 2031, gross income does not include any payment made pursuant to Section 6417 of the Internal Revenue Code, as added by Public Law 117-169, relating to elective payment of applicable credits. Sections 6417(c)(1)(C) and 6417(c)(1)(D) of the Internal Revenue Code, as added by Public Law 117-169, shall apply.

(b) For taxable years beginning on or after January 1, ~~2023~~, 2026, and before January 1, 2031, gross income does not include any payment made pursuant to Section 6418 of the Internal Revenue Code, as added by Public Law 117-169, relating to transfer of certain credits.

(1) Sections 6418(c)(1)(A) and 6418(c)(1)(B) of the Internal Revenue Code, as added by Public Law 117-169, shall apply.

(2) No deduction shall be allowed for any amount paid in consideration of a transfer made as described in Section 6418 of the Internal Revenue Code, as added by Public Law 117-169.

(c) For purposes of this section, "payment made pursuant to Section 6418 of the Internal Revenue Code" includes the value of a credit received by a transferee pursuant to Section 6418 of the Internal Revenue Code, as added by Public Law 117-169.

(d) (1) For purposes of complying with Section 41, for this section and Section 24310.5, the Legislature finds and declares all of the following:

(A) The goal, purpose, and objective of the conformity to the exclusion and deduction provisions of Sections 6417 and 6418 of the Internal Revenue Code is to promote the investment and construction of clean energy projects and clean energy advanced manufacturing facilities in California.

(B) The performance indicators to measure whether the conformity meets the goal, purpose, and objective stated in subparagraph (A) are data from taxpayers utilizing credits under Sections 6417 and 6418 of the Internal Revenue Code filing in California.

(2) ~~(A)~~To assist the Legislature in determining whether the conformity fulfills the goal, purpose, and objective stated in subparagraph (A) of paragraph (1), the Franchise Tax Board shall report to the Legislature regarding the data described in subparagraph (B) of paragraph (1) on or before November 1, 2029, in compliance with Section 9795 of the Government Code.

~~(B)The requirement for submitting a report imposed under this subdivision is inoperative on January 1, 2037.~~

*(e) This section shall remain in effect only until December 1, 2031, and as of that date is repealed.*

**SEC. 3.** Section 24310.5 is added to the Revenue and Taxation Code, to read:

**24310.5.** (a) For taxable years beginning on or after January 1, ~~2023~~, *2026, and before January 1, 2031*, gross income does not include any payment made pursuant to Section 6417 of the Internal Revenue Code, as added by Public Law 117-169, relating to elective payment of applicable credits. Sections 6417(c)(1)(C) and 6417(c)(1)(D) of the Internal Revenue Code, as added by Public Law 117-169, shall apply.

(b) For taxable years beginning on or after January 1, ~~2023~~, *2026, and before January 1, 2031*, gross income does not include any payment made pursuant to Section 6418 of the Internal Revenue Code, as added by Public Law 117-169, relating to transfer of certain credits.

(1) Sections 6418(c)(1)(A) and 6418(c)(1)(B) of the Internal Revenue Code, as added by Public Law 117-169, shall apply.

(2) No deduction shall be allowed for any amount paid in consideration of a transfer made as described in Section 6418 of the Internal Revenue Code, as added by Public Law 117-169.

(c) For purposes of this section, "payment made pursuant to Section 6418 of the Internal Revenue Code" includes the value of a credit received by a transferee pursuant to Section 6418 of the Internal Revenue Code, as added by Public Law 117-169.

*(d) This section shall remain in effect only until December 1, 2031, and as of that date is repealed.*

~~SEC. 4.The Legislature hereby finds and declares that the exclusions authorized by Sections 17132.3 and 24310.5 of the Revenue and Taxation Code, as added by this act, serve the public purpose of promoting investment and construction of clean energy projects and clean energy advanced manufacturing facilities in California and does not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.~~

**SEC. 4.** *This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.*