CONCURRENCE IN SENATE AMENDMENTS
AB 760 (Ta)
As Amended August 18, 2026
Majority vote

## SUMMARY

Excludes from gross income, for a specified period, "qualified amounts" received by a "qualified taxpayer" related to the "2026 Garden Grove chemical leak."

**Senate Amendments**
Delete the contents of this bill, and instead:

1) Exclude, for taxable years beginning on or after January 1, 2027 and before January 1, 2032 from a "qualified taxpayer's" gross income a "qualified amount" under the Personal Income Tax (PIT) Law and the Corporation Tax (CT) Law.

2) Define a "settlement entity" as an entity making a settlement payment of a "qualified amount" to a "qualified taxpayer."

3) Define a "qualified amount" as any amount received in settlement by a "qualified taxpayer" from a settlement entity in connection with the "2026 Garden Grove chemical leak."

4) Define the "2026 Garden Grove chemical leak" as the chemical leak event that began on May 21, 2026, at an aerospace manufacturing facility in the City of Garden Grove.

5) Define a "qualified taxpayer" as:

   a) Any taxpayer who owned real property located in the County of Orange during the 2026 Garden Grove chemical leak who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Garden Grove chemical leak; or,

   b) Any taxpayer who had a place of business within the County of Orange during the 2026 Garden Grove chemical leak who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Garden Grove chemical leak.

6) Include, in the definition of a "qualified taxpayer" under the PIT Law, any taxpayer that resided within the County of Orange during the 2026 Garden Grove chemical leak who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Garden Grove chemical leak.

7) Find and declare, for the purposes of complying with Revenue and Taxation Code (R&TC) Section 41, that the specific goal of this bill is to provide essential relief to individuals who have suffered injury, loss, inconvenience, and expense due to a near-catastrophic environmental disaster precipitated by the 2026 Garden Grove chemical leak.

8) Require the Franchise Tax Board (FTB) to submit a written report to the Legislature by November 1, 2029 that states the aggregate dollar amount of payments received in settlement by qualified taxpayers from a settlement entity arising out of the 2026 Garden Grove chemical leak.

9) Find and declare that:

   a) In 2026, a chemical leak at an aerospace facility led the Cities of Garden Grove, Stanton, and Westminster to evacuate due to the potential for a catastrophic explosion;

   b) The growing severity of the chemical leak resulted in a gubernatorial proclamation of a state of emergency and a presidential emergency declaration;

   c) The 2026 Garden Grove chemical leak resulted in the evacuation of more than 50,000 residents and caused significant disruption, displacement, economic loss, and personal hardship to residents and businesses throughout the County of Orange; and,

   d) The California Attorney General has authorized class action lawsuits as a result of the 2026 Garden Grove chemical leak.

10) State that it is the intent of the Legislature in adopting this bill to ensure that persons receiving settlement payments arising from the 2026 Garden Grove chemical leak retain the maximum practical benefit of those payments for recovery and restoration purposes.

11) Take immediate effect as a tax levy.

12) Repeal the provisions of this bill as of December 1, 2032.

## COMMENTS

1) *Treatment of settlement awards*: Generally, federal and state law allow for the exclusion from gross income of amounts received in a settlement, other than for punitive damages, which result from personal physical injuries or physical sickness. Amounts resulting from emotional distress, however, are included when calculating gross income unless the emotional distress is the result of physical injury or sickness. Additionally, federal and state law generally require inclusion of attorney's fees resulting from a settlement in the calculation of gross income. Payments received as a reimbursement of costs are excluded from gross income; however, to the extent that any settlement payment exceeds costs paid or incurred in connection with the event that caused the settlement, those amounts may be taxable income. Therefore, some portions of the disbursements issued from qualifying settlements may be included in gross income. This bill would exclude from gross income all qualified amounts received by a qualified taxpayer.

2) *What is a "tax expenditure"*? Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, United States Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each of them (in the form of forgone revenues). This bill would authorize taxpayers to exclude amounts received in settlements related to the 2026 Garden Grove chemical leak.

3) *Committee's tax expenditure policy*: SB 1335 (Leno), Chapter 845, Statutes of 2014, added R&TC Section 41, which recognized that the Legislature should apply the same level of review used for government spending programs to tax credits introduced on or after January 1, 2015. AB 263 (Burke), Chapter 743, Statutes of 2019, extended the requirements

in R&TC Section 41 to all tax expenditure measures under the PIT Law, the CT Law, and the Sales and Use Tax Law introduced on or after January 1, 2020. A tax expenditure proposal must outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote. Sunsets are required because eliminating a tax expenditure generally requires a 2/3 vote. These requirements must be satisfied before a bill can receive a vote in this Committee. This bill complies with the requirements of R&TC Section 41 and contains an appropriate five-year sunset.

**According to the Author**
The author has submitted the following statement in support of this bill:

> In May 2026, 50,000 residents were evacuated due to a chemical incident in Garden Grove, which impacted many communities in Orange County. Many evacuees incurred considerable losses, including temporary housing, lost wages, business interruptions, and transportation costs. Consequently, 44 lawsuits have been filed by those impacted by this chemical leak. AB 760 will help these victims be fully compensated by following California precedent for previously declared emergencies that made settlements non-taxable, including SB 343 (2018), SB 1246 (2022), SB 131 (2023), and AB 159 (2025). Settlements awarded to victims as a result of a declared emergency are intended to make them whole. These funds should not be considered income. These funds are meant to reimburse families for losses they suffered through no fault of their own. These funds are intended to help families recover and feel a sense of stability after a frightening and disruptive event. Taxing these settlements would diminish the relief available to affected residents and reduce the resources available to help them rebuild and move forward.

**Arguments in Support**
The County of Orange, writing in support of this bill, states, in part:

> On May 21, 2026, the Orange County Sheriff's Department issued a mandatory evacuation order due to a hazardous materials release from a chemical tank at the GKN Aerospace manufacturing facility in the City of Garden Grove. The Orange County Board of Supervisors and the Governor both proclaimed a state of emergency, directing state agencies to coordinate rapidly with local officials to support response and recovery operations. AB 760 would provide disaster relief for Orange County taxpayers by ensuring that any settlement payments from the 2026 Garden Grove chemical incident are exempt from income tax.

**Arguments in Opposition**
None on file

## FISCAL COMMENTS

The Senate Committee on Appropriations notes the following in its analysis of a previous, but substantially similar, version of this bill:

The FTB estimates that, for every $100 million in qualified settlement amounts received, the General Fund revenue loss would be $4.6 million. [The] FTB would incur administrative costs of $12,000 in 2026-27, $89,000 in 2027-28, and $115,000 annually thereafter, to implement the provisions of the bill (General Fund).

## VOTES:

**ASM HOUSING AND COMMUNITY DEVELOPMENT: 11-0-1**
**YES:** Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Quirk-Silva, Ta, Tangipa, Wicks, Wilson
**ABS, ABST OR NV:** Lee

**ASSEMBLY FLOOR: 69-0-10**
**YES:** Addis, Aguiar-Curry, Ahrens, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Soria, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
**ABS, ABST OR NV:** Alanis, Arambula, Bennett, Castillo, Jeff Gonzalez, Lee, Quirk-Silva, Ramos, Solache, Stefani

## UPDATED

VERSION: August 18, 2026

CONSULTANT: Harrison Bowlby / REV. & TAX. / (916) 319-2098 FN: