CONCURRENCE IN SENATE AMENDMENTS
AB 817 (Mark González)
As Amended August 27, 2026
Majority vote

INFORMATIONAL HEARING ONLY – NO VOTE TO BE TAKEN

SUMMARY

Excludes "qualified amounts" from a "qualified taxpayer's" gross income and imposes certain requirements on a "cold storage facility."

Senate Amendments
Delete the contents of this bill that were considered by the Assembly and instead:

1) Make findings and declarations related to a fire that occurred at a cold storage facility in the Boyle Heights community in the City of Los Angeles on June 17, 2026.

2) 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.

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

4) Define a "qualified amount" as any amount received in settlement by a "qualified taxpayer" from a settlement entity in connection with the "2026 Boyle Heights fire incident."

5) Define the "2026 Boyle Heights fire incident" as the fire incident that began on June 17, 2026, proclaimed as a state of emergency by the Governor on June 21, 2026, at a Lineage cold storage facility in the City of Los Angeles.

6) Define a "qualified taxpayer" as:

   a) Any taxpayer who owned real property located in the County of Los Angeles during the 2026 Boyle Heights fire incident who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Boyle Heights fire incident; or,

   b) Any taxpayer who had a place of business within the County of Los Angeles during the 2026 Boyle Heights fire incident who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Boyle Heights fire incident.

7) Include, in the definition of a "qualified taxpayer" under the PIT Law, any taxpayer who resided within the County of Los Angeles during the 2026 Boyle Heights fire incident who paid or incurred expenses and received amounts from a settlement entity arising out of the 2026 Boyle Heights fire incident.

8) 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 assist those who relocated from their homes, suffered negative effects from being unable to relocate, or suffered losses to their businesses during the 2026 Boyle Heights fire incident. The purpose and objective is to adequately and

economically compensate the victims, which cannot be achieved if they pay taxes on the money paid back to them through settlement. The performance indicator of success of this bill is the amount of gross income excluded pursuant to this bill.

9) 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 Boyle Heights fire incident.

10) Take immediate effect as a tax levy.

11) Repeal the provisions of this bill related to taxation as of January 1, 2033.

12) Define "cold storage facility" as a place that meets all of the following conditions:

   a) The facility is not less than 20,000 square feet and not less than 20,000 square feet of floor space is artificially refrigerated to a temperature of 45 degrees Fahrenheit or below;

   b) The facility participates in the accidental release prevention program, as described in Section 25533 of the Health and Safety Code, at Program Level 1, 2, or 3, and,

   c) The facility is located within the geographic boundaries of the Boyle Heights Community Plan, as effective August 20, 2026.

13) Define "contingency fund" as including any of the following with a maximum value of twenty million dollars ($20,000,000):

   a) A dedicated account managed by a city, county, or city and county to support affected communities during a declared state of emergency or local emergency, as specified, for which a city, county, or city and county may impose a fee or charge on the development or operation of a cold storage facility to place into the account;

   b) A dedicated account managed by the owner of the cold storage facility to include an amount required by the city, county, or city and county to support affected communities during a declared state of emergency or local emergency, as specified;

   c) A surety bond; and,

   d) An insurance policy that provides coverage for the uses described pursuant to this bill during a declared state of emergency or local emergency, as specified.

14) Prohibit a city, county, or city and county from approving a building permit for a cold storage facility unless the owner of the cold storage facility, or the lessee or operator of the cold storage facility, as specified, establishes and maintains a contingency fund for the purposes described in this bill.

15) Require an owner of a cold storage facility to provide evidence of the contingency fund at the discretion of the city, county, or city and county to substantiate the existence or maintenance of the contingency fund.

16) Allow the owner of the cold storage facility to require the lessee or operator of the cold storage facility to establish and maintain the contingency fund.

17) Provide that the contingency fund can only be used if both of the following conditions exist:

    a) The President of the United States or the Governor declares a state of emergency, or a local official, board, or other governing body vested with authority to proclaim a local emergency in a city, county, or city and county declares a local emergency, directing an agency to protect the health, safety, and welfare of residents or property; and,

    b) Either of the following occurs:

        i) The department or the local jurisdiction publishes a formal notification of a health advisory or health alert and, as supported by evidence in the health advisory or health alert, either the cold storage facility is the subject of the health advisory or health alert or the cold storage facility has caused the conditions that created the health advisory or health alert; or,

        ii) The department or the local jurisdiction issues the owner of, and, if applicable, the operator or lessee of, the cold storage facility an official inspection report that includes a violation or citation that was unresolved or outstanding and caused the conditions for the state of emergency, a local emergency, or a health advisory or health alert.

18) Require the contingency fund to be used to provide support to affected communities upon the conditions in this bill being met. These uses shall include all of the following:

    a) Food assistance;

    b) Housing assistance, rental assistance, and housing relocation assistance;

    c) Air quality monitoring by the relevant local air pollution control district or air quality management district;

    d) Vector control; and,

    e) Health care to address adverse health outcomes related to the state of emergency, local emergency, health advisory, or health alert, as specified.

19) Apply the provisions of this bill unrelated to taxation to facilities within the geographic boundaries of the Boyle Heights Community Plan, as effective August 20, 2026, until July 1, 2028.

20) Apply the provisions of this bill unrelated to taxation on a statewide basis beginning on and after July 1, 2028.

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) *This bill*: As currently drafted, this bill would make two overarching changes to existing law. First, in relation to taxation, this bill would authorize a gross income exclusion for amounts received in settlement by a taxpayer who was impacted by the 2026 Boyle Heights fire incident. Second, in relation to local government requirements, this bill would prohibit a local jurisdiction from issuing a building permit for a cold storage facility unless the owner, lessee, or operator of that cold storage facility establishes a contingency fund for uses specified in this bill.

3) *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 settlement related to the 2026 Boyle Heights fire incident.

4) *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:

> AB 817 is necessary to tackle several pressing issues brought about from the June 2026, Lineage Facility Fire in Boyle Heights. More needs to be done to address the aftermath of this fire and the impact it has already had on the community. That is what AB 817 will do by ensuring Lineage won't receive permits before setting up a contingency fund to be accessed

> in times of emergency to help the community, by tax-exempting all future settlements that residents who have been affected might receive. This bill is the least the state can do to protect the health and safety of my community.

Arguments in Support
The Los Angeles City Mayor, writing in support of this bill, states, in part:

> The City also supports AB 817's tax relief provisions for qualified residents, property owners, and businesses affected by the Boyle Heights fire. Settlement funds intended to compensate victims for harm, displacement, disruption, and recovery costs should be available for recovery – not taxed as income.

Arguments in Opposition
A coalition of agricultural, cold storage, and business associations, writing in opposition to this bill on grounds unrelated to the taxation provisions of this bill, state, in part:

> AB 817 conditions a building permit on a facility establishing a contingency fund, as high as $20 million, through a city or county account, an owner-managed account, or a surety bond. A simple permit pull can trigger this requirement, regardless of a facility's actual safety record or compliance history. In practice, an operator with decades of safe operation, seeking a routine permit for maintenance or expansion, faces the same up to $20 million financial burden as an operator with a documented safety failure. To cover such a surety will run hundreds of thousands of dollars annually, adding substantial new costs and liabilities to the state's food supply chain.

FISCAL COMMENTS

The Senate Appropriations Committee, in its analysis of this bill, notes that:

1) The FTB estimates that, for every $50 million in qualified settlement amounts received, the General Fund revenue loss would be $1.5 million. [The] FTB's implementation costs would be minor and absorbable.

2) By imposing specified requirements on cities and counties, this bill creates a state-mandated local program. However, any resulting local government costs are not state-reimbursable because cities and counties have the authority to charge fees or assessments that are sufficient to cover the cost of providing the required program or services.

VOTES:

ASM GOVERNMENTAL ORGANIZATION: 21-0-1
YES: Blanca Rubio, Davies, Alvarez, Berman, Bryan, DeMaio, Dixon, Fong, Gabriel, Gipson, McKinnor, Nguyen, Pacheco, Ramos, Michelle Rodriguez, Sanchez, Solache, Soria, Ta, Valencia, Wallis
ABS, ABST OR NV: Carrillo

ASM APPROPRIATIONS: 14-0-1
YES: Wicks, Sanchez, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Solache, Ta, Alanis
ABS, ABST OR NV: Pellerin

ASSEMBLY FLOOR: 69-0-10

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

UPDATED

VERSION: August 27, 2026

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