

Date of Hearing: April 7, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

AB 1481 (Tangipa) – As Amended March 24, 2025

Majority vote. Tax levy. Fiscal committee.

SUBJECT: Income tax: credit: immigration

SUMMARY: Allows, under the Personal Income Tax (PIT) Law, a credit equal to the amount of a filing fee for a federal Petition for Alien Relative (I-130) form, as specified. Specifically, **this bill:**

- 1) Allows a credit to a "qualified taxpayer" for taxable years beginning on or after January 1, 2025, and before January 1, 2030, in an amount equal to the filing fee for a federal Petition for Alien Relative (I-130) form.
- 2) Defines "qualified taxpayer" as a natural person.
- 3) Limits the number of credits a qualified taxpayer is allowed to one credit per taxable year.
- 4) Provides that any deduction otherwise allowed for amounts paid or incurred by the qualified taxpayer shall be reduced by the amount of the credit allowed.
- 5) Requires a qualified taxpayer to report to the Franchise Tax Board (FTB), at the board's request and in the form and manner specified by the FTB, any information regarding the credit deemed necessary by the FTB to administer this credit.
- 6) Takes immediate effect as a tax levy.
- 7) Sunsets the credit's statutory provisions on December 1, 2030.

EXISTING LAW:

- 1) Allows various tax credits under the PIT Law. These credits are generally designed to encourage socially beneficial behavior or to provide relief to taxpayers who incur specified expenses.
- 2) Requires any bill authorizing a new credit to contain all of the following:
 - a) Specific goals, purposes, and objectives that the tax credit will achieve;
 - b) Detailed performance indicators for the Legislature to use when measuring whether the tax credit meets the goals, purposes, and objectives stated in the bill; and,
 - c) Data collection requirements to enable the Legislature to determine whether the tax credit is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives.

The requirements shall include the specific data and baseline measurements to be collected and remitted in each year the credit is in effect, for the Legislature to measure the change in performance indicators, and the specific taxpayers, state agencies, or other entities required to collect and remit data. (Revenue and Taxation Code (R&TC) Section 41.)

FISCAL EFFECT: The FTB estimates General Fund revenue losses of \$80 million in fiscal year (FY) 2025-26, \$65 million in FY 2026-27, and \$75 million in FY 2027-28.

COMMENTS:

1) Committee Staff Comments:

- a) The author has provided the following statement in support of the bill:

AB 1481 supports legal immigration by easing the financial burden of the I-130 filing fee, which is one of the most commonly filed forms. By offering a state tax credit, this bill ensures that families following legal pathways to reunification are not hindered by excessive costs. Legal immigration strengthens our communities and economy, and this bill works towards a fair and accessible system.

- b) *What is a "tax expenditure"?* Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, U.S. 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 (in the form of foregone revenues).

As the Department of Finance notes in its annual Tax Expenditure Report, there are several key differences between tax expenditures and direct expenditures. First, tax expenditures are typically reviewed less frequently than direct expenditures. Second, there is generally no control over the amount of revenue losses associated with any given tax expenditure. Finally, it should also be noted that, once enacted, it takes a two-thirds vote to rescind an existing tax expenditure absent a sunset date. This effectively results in a "one-way ratchet" whereby tax expenditures can be conferred by majority vote, but cannot be rescinded, irrespective of their efficacy or cost, without a supermajority vote.

- c) *Family-based migration:* The U.S. immigration system is complex and there are numerous ways for individuals to pursue and obtain legal status, or receive a "green card." A green card, officially known as a Permanent Resident Card, is a document issued by the U.S. government that grants an individual permanent resident status, allowing them to live and work in the United States indefinitely. It also provides a pathway to U.S. citizenship after a specified period. The U.S. Citizenship and Immigration Services (USCIS) issues family-based green cards, employment-based green cards, humanitarian green cards, and other special green cards. Each of these immigrant visa categories has its own application process.

Family-based green cards are divided into two main categories: (i) Immediate relatives, which are spouses, parents, and unmarried children under 21 of U.S. citizens; and, (ii) Family Preference relatives, which include other family members, such as adult children

or siblings of U.S. citizens and spouses or children of lawful permanent residents. The number of green cards available for immediate relatives is not capped, but the total number of green cards available for those who fall under the family preference category is capped at 226,000 annually.

In 2023, the family-based green card backlog included approximately 4 million adult applicants, with 5.8 million across all ages. This backlog has increased annually since the 1970s, reaching 8.3 million pending family-sponsored applicants.¹ The number of applicants in family preference categories often exceeds the available visas, creating long waiting periods. Additionally, per-country caps limit the number of green cards issued to individuals from any one country, disproportionately affecting applicants from countries with high immigration rates, such as India, Mexico, and the Philippines.

- d) *Petition for Alien Relative*: Form I-130, officially known as the "Petition for Alien Relative," is the first step in the application process to receive a family-based green card. The U.S. citizen or permanent resident sponsor (petitioner) files Form I-130 on behalf of the family member (beneficiary) they wish to secure a green card for. This form i) establishes that the beneficiary is the relative of a U.S. citizen or a U.S. permanent resident, and ii) establishes the beneficiary's spot in line for a green card if they are married to a U.S. permanent resident.² Supporting documentation must be sent in with the Form I-130 to prove the citizenship or permanent resident status of the petitioner and that there is a valid family relationship between the two parties.

As of March 5, 2025, the filing fee for the Form I-130 is \$675 by paper and \$625 electronically.³ Some applicants may qualify for a fee waiver based on their status as currently receiving means-tested benefits, their household income is at or below 150% of the Federal Poverty Guidelines, or a substantiated financial hardship. To receive a fee waiver, the applicant must submit Form I-912 and it must be approved by USCIS.

- e) *A long and winding road*: The processing time for Form I-130 can vary based on numerous factors, including the relationship between the petitioner and the beneficiary and the caseload of the USCIS service center processing the petition. According to Boundless Immigration, processing times are increasing for all programs except the fiancé visa petition. The median processing time in March 2025 for I-130 petitions was 14.4 months for U.S. citizen sponsors and 35 months for sponsors that are legal permanent residents.⁴

¹ *What to Do If Your Family-Based Green Card Is Stuck in the Green Card Backlog*, 360 Immigration Law Group (December 20, 2024). <https://360immigrationlaw.com/what-to-do-if-your-family-based-green-card-is-stuck-in-the-green-card-backlog/>.

² Petts, *What Is USCIS Form I-130: Petition for Alien Relative?*, ImmigrationHelp.org. (February 23, 2023). <https://www.immigrationhelp.org/learning-center/all-about-the-uscis-form-i-130-petition-for-alien-relative>.

³ *G-1055, Fee Schedule*, U.S. Citizenship and Immigration Services. <https://www.uscis.gov/g-1055?form=i-130>.

⁴ Moodie, *The Latest USCIS Processing Times – FY 2025*, Boundless Immigration (Updated March 21, 2025). <https://www.boundless.com/immigration-resources/uscis-processing-times/>.

An approved I-130 petition, does not, by itself, give an individual permission to enter or remain in the United States. The approval of the Form I-130 is a prerequisite to filing an application for a green card. If an applicant previously made lawful entry into the U.S. and currently resides here – under a student visa, for example – federal law allows a temporary visitor that meets certain requirements to change status to a permanent resident under the adjustment of status process. If the applicant is not eligible for adjustment, they must use consular processing.

After the approval of an I-130 petition for an applicant undergoing consular processing, USCIS will send the file to the National Visa Center (NVC), which will eventually coordinate the transfer of the applicant's case to the U.S. consulate in the country where the beneficiary resides. From there, the beneficiary will complete Form DS-261 to assign an agent, which can be themselves, a family member, or other trusted person. Next, the applicant must pay the Immigrant Visa Application Processing fee and Affidavit of Support Fee before they are eligible to submit the Immigrant Visa Application.

Once the NVC is satisfied that the applicant has correctly submitted the required documents and has paid the fees, the applicant will be able to schedule an interview at the U.S. embassy or consulate, which may not be available for months or even years. All applicants must also undergo a medical examination performed by an authorized physician and obtain certain vaccinations before the government will issue the visa.⁵

- f) *An incentive or a reward?* Typically, tax credits are provided as a matter of legislative grace to encourage taxpayers to behave in ways they might not absent a financial incentive. As currently drafted, this bill provides the credit for taxable years beginning on or after January 1, 2025, meaning that taxpayers could benefit from this bill for actions they have already taken without any incentive. The author may wish to consider amending this bill to allow the credit prospectively, beginning on January 1, 2026.
- g) *Appropriately targeted?* As currently drafted, the credit does not contain income restriction provisions, meaning high-income individuals could receive this benefit while also being able to afford the costs associated with filing this federal immigration form. If the author's intent is to assist those who may struggle to afford the associated costs of filing this form, the author may wish to amend the bill to limit the credit based on the taxpayer's annual adjusted gross income.
- h) *Committee's tax expenditure policy:* Both R&TC Section 41 and Committee policy require any tax expenditure bill to 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. A tax expenditure bill will not be eligible for a Committee vote unless it has complied with these requirements. In its current form, this bill does not specify the goal of the credit or any performance indicators to evaluate whether the credit is achieving that goal. The author should amend the bill to include these provisions to comply with R&TC Section 41.

⁵ *After I-130 is approved, what's next?*, CitizenPath. <https://citizenpath.com/after-i-130-is-approved-whats-next/>.

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. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" shall mean ten years. This bill, as currently drafted, complies with the Committee's policy on sunset dates.

- i) *Technical considerations:* The FTB has identified the following technical considerations:
- i) As currently drafted, this bill uses the undefined term, "filing fee." It is unclear if the filing fee would be limited to the fee paid when submitting the form, or if any additional fees paid or incurred by the qualified taxpayer to have someone complete and submit the form on their behalf would be considered the "filing fee." The absence of a definition could lead to taxpayer confusion.
 - ii) "Board" is defined for purposes of the R&TC to mean "Board of Equalization." For clarity, subdivision (f) should be amended to replace "board" with "Franchise Tax Board."
 - iii) Section 17054.6 (b) of this bill is not needed; instead, the author may wish to remove references to "qualified taxpayer" and replace it with the term "individual" throughout this bill.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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