

# Tax Relief for California Taxpayers

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**T**he California Assembly recently passed legislation to offer inflation relief to California residents who filed their 2020 taxes along with addition tax-relief legislation. In this singlette, we touch on the key points of the new legislation.

## Better for Families (Inflation Relief) Tax Refund

California Assembly Bill No. 192 establishes what is commonly referred to as the “Inflation Relief Tax Refund.” This bill authorizes a one-time tax refund of up to \$1,050 for married filing jointly (MFJ) taxpayers with California Adjusted Gross Income (AGI) of up to \$500,000 with a dependent and up to \$700 payment for qualifying individual taxpayers with California AGI of up to \$250,000 with a dependent.



Payments will be distributed starting late October (the earliest) with the last batch expected to be sent by the middle of January 2023.

To qualify to receive the refund, you must meet the following criteria:

- Filed your 2020 tax return by October 15, 2021. If you didn't file your 2020 tax return by this date, you're not eligible for the refund. However, if you applied for an Individual Taxpayer Identification Number (ITIN) and had not received it by October 15, 2021, you must have filed your complete 2020 tax return by February 15, 2022.

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- Have a 2020 California adjusted gross income (AGI) of \$500,000 or less (married filing jointly or head of household) or \$250,000 or less (single filer)
- Have been a California resident for six months or more of the 2020 tax year
- Have not been eligible to be claimed as a dependent in the 2020 tax year
- Are a California resident on the date the payment is issued

If you qualify, you will receive a direct deposit payment (*if you filed your return electronically and indicated direct deposit on your tax return*); otherwise, you'll receive payment in the form of a debit card.

The payment amount you can expect depends on your adjusted gross income (AGI):

### **Joint Return**

- **\$150,000 or less:** \$1,050 with dependent or \$700 without
- **\$150,001 to \$250,000:** \$750 with dependent or \$500 without.
- **\$250,001 to \$500,000:** \$600 with dependent or \$400 without.

### **Head of Household**

- **\$150,000 or less:** \$700 with dependent or \$350 without.
- **\$150,001 to \$250,000:** \$500 with dependent or \$250 without.
- **\$250,001 to \$500,000:** \$400 with dependent or \$200 without.

### **Filing Single**

- **\$75,000 or less:** \$700 with dependent or \$350 without.
- **\$75,001 to \$125,000:** \$500 with dependent or \$250 without.
- **\$125,001 to \$250,000:** \$400 with dependent or \$200 without.

You can find your AGI on your state tax return:

- Line 17 on your 2020 Form 540
- Line 16 on your 2020 Form 540 2EZ

### **Additional Tax Relief**

Among other things, California Assembly Bill 194 does the following:

- Enacts a partial sales & use tax exemption for diesel fuel for the period October 1, 2022, through October 1, 2023.
- Extends California's partial conformity to the federal treatment of Paycheck Protection Program (PPP) loan forgiveness to apply to PPP loans approved after March 2021. (California Assembly Bill 80's – *the Coronavirus Aid, Relief, and Economic Security Act* – 25 percent gross receipts reduction threshold would still apply to deduct expenses paid with these forgiven loans.) If you already filed your 2021 tax returns and included the PPP loan forgiveness as taxable COD income, you should file amended returns.

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- Enacts a first-time late-filing penalty abatement program for individual taxpayers for tax years beginning on or after January 1, 2022. You qualify for this first-time penalty abatement only if you've filed all returns and paid or entered into an installment agreement for all outstanding tax liabilities (other than the late-filing penalty). Unlike the federal first-time abatement program, California's penalty abatement is available only once in a lifetime rather than once every four years.
- Allows the 2020 and 2021 Main Street Small Business Tax Credit (financial relief to qualified small businesses for the economic disruptions in 2020 and 2021 that have resulted in unprecedented job losses) to be claimed on an amended tax return.
- Extends the California Competes Tax Credit (CCTC) by five years, through the 2027–28 fiscal year. The CCTC is an income tax credit available to businesses that want to locate in California or stay and grow in California. Businesses of any industry, size, or location compete for over \$180 million available in tax credits by applying in one of the three application periods each year. Applicants are analyzed based on twelve different factors, including number of full-time jobs being created, amount of investment, and strategic importance to the state or region.

Every individual, family, and business is different, so if you have any questions regarding how the legislation discussed in this singlette affects your taxes, please [contact us](#).

We're here to help, and part of our responsibility to you, as your tax planning and tax-smart financial strategy firm, is to keep you informed of changes in legislation at the federal, state, and local levels that may impact your taxes and your finances overall. Also, if you haven't done so already, please schedule your [mid-year tax planning meeting](#) – because what you do now can have a significant impact on your future finances.



**Keep in touch.**

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