



CITY OF HUNTINGTON BEACH
2000 MAIN STREET, HUNTINGTON BEACH, CALIFORNIA 92648-2702

GRACEY VAN DER MARK
MAYOR

May 8, 2024

The Honorable Janet Nguyen
California State Senate
1020 O Street
Sacramento, CA 95814

RE: SB 1102 (SUPPORT)

Dear Senator Nguyen,

On behalf of the City of Huntington Beach, I write to express our support for SB 1102, which would enact tax exclusions for amounts received by Huntington Beach businesses in the settlement for claims relating to the October 2021 oil spill off the coast of Orange County.

On October 1, 2021, the San Pedro Bay Pipeline broke and spilled an estimated 24,500 gallons of crude oil into the waters about five miles offshore of Huntington Beach. Commercial fishers and processors, coastal real property owners and lessees, and waterfront tourism businesses sued companies owning container ships, alleging they were responsible because those ships dragged their anchors over the pipeline during a heavy storm prior to the spill, damaging the pipeline and ultimately causing it to leak.

On April 24, 2023, a settlement agreement was approved where some of the defendants agreed to pay \$50 million to commercial fishers, persons who owned or leased waterfront properties, or persons who worked in or owned business affected by the spill. Claims against other defendants remain pending.

Under current law, those receiving payments under the settlement agreement, or under any future settlements, may not be able to fully exclude them from taxable income for state tax purposes. SB 1102 rectifies that issue and allows the businesses of Huntington Beach harmed by this event to be compensated for their losses. This settlement doesn't make any business whole which is why an exclusion from paying personal and corporate taxes is needed.

It is for these reasons we support SB 1102 and appreciate your efforts to protect the businesses of Huntington Beach.

Sincerely,

Gracey Van Der Mark
Mayor

Cc: Huntington Beach City Council

AMENDED IN SENATE APRIL 11, 2024

SENATE BILL

No. 1102

Introduced by Senator Nguyen
(Coauthor: Assembly Member Davies)

February 13, 2024

An act to add and repeal Sections 17139.1 and 24309.9 of the Revenue and Taxation Code, relating to taxation, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1102, as amended, Nguyen. Personal Income Tax Law: Corporation Tax Law: oil spill: exclusions.

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.

This bill would provide an exclusion from gross income for any qualified taxpayer, as defined, for amounts received in settlements associated with the October 2, 2021, oil spill that occurred off the coast of the County of Orange near the City of Huntington Beach. The bill would repeal these provisions on January 1, 2029.

Existing law establishes the continuously appropriated Tax Relief and Refund Account and provides that payments required to be made to taxpayers or other persons from the Personal Income Tax Fund are to be paid from that account.

This bill would authorize the refund of overpayments of tax as a result of the above-described exclusion, in prior tax years, payable out of the

Tax Relief and Refund Account. By authorizing new payments from a continuously appropriated fund, this bill would make an appropriation.

Existing law requires that any bill that would authorize certain tax expenditures contain, among other things, specific goals, purposes, and objectives that the tax expenditure or exemption 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 apply its provisions to taxable years beginning before, on, and after the effective date of this bill. The bill would make legislative findings and declarations regarding the public purpose served by this bill.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) On October 2, 2021, an oil spill occurred off the coast of the
- 4 County of Orange near the City of Huntington Beach.
- 5 (b) The spill resulted in approximately 144,000 gallons of crude
- 6 oil seeping into the ocean from a ruptured pipeline.
- 7 (c) The spill forced beaches to close along the County of Orange
- 8 coast, resulting in significant property damage, loss of revenue
- 9 from closed businesses, and a loss in revenue to the fishing industry
- 10 due to the halting of fishing operations.
- 11 (d) The impacts on the fishing industry were the result of a ban
- 12 that encompassed 650 square miles of marine waters and
- 13 approximately 45 miles of shoreline, including all bays and harbors
- 14 from the City of Seal Beach to San Onofre State Beach.
- 15 SEC. 2. Section 17139.1 is added to the Revenue and Taxation
- 16 Code, to read:
- 17 17139.1. (a) Gross income does not include any qualified
- 18 amount received by a qualified taxpayer.
- 19 (b) For purposes of this section:
- 20 (1) "Qualified amount" means any amount received in settlement
- 21 by a qualified taxpayer from Amplify Energy Corp., Beta Operating

1 Company, LLC, San Pedro Bay Pipeline Company, or any other
2 ~~settling defendant~~ *qualified taxpayer* in settlement for claims
3 relating to the October 2, 2021, oil spill off the coast of the County
4 of Orange near the City of Huntington Beach.

5 (2) “Qualified taxpayer” means any of the following:

6 (A) Any taxpayer that owned real property located in the County
7 of Orange near the City of Huntington Beach during the October
8 2, 2021, oil spill who paid ~~and~~ *or* incurred expenses and received
9 amounts from a settlement arising out of or pursuant to the October
10 2, 2021, oil spill.

11 (B) Any taxpayer that resided within the County of Orange near
12 the City of Huntington Beach during the October 2, 2021, oil spill
13 who paid ~~and~~ *or* incurred expenses and received amounts from a
14 settlement arising out of or pursuant to the October 2, 2021, oil
15 spill.

16 (C) Any taxpayer that had a place of business within the County
17 of Orange near the City of Huntington Beach during the October
18 2, 2021, oil spill who paid ~~and~~ *or* incurred expenses and received
19 amounts from a settlement arising out of or pursuant to the October
20 2, 2021, oil spill.

21 (3) “Settlement entity” means the entity making the settlement
22 payment to a qualified taxpayer as described in paragraph (2).

23 (c) The settlement entity shall provide, upon request by the
24 Franchise Tax Board, documentation of the settlement payments
25 in the form and manner requested by the Franchise Tax Board.

26 (d) (1) This section shall apply to taxable years beginning
27 before, on, or after the effective date of the act adding this section.

28 (2) If the credit or refund of any overpayment of tax resulting
29 from the application of this section to a period before the effective
30 date of this section is prevented as of that date by the operation of
31 any law or rule of law, including *res judicata*, that credit or refund
32 may nevertheless be allowed or made if the claim therefor is filed
33 before the close of the one-year period beginning on the effective
34 date of the act adding this section.

35 (e) This section shall remain in effect only until January 1, 2029,
36 and as of that date is repealed.

37 SEC. 3. Section 24309.9 is added to the Revenue and Taxation
38 Code, to read:

39 24309.9. (a) Gross income does not include any qualified
40 amount received by a qualified taxpayer.

1 (b) For purposes of this section:

2 (1) “Qualified amount” means any amount received in settlement
3 by a qualified taxpayer from Amplify Energy Corp., Beta Operating
4 Company, LLC, San Pedro Bay Pipeline Company, or any other
5 ~~settling defendant~~ *qualified taxpayer* in settlement for claims
6 relating to the October 2, 2021, oil spill off the coast of the County
7 of Orange near the City of Huntington Beach.

8 (2) “Qualified taxpayer” means any of the following:

9 (A) Any taxpayer that owned real property located in the County
10 of Orange near the City of Huntington Beach during the October
11 2, 2021, oil spill who paid ~~and~~ *or* incurred expenses and received
12 amounts from a settlement arising out of or pursuant to the October
13 2, 2021, oil spill.

14 (B) Any taxpayer that resided within the County of Orange near
15 the City of Huntington Beach during the October 2, 2021, oil spill
16 who paid ~~and~~ *or* incurred expenses and received amounts from a
17 settlement arising out of or pursuant to the October 2, 2021, oil
18 spill.

19 (C) Any taxpayer that had a place of business within the County
20 of Orange near the City of Huntington Beach during the October
21 2, 2021, oil spill who paid ~~and~~ *or* incurred expenses and received
22 amounts from a settlement arising out of or pursuant to the October
23 2, 2021, oil spill.

24 (3) “Settlement entity” means the entity making the settlement
25 payment to a qualified taxpayer as described in paragraph (2).

26 (c) The settlement entity shall provide, upon request by the
27 Franchise Tax Board, documentation of the settlement payments
28 in the form and manner requested by the Franchise Tax Board.

29 (d) (1) This section shall apply to taxable years beginning
30 before, on, or after the effective date of the act adding this section.

31 (2) If the credit or refund of any overpayment of tax resulting
32 from the application of this section to a period before the effective
33 date of this section is prevented as of that date by the operation of
34 any law or rule of law, including res judicata, that credit or refund
35 may nevertheless be allowed or made if the claim therefor is filed
36 before the close of the one-year period beginning on the effective
37 date of the act adding this section.

38 (e) This section shall remain in effect only until January 1, 2029,
39 and as of that date is repealed.

1 SEC. 4. (a) For the purpose of complying with Section 41 of
2 the Revenue and Taxation Code, the Legislature finds and declares
3 that the purpose of the tax expenditure allowed pursuant to Sections
4 17139.1 and 24309.9 of the Revenue and Taxation Code, as added
5 by this act, is to provide essential relief to individuals who have
6 suffered injury, loss, inconvenience, and expenses resulting from
7 the devastating October 2, 2021, oil spill.

8 (b) (1) On January 1, ~~2030~~, 2032, the Franchise Tax Board
9 shall deliver to the Legislature a written report that includes both
10 of the following:

11 (A) The number of qualified taxpayers that excluded qualified
12 amounts from gross income, as those terms are used in this act, as
13 a result of the tax expenditure allowed by this act.

14 (B) The aggregate amount of those settlement payments arising
15 out of the October 2, 2021, oil spill.

16 (2) The report required by this subdivision shall be delivered
17 to the Legislature pursuant to Section 9795 of the Government
18 Code.

19 (3) The disclosure provisions of this subdivision shall be treated
20 as an exception to Section 19542 under Article 2 (commencing
21 with Section 19542) of Chapter 7 of Part 10.2 of Division 2 of the
22 Revenue and Taxation Code, and any taxpayer information shall
23 be in an aggregate and anonymized form.

24 SEC. 5. The Legislature finds and declares that Sections
25 17139.1 and 24309.9 of the Revenue and Taxation Code, as added
26 by this act, are necessary for the public purpose of preventing
27 undue hardship to taxpayers who reside, or used to reside, in a part
28 of California devastated by oil spills, and do not constitute a gift
29 of public funds within the meaning of Section 6 of Article XVI of
30 the California Constitution.

31 SEC. 6. This act is an urgency statute necessary for the
32 immediate preservation of the public peace, health, or safety within
33 the meaning of Article IV of the California Constitution and shall
34 go into immediate effect. The facts constituting the necessity are:

35 In order to provide essential relief to those persons who have
36 suffered injury, loss, inconvenience, and expenses resulting from
37 the devastating October 2, 2021, oil spill as soon as possible, it is
38 necessary that this act take effect immediately.

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