



Date: April 1, 2025

To: Members, Senate Appropriations Committee

From: Peter Blocker, Vice President of Policy

**Subject: SUPPORT for SB 302 (Padilla), as amended on March 27, 2025**

The California Taxpayers Association and the organizations listed below are proud to support SB 302, which would conform to federal law for taxable years after January 1, 2023, regarding the transferability and sale of federal environmental tax credits.

In 2022, as part of the Biden administration’s Inflation Reduction Act, the federal government extended and established various tax credits to incentivize the production of clean energy and encourage businesses to develop projects that meet strong labor standards. The Inflation Reduction Act also allowed taxpayers to transfer and sell specified federal environmental tax credits they generate, and specified income generated from the transfer of credits is not included in a taxpayer’s gross income for tax purposes.

California does not conform to the federal government’s treatment of environmental tax credits. Under existing law, any sales of these environmental tax credits are included in the seller’s gross income and are not deductible by the purchaser. A majority of states have conformed to the federal rules regarding the non-taxability of transferred or sold environmental credits, making California’s tax code particularly punitive to clean energy businesses.

California legislative leaders have set ambitious goals to reduce carbon emissions and accelerate the transition to a clean economy. The California Air Resources Board’s most recent scoping plan sets a 2045 target of achieving carbon neutrality, including cutting air pollution by 71 percent, reducing greenhouse gas emissions by 85 percent by 2045, and lowering fossil fuel reliance.

SB 302 would remove roadblocks to the state’s energy transition, improve energy affordability in California, and align California’s tax treatment of environmental credits with the federal government and that of a majority of other states. For this reason, CalTax and the signatories to this letter support SB 302.

On behalf of...

California Taxpayers Association  
 California Retailers Association  
 Council on State Taxation  
 Family Business Association of California

Kern County Taxpayers Association  
 Orange County Taxpayers Association  
 Silicon Valley Leadership Group  
 Solano County Taxpayers Association