

**First Regular Session
Seventy-Seventh General Assembly
STATE OF SAN ANDREAS**

INTRODUCED

LLS NO. 26-0718.01 Asa Miller x2741

HOUSE BILL 26-013

SENATE SPONSORSHIP

Zokaie

HOUSE SPONSORSHIP

Rocha, Willis, Young, Peterson

House Committees

Not assigned

Senate Committees

Not assigned

A BILL FOR AN ACT

CONCERNING REVISING STATE INCOME TAX FOR DEPENDENTS AND OTHER INCOME.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <https://saleg.uscgov.com>)

This bill establishes a refundable state child tax credit and exempts qualifying tip income and certain gig-based earnings from state income taxation beginning in tax year 2027. The bill is intended to provide targeted financial relief to working families, service industry employees, and individuals earning income through app-based or independent contractor work.

**Shading denotes HOUSE amendment. Underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.**

The legislation creates a refundable child tax credit available to eligible taxpayers for each qualifying child, with credit amounts and income eligibility thresholds determined through annual appropriations. The credit is designed to supplement existing federal tax benefits and provide support to low- and moderate-income households.

In addition, the bill exempts tip income and qualifying gig income — including earnings from rideshare, delivery, and other digital platform-based work — from state income taxation. Employers and platform companies must continue reporting income for informational purposes, and the Department of Revenue is directed to adopt rules to prevent misclassification of wages as exempt income.

The bill also requires the Department of Revenue to evaluate the fiscal and economic impacts of the tax changes and report findings to the Governor and the General Assembly.

1 *Be it enacted by the General Assembly of the State of San*
2 *Andreas:*
3 **SECTION 1. SHORT TITLE.** This bill shall be known and cited
4 as the “Tax Fairness Act.” **SECTION 2. LEGISLATIVE**
5 **FINDINGS AND INTENT.** (a) The General Assembly finds that
6 families with dependent children face increasing costs related to
7 housing, childcare, education, and healthcare. (b) Providing
8 targeted tax relief to working families supports economic stability
9 and improves child well-being. (c) Employees in service
10 industries and individuals participating in app-based or
11 independent contractor work frequently experience irregular
12 income and limited access to employment benefits. (d) Exempting
13 tip income and certain gig-based earnings from state income
14 taxation may provide immediate financial relief to workers while
15 supporting economic flexibility. (e) It is the intent of the General
16 Assembly to establish a state child tax credit and to exempt
17 qualifying tip income and certain gig income from state income
18 taxation while maintaining fair and efficient administration of the

1 tax system. **SECTION 3. DEFINITIONS.** For purposes of this
2 Act, unless the context otherwise requires: (a) “Department”
3 means the Department of Revenue. (b) “Qualifying child” means
4 a dependent child meeting eligibility requirements under state
5 income tax law. (c) “Tip income” means voluntary monetary
6 amounts received directly from customers in recognition of
7 services performed, whether received in cash, electronic form, or
8 through employer reporting systems. (d) “Gig income” means
9 income earned by an individual as an independent contractor or
10 through a digital platform facilitating short-term services,
11 including but not limited to rideshare, delivery, freelance, or
12 on-demand service platforms. (e) “Eligible taxpayer” means a
13 resident taxpayer filing a state income tax return. **SECTION 4.**
14 **CHILD TAX CREDIT.** (a) Beginning with tax year 2027, an
15 eligible taxpayer shall be allowed a refundable state child tax
16 credit for each qualifying child. (b) The amount of the credit shall
17 be established annually through appropriation and may vary based
18 on household income levels. (c) The credit shall be refundable,
19 allowing taxpayers with little or no tax liability to receive the full
20 value of the credit. (d) The Department shall establish income
21 phase-out thresholds to ensure the credit is primarily directed
22 toward low- and moderate-income households. (e) The credit
23 established by this section shall supplement and not replace any
24 federal child tax credit. **SECTION 5. EXEMPTION OF TIP**
25 **AND GIG INCOME FROM STATE INCOME TAX.** (a)
26 Beginning with tax year 2027, tip income and qualifying gig
27 income received by an eligible taxpayer shall be exempt from
28 state income taxation. (b) Employers and digital platform
29 companies shall continue to report earnings for informational
30 purposes as required under federal law. (c) The exemption
31 provided in this section shall not apply to: (I) Salaries or hourly
32 wages paid by an employer; (II) Bonuses or employer-distributed
33 service charges; or (III) Income reclassified for the purpose of

1 avoiding taxation. (d) The Department shall promulgate rules
2 necessary to prevent misclassification of wages as tip or gig
3 income. **SECTION 6. IMPLEMENTATION.** (a) The Department
4 shall update withholding tables, tax forms, and guidance materials
5 necessary to implement this Act. (b) The Department may adopt
6 rules necessary to administer the child tax credit and income
7 exemptions established by this Act. **SECTION 7. REPORTING**
8 **REQUIREMENT.** (a) On or before January 15, 2029, the
9 Department shall submit a report to the Governor and the General
10 Assembly evaluating: (I) Utilization of the child tax credit; (II)
11 Fiscal impact of the tip and gig income exemption; (III) Economic
12 effects on working families and independent contractors; and (IV)
13 Recommendations for modification if necessary. **SECTION 8.**
14 **EFFECTIVE DATE.** This Act shall take effect after the 90 day
15 period following the final adjournment of the Seventy-Seventh
16 general assembly and shall apply to income earned on or after that
17 date.