Blue Sky CONSULTING GROUP

Memorandum

To: Interested Parties

From: The Blue Sky Consulting Group

Date: November 24, 2025

Re: Fiscal Impacts of the Building an Affordable California Act (BACA)

Executive Summary

This memorandum summarizes the economic and fiscal impacts that would result from the Building an Affordable California Act (BACA). BACA is intended to streamline the CEQA process for certain construction projects in California by shortening review timelines and reducing uncertainty associated with the agency review process and project-related litigation; it would not create any new CEQA exemptions.

Key Findings

BACA would reduce per-project development costs, resulting in higher construction sector productivity

By reducing CEQA review process costs, delays and related litigation, BACA would reduce development costs, such as carrying costs, legal or consulting expenses and cost increases due to inflation. As a result, development costs per project would decline, thereby increasing productivity. These productivity benefits allow firms to produce more output given the same inputs, thereby increasing the size of the state's economy and therefore would result in an increase in tax revenues.

BACA would increase construction activity, generating additional tax revenues

Because BACA would reduce permitting delays and uncertainty, more essential projects would become feasible, and development activity would increase. While the precise extent of increased development due to the measure is not known, if BACA were to result in a 5% increase in annual statewide spending on impacted projects, this marginal activity would generate an estimated $12 billion of additional economic output annually and support over 38,000 new jobs in construction and other sectors. The personal income, corporate profits, and taxable sales associated with this marginal activity would generate an estimated $220 million in state General Fund tax revenue and $89 million in revenue for local governments annually. To the extent the measure increases the number or size of essential projects that proceed by more than 5%, the economic and tax revenue benefits would be higher as well.

The essential projects unlocked by BACA would generate growth in the state economy and state and local tax bases

The essential projects made feasible by BACA would themselves provide substantial economic and fiscal benefits once completed. Empirical studies have established that housing and infrastructure investments enhance business productivity, particularly in housing cost-constrained regions, by improving labor mobility and reducing the costs of key business inputs, such as shipping and utility expenses. These productivity increases would increase economic activity and tax revenue for state and local governments.

Baca would reduce costs for the state, local governments, and courts

For government-sponsored projects, the reduction in project development costs is a direct fiscal benefit. These benefits would allow for less expensive projects or more or larger projects for the same level of benefits.

Additionally, BACA would likely reduce the costs of CEQA review and litigation incurred by state and local governments.

Summary of BACA's Provisions

BACA revises state law to limit the costs and duration of CEQA review and related CEQA litigation for "essential projects," as defined by the measure. The essential projects category includes certain types of residential development, transportation, clean energy, water, and broadband projects, and health and public safety buildings.

Key provisions of BACA related to review timelines include limiting the initial review of any project's application for completeness to 30 days, completing subsequent reviews of completed applications to determine that the project is exempt within 90 days, determining whether to adopt a negative declaration (NEG) or mitigated negative declaration (MND) for the project within 180 days, and to certify an environmental impact report (EIR) for the project within 365 days. In addition, any judicial review resulting from a challenge to a project's determination must be completed within 270 days.

BACA also offers a streamlined alternatives analysis option for project proponents, prohibits review of public comments submitted after the close of the review period, prevents legal challenges of CEQA determinations not based on objective criteria, and limits the scope of judicial review.

How Many Projects Would Be Impacted by BACA?

According to State Clearinghouse data known as CEQAnet, over the past 24 months, there were on average 817 projects submitted each year that (1) would likely be considered an "essential project" under BACA and (2) had outcomes suggesting the project underwent CEQA review (i.e., were not deemed exempt from CEQA and prepared an EIR or received a NEG or MND). This project cohort includes CEQAnet filings categorized into the specific project categories identified as "essential projects" by BACA, such as residential development, power generation or transmission, transportation, and water facilities projects, as well as other types of "essential" projects, as summarized in Figure 1.[1]

Figure 1—Projects Subject to State Reporting Requirements and Potentially Affected by BACA*

	Past 24 Months				*Implied Annual Average*			
	NEG	**MND**	**EIR**	**TOTAL**	**NEG**	**MND**	**EIR**	**TOTAL**
Filings for Covered "Essential" Projects								
Residential	20	545	174	739	10	273	87	370
Power	0	36	17	53	0	18	9	27
Transportation	48	132	30	210	24	66	15	105
Water Facilities	9	165	20	194	5	83	10	97
Other**	78	273	88	438	39	136	44	219
Estimated Total "Essential" Project Filings	**155**	**1,151**	**329**	**1,634**	**77**	**575**	**164**	**817**
Estimated Non-Essential Project Filings	169	938	207	1,315	85	469	104	657
All Submitted Project Filings	**324**	**2,089**	**536**	**2,949**	**162**	**1,045**	**268**	**1,475**
Breakout of Residential Filings:								
Number of Filings:								
Residential (Project)	18	532	149	699	9	266	75	350
Residential (General Plan)	2	13	25	40	1	7	13	20
Number of Housing Units:								
Residential (Project)	583	43,063	111,821	155,467	292	21,532	55,911	77,734
Residential (General Plan)	410	30,189	322,672	353,271	205	15,095	161,336	176,636

**Source: CEQAnet, filings that require state review or receive state funding received between 11/6/2023 and 11/5/2025. (https://ceqanet.lci.ca.gov/Search/Advanced)*

*** Projects categorized as "Other" are allocated between essential and non-esssential projects in proportion to the allocation of categorized projects.*

To further illustrate the scale of this impact, the residential projects summarized in Figure 1 include two types of residential filings: (1) residential projects that refer to a specific project for a known number of residential units, and (2) modifications to local General Plans that modify zoning or density restrictions, annex land, or otherwise modify the number of housing units that are allowed to be built within that local jurisdiction or district. A review of the residential documents submitted to CEQAnet indicates that filings for specific projects represented 155,467 units over the 2-year period, or an average of 77,734 housing units per year. (For context, the US Census Bureau estimates that California issued building permits for an average of 116,000 new housing units per year statewide in 2022 and 2023, the most recent years for which data are available.)[2] Based on these data alone, if the provisions of BACA resulted in an increase in residential construction projects of 5% , that would represent approximately 3,900 additional housing units statewide annually.

BACA would also impact essential infrastructure construction activity. Based on CEQAnet data, there were 27 such power-related projects, 105 transportation projects, 97 water facilities projects, and 219 “Other” projects (e.g., fire stations, hospitals, etc.) per year over the past two years.

In addition to the CEQA review time limits, BACA would also restrict the time for judicial reviews associated with any CEQA filing. CEQAnet does not provide information on whether filings were subject to such review, but a 2023 report estimated that 1.9% of projects with a negative declaration, a mitigated negative declaration, or an EIR were involved in lawsuits over the 2013-2021 time period.[3]

The Economic and Fiscal Benefits of Reducing Construction Costs and Increasing Construction Activity

BACA is likely to generate ongoing economic and fiscal impacts in California through two channels. First, BACA would likely reduce essential project costs on a per-unit (or per-mile, etc.) basis, thereby increasing productivity. Lower costs and reduced uncertainty would in turn increase the level of development activity leading to more housing and essential infrastructure. Second, additional new housing and infrastructure would enhance economic growth in California by increasing labor and business productivity across economic sectors. These productivity increases and new construction activity would generate additional tax revenue at the state and local levels.

BACA generates economic and fiscal benefits by reducing development costs

How BACA reduces development costs

By reducing the uncertainty associated with protracted CEQA reviews, shortening review periods, and limiting the delays imposed by CEQA challenges, BACA would reduce per-unit development costs. First, CEQA reviews and litigation increase development costs related to consulting, legal services, and other administrative work. Second, protracted CEQA-related delays due to either the CEQA review itself or related litigation often impose higher carrying costs on developers by extending the period during which they are paying interest on loans or making insurance payments. Third, these delays impose costs in the form of uncertainty, given that investors may require a higher rate of return to compensate for the uncertainty and development costs may increase by more than the rate of inflation during the delay period. Over the 2014 – 2024 period, for example, construction costs in California increased by 5.0% annually, on average, while the California CPI increased by 3.3% annually.

Macroeconomic and fiscal impacts of per-project cost reductions

Reduced development costs would allow both public and private developers to provide the same construction output (i.e., units of new housing, miles of new road, gigawatts of clean energy) per dollar spent. The benefit of this increase in construction sector productivity would affect both the new or "marginal" construction projects undertaken as a result of BACA as well as all future construction projects in California subject to CEQA. Increases in construction sector productivity directly translate to increases in state economic output, generating fiscal benefits for state and local governments.

BACA's impact on government-sponsored essential projects

For essential projects sponsored by public agencies, the per-project cost reduction generates a significant fiscal benefit. First, in this context, since the government is the developer, it benefits from the reduction in carry costs and uncertainty discussed above ("How BACA reduces development costs").

Second, many attributes of the CEQA review process—including open-ended public comment periods, "late hits," and complex analyses of alternative project designs—impose significant time burdens on government staff, who must prepare updated technical analyses, draft revised impact studies, and coordinate the review process across several public departments.[4] Though developer fees may cover much of this cost when the project sponsor is a private developer,[5] governments fully bear these costs on public projects. BACA eliminates some of these cost drivers and limits the impact of others.

Increases in housing supply and investments in infrastructure raise economic productivity statewide

Due to BACA's impact on per-project development costs, the measure would result in an increase in the amount of construction activity statewide as more essential projects become feasible. The new construction unlocked by BACA, such as new housing or additional investment in public infrastructure, would generate economic and fiscal impacts for the state and local governments.

Despite the high demand for new homes in California, construction output in the state lags the nationwide average, suggesting that construction in California may be largely constrained by state and local land use regulations such as CEQA. Over the last 10 years (2015 – 2024), on average, 4.46 residential units were permitted nationwide for every 1,000 U.S. residents. In California, the permitting rate during this period was just 2.79 units per 1,000 residents, or 37% below the nationwide average.[6]

Historically, regions that have been able to expand housing supply and infrastructure have sustained faster growth in per capita GDP and wage growth, as more workers are able to live in areas with higher firm productivity. Similarly, unlocking additional investment in transportation infrastructure and energy capacity increases economic productivity by reducing business input costs. The economic growth resulting from an increase in essential project construction activity would result in larger per capita tax bases for both state and local governments.

Essential Housing Projects in High-Cost Regions Improve Worker Productivity and Provide Social Welfare Benefits

Constraints on housing development in regions with high economic productivity limit the extent to which the businesses in these regions can hire more workers. Several empirical studies have found that construction of new essential housing projects in these areas would therefore support statewide economic growth by enabling higher rates of employment growth in areas where per-worker economic output is higher.[7] Hsieh and Moretti (2019), for example, estimate that restrictive housing supply in U.S. coastal cities—including several in California—significantly reduced the growth in nationwide GDP over the 1964 - 2009 period.[8] In these cities, increases in firm productivity largely lead to growth in housing prices instead of growth in employment. Anthony (2022) shows that metropolitan areas with rising shares of cost-burdened renters experienced slower per capita GDP growth.[9]

Reducing housing costs through increased housing production may also provide economic benefits and lower state costs by improving public health.[10] As housing becomes more affordable, families have more income to allocate to other goods, such as health care or education, or to household savings, producing both immediate and long-term welfare improvements and lowering state costs for health and welfare programs. Additionally, high housing costs are correlated with household "overcrowding," and rates of overcrowding in California's high-cost metros are among the highest nationwide.[11] Reducing housing costs would reduce overcrowding, which research suggests may cause poorer educational outcomes and higher rates of transmission of disease.[12] Locating housing closer to job centers also shortens commute times, freeing time for work, rest, and caregiving, and reducing congestion-related productivity losses.[13]

Essential Infrastructure and Energy Projects Reduce Business Input Costs

State and local governments in California make significant investments in clean energy and infrastructure. At the state level, billions of dollars are spent annually subsidizing clean energy, grid infrastructure, and

other emissions-related initiatives.[14] Because these projects frequently incur costs due to CEQA and other permitting processes,[15] there is less funding available for other climate investments.

Unlocking additional investment in infrastructure and energy projects would also likely raise economic growth statewide, as these projects have been shown to increase business productivity by reducing key input costs. Investments in regional transportation networks—public streets, highways, and mass transit—reduce shipping times and costs and expand businesses' available labor markets by reducing commute times.[16] Investments in electricity generation and grid interconnection can have similar impacts, as energy costs comprise a significant share of total business expenses in many industries. In California, where both business and residential ratepayers face electric rates roughly twice the national average, increasing the supply of energy may have particularly large economic benefits.[17] Studies of regional power markets find that transmission upgrades and grid modernization can substantially reduce regional electricity costs.[18]

Estimation of Construction Period Impacts

The increase in residential and infrastructure project spending due to BACA would have both economic and fiscal effects on the State of California and local governments during the project construction periods as well.

Economic and fiscal impacts due to new construction depend on both the type of essential project undertaken and its scale. Construction firms generate economic impacts as they hire construction workers and purchase goods and services from suppliers statewide (i.e., "construction period impacts"). These economic impacts lead to fiscal impacts for state and local governments, as the increase in personal income, firm profits, and taxable sales result in additional PIT, Corporation, and sales tax revenues.

The estimates shown in this section reflect the impacts of a 5% increase in annual construction spending on essential projects due to BACA. The baseline (or pre-BACA) level of annual spending in these project categories is an estimated $131.8 billion (out of roughly $276 billion in total annual construction sector spending).[19] Therefore, if essential project spending were to increase 5% due to BACA, annual spending would increase by $6.6 billion. Again, it is possible that BACA will increase project spending by more than 5%, thus increasing the economic and tax benefits for state and local governments.

Economic Impacts of New Essential Projects During the Construction Period

Construction period economic impacts were estimated using the IMPLAN model, which can project the total economic output and number of jobs supported by a given amount of construction sector spending. Construction project expenditures represent the "direct" economic impact generated during the construction period. This spending is largely comprised of labor expenses (i.e., wages and salary income for construction sector workers and personal income for proprietors) and purchases of goods and services by construction firms.

Direct project spending results in additional "indirect" and "induced" impacts (together "multiplier" impacts). Indirect impacts comprise the activities of businesses that supply construction firms with goods and services and the activities of the businesses that supply those suppliers. Induced impacts are attributable to the employees of these direct and indirect businesses who spend their income in the local economy.

As shown in Figure 2, a 5% increase in annual statewide construction sector spending on essential projects, or $6.59 billion of essential project value, would generate $12.05 billion annually in total state economic

output. This spending would support 21,952 direct jobs in the construction sector and 38,416 jobs in total including multiplier jobs.

Figure 2 – Economic Impacts of 5% Increase in Essential Project Construction Spending

	Direct	Multiplier	Total
Economic Output (bil 2025 $)	$6.59	$5.46	**$12.05**
Wage & Salary Jobs*	21,952	16,463	**38,416**
*Jobs supported each year per 5% increase in annual spending on essential projects.			

Fiscal Impacts of New Essential Projects During the Construction Period

The fiscal impact attributable to new construction period activity includes any change in state or local costs and any change in one-time tax revenues.

First, though government costs would increase to the extent there are a greater number of essential project proposals to review, this marginal cost may be more than off-set by the per-project cost reductions—which apply to all essential projects, not just new projects—incurred by governments and the court system discussed above (see "BACA's impact on government-sponsored essential projects").

Second, state and local governments would collect additional tax revenue during each new project's construction period. The state's General Fund would collect personal income tax (PIT) revenue on the income earned by employees and proprietors of direct and multiplier businesses; corporation tax revenue on the corporate profits derived from this activity; and sales and use tax revenues on the purchases of taxable goods by direct and indirect businesses and their employees. The increase in the sales tax base would also generate sales tax revenue for local governments across the state.

The increase in each relevant tax base was derived from IMPLAN model estimates of the increase in employee compensation and proprietor income, corporate profits, and taxable sales. A detailed overview of the methodology used to calculate the increase in each revenue source is provided in the Appendix.

As shown in Figure 3, a 5% increase in essential project construction activity would generate $220 million for the state General Fund and $89 million for local governments statewide.

Figure 3 – Fiscal Impacts of a 5% Increase in Essential Project Construction Spending (mil 2025 $)

	State General Fund	Local Taxes
Personal Income Tax	$96.9	
Corporate Income Tax	$17.6	
Sales & Use Tax	$105.8	$89.0
Total	**$220.3**	**$89.0**

Appendix: Construction Period Fiscal Impact Methodology

Estimates of the state and local tax revenues generated during the construction period were developed based on IMPLAN model results, publicly available economic data, and state and local tax rates in effect as of FY 2024 - 2025.

State Corporate Income Tax

Estimates of corporation tax revenues were based on IMPLAN estimates of the corporate profits generated by direct and multiplier firms for each impacted sector. Total corporate profits for each industry were allocated to S-Corps and C-Corps in proportion to the share of total business receipts collected by each corporation type within that industry as of 2015, based on data published by the IRS's Statistics of Income (SOI) program.

The state corporate income tax revenues generated by these profits is based on data published by the State of California Franchise Tax Board (FTB). S-Corps pay a 1.5% rate on in-state profits (with the remaining 98.5% treated as pass-through income subject to the personal income tax), while an analysis of FTB data shows that C-Corps paid an average effective corporate income tax rate of 2.4% on their in-state profits over the 2013 – 2022 period (lower than the 8.84% statutory rate due to various deductions and tax credits and the ability to carry over net losses from prior years).[20]

State Personal Income Tax (PIT)

Construction period activity generates PIT revenue from three payer types: employees paid wages or salary by impacted firms; the proprietors of these firms; and the partners of impacted S-Corps, who pay PIT on their corporation's pass-through income.

Wage & Salary Jobs

Estimated PIT revenue from wage and salary employees was derived from IMPLAN's reported estimates of the number of wage and salary jobs (both direct and multiplier) in each industry supported by the direct construction activity. IMPLAN's aggregation of data collected by the federal Bureau of Economic Analysis (BEA) shows the distribution of occupation types (e.g., executives, administrative assistants, construction laborers) for each impacted industry (e.g., construction, professional services, manufacturing) in California along with the average annual compensation paid to that occupation in each industry. PIT revenues for workers in each occupation-industry pair were based on FTB data showing the average effective PIT rate imposed on PIT payers across various Adjusted Gross Income (AGI) buckets over the 2014 – 2020 period (e.g., Californians earning $60,000 - $80,000 faced a 2.7% average rate).[21]

Proprietor Employment

The IMPLAN model also reports estimates of the increase in proprietor income (i.e., income earned by the owners of businesses and the self-employed). The estimated effective PIT rate paid on this income was based annual business income data from the FTB. [22] Specifically, we estimated the weighted average effective tax rate for business income across all AGI buckets from 2014 through 2020, weighted by the total amount of net business income for each AGI bucket. This resulted in an overall effective tax rate of 4.26% on net business income.

Pass-Through Income from S-Corps

Estimation of the PIT revenue associated with S-Corp pass-through income was based on the same detailed annual FTB data described above. The weighted average effective PIT rate paid on pass-through income and

partnership profits was 9.32% for the period from 2014 through 2020. This rate was applied to 98.5% of the estimated S-Corp share of corporate profits reported by IMPLAN (i.e., total S-Corp profits less the 1.5% paid as corporate income tax).

Sales Tax - State General Fund & Local Shares

Sales tax revenue estimates were derived by multiplying the applicable sales tax rate by the estimated total taxable sales generated by the construction activity. The increase in taxable sales due to construction activity was based on the total value of intermediate inputs purchased by construction firms from their suppliers, as reported by the IMPLAN model, as well as the value of the commodities sold as induced outputs. In each case, the sales tax base was adjusted to exclude the value of non-taxable inputs (such as services).

State General Fund sales tax revenues were calculated by multiplying the total taxable sales by the General Fund's base sales tax rate (i.e., 3.9375%). Local sales tax revenues are based on a combined local rate of 3.31%, which includes the Bradley-Burns rate (1.25%), the Public Safety Fund rate (0.50%), and the 1991 and 2011 Realignment shares (1.0625% combined).

---

[1] CEQAnet categorizes filings into specific categories (e.g., "Residential," "Industrial," etc.), including an "Other" category. The named categories were determined to be "essential" or "non-essential" based on their category descriptions. Filings in the "Other" category were allocated between "essential" and "non-essential" projects by applying the percentage of named categories for each filing type. For the 801 "Other" project filings over the two-year period, this results in , resulting in 438 essential "Other" projects and 363 non-essential "Other" projects.

[2] Data from the U.S. Department of Commerce, Bureau of the Census, provided by the California Department of Finance (https://dof.ca.gov/forecasting/economics/economic-indicators/construction-permits/).

[3] "CEQA by the Numbers: Myths & Facts," prepared by The Housing Workshop, May 2023 (https://rosefdn.org/wp-content/uploads/CEQA-By-the-Numbers-2023-5-5-23-Final.pdf).

[4] LAO, "A.G. File No. 2023-025" (October 27, 2023) (https://lao.ca.gov/BallotAnalysis/Initiative/2023-025#:~:text=Major%20Fiscal%20Effects,exceeding%20%241%20billion%20per%20year).

[5] For projects proposed by private developers, CEQA reviews are largely paid for by fees charged by the lead governmental agency conducting the review (usually a local city or county). These fees are intended to cover the cost incurred by the public agency in preparing or reviewing the necessary CEQA documents (Initial Studies, Negative Declarations, Environmental Impact Reports, etc.). Therefore, as a general matter, changes in these costs (either from an increase in total project load or from a decrease in per-project review costs) are largely offset by changes in the development fees assessed on project proponents.

[6] US Census Building Permits Survey (August 2025).

[7] Legislative Analyst's Office (LAO), "California's High Housing Costs: Causes and Consequences," March 17, 2015 (https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx).

[8] Chang-Tai Hsieh and Enrico Moretti, "Housing Constraints and Spatial Misallocation," American Economic Journal: Macroeconomics (2019).

[9] Jerry Anthony, "Housing Affordability and Economic Growth," Housing Policy Debate (2022).

[10] LAO (2015).

[11] Kate Cimini and Jackie Botts, “Close Quarters: California’s overcrowded homes fuel spread of coronavirus among workers,” June 12, 2020; LAO (2015).

[12] Reynolds-Salmon et al, “Does household size matter? Crowding and its effects on child development,” Claudia Solari and Robert Mare, “Housing Crowding Effects on Children’s Wellbeing,” Social Science Research (2012);

[13] Xiao, et al, "Commuting and Innovation: Are Closer Inventors More Productive?" Journal of Urban Economics (January 2021).

[14] Proposition 4, passed in 2024, approved a $10 billion climate bond. Over $4 billion in revenues from the state cap-and-trade system is contributed annually to the state’s greenhouse gas reduction fund (GGRF).

[15] Ben Swedberg and Adie Tomer, “California’s road to climate progress, Part 2” (October 28, 2025) (https://www.brookings.edu/articles/californias-road-to-climate-progress-part-2/) ; Vivian Yang, “For Clean Energy Progress in California, We Must Solve the Permitting Problem,” Union of Concerned Scientists (June 10, 2024) (https://blog.ucs.org/vivian-yang/for-clean-energy-progress-in-california-we-must-solve-the-permitting-problem-part-3-of-3/).

[16] National Economic Council, “An Economic Analysis Of Transportation Infrastructure Investment” (July 2014); United States Department of Transportation, “Freight Benefit/Cost Study: Compilation of the Literature” (2001) (https://ops.fhwa.dot.gov/freight/freight_analysis/econ_methods/comp_lit/sec_2.htm).

[17] Energy Information Administration (EIA), “Electric Power Monthly” (August 2025) (https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a&utm_source).

[18] Kemp, et al, “Electric transmission value and its drivers in United States power markets,” Nature Communications (2025).

[19] Total statewide construction sector spending is based on data available in the IMPLAN Data Library (https://support.implan.com/hc/en-us/articles/360061667513-IMPLAN-Data-Library), which synthesizes economic datasets published by the Bureau of Economic Analysis. IMPLAN allocates total construction spending across nine construction sub-sectors. For this analysis, the share of total spending attributable to essential projects excludes any spending in sub-sectors related to maintenance or repair activities, construction of new commercial, manufacturing, or educational or vocational buildings.

[20] FTB, Table C2-A and C2-B, California Open Data Portal (https://data.ca.gov/organization/california-franchise-tax-board). Average effective tax rates were calculated for each year over the 2013 – 2022 period by dividing the taxes paid to the state by C-Corps by the California share of their reported gross profits. The estimated effective rate of 2.4% reflects the average effective rate over this period.

[21] FTB, Table B-4A, California Open Data Portal. The period analyzed ended in 2020 to account for the changes made by AB 150, “California’s Passthrough Entity Elective Tax” which went into effect in 2021. Thie elective credit is used as a workaround to the $10,000 federal cap on state and local tax (SALT) deductions, allowing passthrough entities to pay a flat 9.3% rate as corporation taxes (deductible against federal tax liability) and receive an offsetting credit against personal income tax liability for the partner or shareholder. This results in more tax payments reported as corporation tax payments rather than business income payments, even though there is no change in overall state taxes collected. Because this change is set to expire after 2025, this analysis assumes effective tax rates in the forecast period will reflect rates more similar to the period prior to 2021. For more detail, see https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/february-2022/whats-new-for-filing-2021-tax-returns.html.

[22] FTB, Table B-4A, California Open Data Portal.