

## CALIFORNIA LEGISLATURE—2025-2026 SIMULATION SESSION

SENATE BILL

NO 26

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Introduced by Senator Grayson

(Co Signed By : Senator Blakespear, Senator McGuire, Senator Stern, Senator Weiner)

October 1, 2025

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An addition to the California Revenue and Taxation Code to Adopt IRA provisions related to renewable energy to the California Legislature

### LEGISLATIVE COUNSEL’S DIGEST

SB 26, as introduced, Senator Grayson. Economic Environmental Energy.

IN 2022, President Joseph Robinette Biden, enacted the Inflation Reduction Act, landmark legislation regarding reducing the deficit, reducing drug prices, and implementing climate energy. In 2025, President Donald John Trump enacted the “One Big Beautiful Bill” Act, which has endangered the very policies California has fought so hard to defend. Earth’s Climate is nearing a tipping point in terms of avoiding an ecological disaster, one that millions of Californians have continuously fought against by voting for more climate-friendly solutions. By enacting the Big Beautiful Bill, President Trump has endangered and silenced millions of voters’ voices, while simultaneously endangering the planet further.

As well, California’s Energy Crisis has been affecting millions of Californians, and costing them billions. Currently, as of 2025, the cost of energy in California is almost TWICE the national average. For residents, the current cost of energy is 33.52 cents/kWh, whilst the national average for residents is 17.47 cents/kWh. For commercial businesses, the state cost is 26.69 cents/kWh, while the national average is 13.63 cents/kWh. For industrial businesses, the state cost is 22.14 cents while the national average is 8.86 cents/kWh. These costs are extreme, and California’s citizens deserve better.

This bill, would aim to alleviate the stress of both these issues. The reasons for the high energy prices vary, but the most common issues include high inflation, AI energy demand, and outdated technology. The aim would be to implement and adjust the federal Investment Tax Credit, to California Legislature for Fiscal Year 2026 into Section 73 of California State Revenue and Tax Code. The aim of this bill is to reduce carbon-based emissions by continuing and advancing green energy emissions, while also reducing the cost of energy by repairing and upgrading powerlines and stations.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SEC. 1. General Provisions**

**(a) California recognizes the severity of the climate crisis, which unproportionally affects and endangers California due to its diverse climate.**

**(b). California recognizes the severity of the energy crisis, which has been caused by skyrocketing inflation rates, damaged or corroded power lines, and new Artificial Intelligence Data Centers**

**(c) California recognizes both of these issues affect all californians, regardless of race, gender, or wealth status.**

**SEC. 2. Definitions:**

**(1) “Active solar energy system” means a system that, upon completion of the construction of a system as part of a new property or the addition of a system to an existing property, uses solar devices, which are thermally isolated from living space or any other area where the energy is used, to provide for the collection, storage, or distribution of solar energy.**

**(2) “Active solar energy system” does not include solar swimming pool heaters or hot tub heaters.**

**(a) Active solar energy systems may be used for any of the following:**

**(b) Domestic, recreational, therapeutic, or service water heating.**

**(c) Space conditioning.**

**(d) Production of electricity.**

**(e) Process heat.**

**(f) Solar mechanical energy.**

**(3) Residential Home**

**Any residence as defined by Revenue and Taxation Code - RTC**

**DIVISION 2. OTHER TAXES [6001 - 61050] ( *Heading of Division 2 amended by Stats. 1968, Ch. 279.* ) PART 10. PERSONAL INCOME TAX [17001 - 18181] CHAPTER 1. General Provisions and Definitions [17001 - 17039.5]**

**(4) Businesses**

**(a) Any business as defined in Revenue and Taxation Code - RTC**  
**DIVISION 2. OTHER TAXES [6001 - 61050] PART 11. CORPORATION TAX LAW [23001 - 25141] CHAPTER 2. The Corporation Franchise Tax [23101 - 23364a] ARTICLE 1. Definitions and General Provisions 23101.**

**(5) Initial Construction**

**(a) any active solar energy system that is labelled with an official construction date beginning within any future fiscal year until the year 2035.**

**SEC. 3. Section 73 is amended to read:**

**(A) Pursuant to lowering the cost of energy per kilowatt hour, Artificial Intelligence centers, here-on known as simply as Data Centers, will be taxed a 10% rate on any income earned, to return to the state in order to;**

- (i) facilitate the reconstruction and modernization of power lines to ensure no energy is lost**
- (ii) recover lost revenue from tax credit implementation**

**(B) Pursuant to encouraging climate and green energy modernization, California will provide a tax incentive for initial construction of solar energy. The requirements for the tax incentive on businesses and homes will be as follows:**

**Residential Home: 15 percent**

**Industrial business: 30 percent**

**Retail business: 15 percent**