American Coatings ASSOCIATION™

August 11, 2026

Courtney Prideaux Smith
Principal Deputy Executive Officer
Clerks' Office
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments in Response to Modified Text – Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Dear Ms. Smith:

The American Coatings Association (ACA) submits the following comments to the California Air Resources Board (CARB or Board) regarding the agency's Modified Text – Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation (Proposed Regulation) for the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261). ACA is a voluntary, nonprofit trade association working to advance the needs of the paint and coatings industry and the professionals who work in it. The organization represents paint and coatings manufacturers, raw materials suppliers, distributors, and technical professionals. ACA serves as an advocate and ally for members on legislative, regulatory, and judicial issues, and provides forums for the advancement and promotion of the industry and coatings science. ACA appreciates the opportunity to comment and looks forward to working with CARB throughout the rulemaking process.

ACA provides the following recommendations to alleviate any undue burden imposed on the paint and coatings industry.

1. **Businesses within the paint and coatings industry should be exempt from the reporting requirements of SB 253 and SB 261.**

Under section 96071(b) of the Proposed Regulation, CARB has proposed that the following entities be exempt from SB 253's and SB 261's reporting requirements: (1) non-profit or charitable, tax-exempt organizations; (2) businesses subject to regulation by California's Department of Insurance, and insurance businesses in other states; (3) government bodies as well as companies that are majority-owned by government bodies; (4) businesses whose activity in the state of California consists solely of wholesale electricity transactions occurring in interstate commerce; and (5) businesses whose activity in the state of California derives solely from employee compensation or payroll expenses, including teleworking employees.

Businesses in the paint and coatings industry should be exempt from the reporting requirements of SB 253 and SB 261 as they are already subject to a plethora of reporting requirements in air quality and toxics regulations in the state. Regulations governing the industry include statewide requirements under the Board as well as the

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Office of Environmental Health Hazard Assessment, the Department of Toxic Substances Control, and the state's thirty-five local Air Districts (e.g., South Coast Air Quality Management District (SCAQMD), Bay Area Air Quality Management District, etc.). For instance, the Board imposes fees on certain architectural coatings manufacturers and consumer product manufacturers for volatile organic compound emissions in the state of California. Many of the same companies are also subject to fees assessed by the SCAQMD. The Proposed Regulation's reporting requirements and fee assessments will negatively impact the paint and coatings industry by piling on additional reporting obligations and fees to companies operating in California. Accordingly, given CARB's existing oversight of the paint and coatings industry in California, ACA urges the Board to exempt businesses within the paint and coatings industry.

2. **The proposed definition for the term 'doing business in California' should clearly indicate that it refers to either the sales of a parent company or a subsidiary company.**

Under section 96072(a)(8) of the Proposed Regulation, CARB has proposed that the term 'doing business in California' refers to entities that meet certain criteria within the state's Revenue and Taxation Code. Section 23101(b)(2) of California's Revenue and Taxation Code provides that an entity does business in the state of California if the taxpayer's sales in the state exceed the lesser of five hundred thousand dollars or twenty-five percent of the taxpayer's total sales. CARB's proposal fails to clarify whether the term 'doing business in California' refers to either the sales of a parent company or a subsidiary company. Without clarification, there is no certainty as to the meaning of this provision and how it applies to specific corporate relationships and structures. Companies in the paint and coatings industry utilize many different corporate structures and application of this provision may determine whether certain entities are covered and must report. Accordingly, ACA urges CARB to clarify its proposed definition of 'doing business in California' so that companies with varying structures understand the scope of the requirements.

3. **The proposed definition for the term 'revenue' should clearly indicate that it refers to revenue generated in the state of California.**

Under section 96072(a)(13) of the Proposed Regulation, CARB has proposed that the term 'revenue' have the same meaning as the term 'gross receipts.' California's Revenue and Taxation Code defines the term 'gross receipts' as the following:

> [T]he gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold.

CARB's proposal unfairly burdens members of the paint and coatings industry by failing to clarify whether the term 'gross receipts' refers to a company's global gross income or state gross income. Without clarification, the term 'gross receipts' refers to a company's global gross income. Companies with over $1 billion or $500 million in gross receipts, no matter the actual size of the entity's business activities in California, will be forced to comply with SB 253's and SB

261’s reporting requirements and fee assessments. Accordingly, ACA urges CARB to revise its proposed definition for the term ‘revenue’ and clarify that only entities’ state gross income will be considered.

4. **CARB’s data collection process has not been properly utilized to calculate the proposed fee assessment.**

SB 253 and SB 261 authorize CARB to assess an annual fee to reporting and covered entities for the implementation and administration of the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act. Under section 96073(c) and (d), CARB has proposed issuing a flat fee per entity, which means that an entity’s annual fees under SB 253 and SB 261 will be calculated by dividing the annual program cost by the total number of reporting and covered entities.

ACA is concerned that CARB’s proposed fee assessment will require members of the paint and coatings industry to pay an annual fee that is disproportionate to the company’s actual performance in the state of California (e.g., based off the company’s GHG emissions, etc.). It does not appear that the Board’s standard data collection process is being implemented appropriately in the rulemaking for SB 253 and SB 261. Accordingly, ACA recommends that CARB take the necessary steps to conduct an evaluation or survey of reporting and covered entities’ activities in the state of California prior to assessing any annual fee requirements.

5. **Extend CARB’s proposed reporting deadline under SB 253 to November 10, 2027, at the earliest.**

Under section 96076(a) of the Proposed Regulation, CARB has proposed a November 10, 2026 reporting deadline. Given the rulemaking schedule, a November deadline for reporting does not provide enough time for paint and coatings companies to develop the necessary report. The deadline should be extended by a year.

Looking forward in the rulemaking process, upon Board approval, the Proposed Regulation will be re-sent to the state’s Office of Administrative Law (OAL) for review. The OAL will have thirty working days to approve or disapprove the Proposed Regulation. Consequently, the final regulations for SB 253 could come as late as winter 2026. Without any relevant existing guidance or final regulations for SB 253 in place, ACA is concerned that members of the paint and coatings industry will be forced to hastily develop their Scope 1 and Scope 2 GHG emissions report by the November 10, 2026 deadline. Accordingly, ACA urges CARB to extend the proposed reporting deadline under section 96076(a) of the Proposed Regulation to November 10, 2027, at the earliest.

Thank you for your consideration of ACA’s comments. Please do not hesitate to contact me should you have any questions and/or require further clarification.

Sincerely,

Annebelle Klein
Environmental Policy Counsel, Government Affairs
American Coatings Association
901 New York Ave NW, Ste 300 W
Washington, DC 20001
aklein@paint.org | 202.893.3949