SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2222 (Ward) - Personal Income Tax Law and Corporation Tax Law: credits: local news organizations: business expense deduction: excessive employee remuneration

Version: June 29, 2026
Urgency: No
Hearing Date: August 3, 2026

Policy Vote: REV. & TAX. 4 - 0
Mandate: No
Consultant: Robert Ingenito

Bill Summary: AB 2222 would authorize a refundable credit to local news organizations to hire journalists working in California, as specified.

Fiscal Impact: The Franchise Tax Board (FTB) estimates that this bill would result in General Fund revenue increases of $9.9 million in 2026-27, $15 million in 2027-28, and $23 million in 2028-29. FTB would incur administrative costs of $434,000 in 2027-28, and minor amounts annually thereafter, to implement the provisions of the bill. (General Fund, see Staff Comments).

Background: Tax expenditure programs (TEPs) are special tax provisions that reduce the amount of revenues the “basic” tax system would otherwise generate in order to provide (1) benefits to certain groups of taxpayers, and/or (2) incentives to encourage certain types of behavior and activities, such as charitable giving. Specifically, current law provides for, among other things, various income and corporation tax credits and deductions, as well as exemptions from the sales and use tax. The Department of Finance is required to publish a list of TEPs (currently totaling several hundred), which currently exceed $94 billion annually.

California does not automatically conform to federal tax law changes, except for certain retirement provisions. Instead, the Legislature must affirmatively adopt federal changes through either individual conformity bills or omnibus conformity legislation. California generally conforms to the Internal Revenue Code (IRC) as of January 1, 2025 (SB 711, McNerney, 2025).

IRC Section 162(m) generally limits publicly traded corporations to a $1 million deduction for compensation paid to certain highly compensated employees. The Tax Cuts and Jobs Act (2017) expanded the definition of covered employees, and the American Rescue Plan Act (2021) further expanded it, effective for taxable years beginning after December 31, 2026. The House Resolution 1 (2025) additionally applies the $1 million deduction limit on a controlled-group basis for taxable years beginning after December 31, 2025. Because California conforms to federal law only through January 1, 2025, current law reflects the TCJA changes but not the subsequent ARPA expansion or the controlled-group aggregation rule enacted in H.R. 1.

Most California personal income and corporation tax credits are nonrefundable. Current law limits the use of most business tax credits to $5 million annually through the 2030 taxable year, subject to specified exceptions, while allowing taxpayers to elect a refundable credit for disallowed amounts. Beginning in 2031, credits generally will be limited to the greater of $5 million or 75 percent of tax liability (SB 122, Committee on Budget and Fiscal Review, 2026).

Local newspapers and newsroom employment have declined significantly over the past two decades because of falling circulation and advertising revenue, resulting in reduced local news coverage nationwide.

Proposed Law: This bill, among other things, would do the following:

- For taxable years 2027 through 2031, allow a credit against the personal income tax and corporation tax to a qualified taxpayer, as defined, equal to $20,000 for each qualifying journalist, as defined, continuously employed on a full-time basis by the taxpayer, not to exceed 5 qualifying journalists.

- Allow a credit of $15,000 for each qualifying journalist continuously employed on a full-time basis by the taxpayer in excess of 5 qualifying journalists, and a credit of $7,500 for each qualifying journalist employed on a part-time basis by the taxpayer.

- Allow an additional credit of $15,000 for each qualifying journalist employed on a full-time basis in a new journalism position, as defined.

- Require the amount of the credit exceeding the taxpayer’s liability to be credited against other amounts due, if any, and would require the balance to be refunded to the taxpayer as specified.

- Require FTB to publish a report on its internet website listing specified information regarding usage of the tax credits. Additionally require FTB to submit a report to the Legislature providing guidance on potential administration and enforcement of a refundable tax credit for organizations exempt from federal income tax, as provided.

- Conform state law to changes made to federal law by ARPA and H.R. 1 to IRC 162(m), as specified.

Related Legislation: SB 1327 (Glazer, 2024) would have allowed a PIT or CT credit to a qualified taxpayer who pays or incurs costs for qualified services related to local news media. The bill was referred to, but not heard by, the Assembly Revenue and Taxation Committee.

Staff Comments: This bill would have two offsetting General Fund revenue impacts. On net, the measure is estimated to increase General Fund revenues by $9.9 million in 2026-27, $15 million in 2027-28, and $23 million in 2028-29. These estimates reflect the following:

- The bill's tax credit for qualifying news organizations would reduce General Fund revenues by an estimated $19 million in 2026-27, $43 million in 2027-28, and $42 million in 2028-29.

- The bill's conformity with federal law limiting the deductibility of compensation paid to certain highly compensated employees would increase General Fund revenues by an estimated $29 million in 2026-27, $58 million in 2027-28, and $65 million in 2028-29.

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