CONCURRENCE IN SENATE AMENDMENTS
AB 2222 (Ward and Wicks)
As Amended August 27, 2026
2/3 vote

SUMMARY

Authorizes a refundable credit under the Personal Income Tax (PIT) Law and the Corporation Tax (CT) Law for qualifying local news outlets that hire qualifying journalists working in California, as specified, and conforms state law to recent federal changes to the Internal Revenue Code (IRC) Section 162(m), relating to the deductibility of certain excessive employee compensation.

Senate Amendments

1) Conform state tax law to two recent federal changes made to IRC Section 162(m): the expanded definition of covered employee enacted by the American Rescue Plan Act (ARPA) of 2021, and the controlled group aggregation rule enacted by the One Big Beautiful Bill Act (OBBBA).

2) Add the refundable credit created by this bill to the list of tax credits that can reduce a taxpayer's liability below the tentative minimum tax (TMT).

3) Provide that the credit created by this bill, for purposes of the PIT Law, is applied after other credits provided under existing law.

4) Define "annualized wages, salary or passthrough income" as the wages, salary, or passthrough income paid to or earned by the individual for qualifying employment during the taxable year, divided by the number of weeks of that employment during the taxable year, multiplied by 52.

5) Authorize the credit, under the CT Law, to be applied against any tax liabilities that may be owed by an exempt (nonprofit) organization for their unrelated business tax income and provide that the excess credit shall be refunded to the taxpayer.

6) Require the Franchise Tax Board (FTB) to issue guidance for nonprofit organizations to claim the credit no later than January 1, 2028, including the form and manner in which those organizations shall claim the credit and receive a refund for excess credit amounts.

7) Add chaptering out language to resolve conflicts with AB 2319 (Schultz), of the current legislative session, which amends the same code sections relating to the TMT under the PIT Law and CT Law.

COMMENTS

1) *Credits to support local journalism*: AB 2222 authorizes, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, a refundable credit under the PIT and CT Laws to a qualifying local news organization as follows:

   a) $20,000 for each qualifying journalist continuously employed on a full-time basis, as defined, by the qualified taxpayer;

b) $15,000 for each qualifying journalist continuously employed on a full-time basis in excess of five journalists employed by the qualified taxpayer;

c) An additional $15,000 for each qualifying journalist employed on a full-time basis in a "new journalism position", as defined, and;

d) An additional $7,500 for each qualifying part-time journalist employed on a part-time basis by the qualified taxpayer.

This bill defines "qualified taxpayer" as a person or entity engaged in a trade or business within California that owns or operates a local news outlet that satisfies all of the following:

a) Is organized in California, or legally registered to conduct business within California, for at least 12 months prior to the start of the taxable year;

b) Operates a qualifying digital news outlet, qualifying broadcast station, or qualifying print publication, as defined;

c) Publicly discloses all of its beneficial owners, or its board of directors if the taxpayer is a nonprofit entity, on its internet website or in its publication;

d) Carries active media liability insurance coverage continuously for the taxable year;

e) Maintains and publicly displays an editorial policy for error correction and clarification that includes an accessible process for reporting errors and complaints; and,

f) Is not controlled, either directly or indirectly, by:

   i) A political action committee (PAC) or political organizations (like PACs, Super PACs, and campaign committees) described in IRC Section 527; or,

   ii) An organization that is exempt from federal income taxation pursuant to IRC Section 501(c)(4), which is the IRC designation for social welfare organizations and local employee associations.

This bill also provides that to be considered a "qualifying journalist," the individual must:

1) Reside in California;

2) Be employed by a local news organization on a full-time basis of at least 30 hours per week for more than 26 weeks with annual income of $35,000 or more for the taxable year; and,

3) Have primary job duties that occur in California.

A "qualifying part-time journalist" must be employed by a local news organization on a part-time basis of at least 20 hours per week, but less than 30 hours per week, for more than 26 weeks, with an annual income of no less than $25,000 for the taxable year.

2) *Conforming to changes in federal tax law*: State law does not automatically conform to changes in federal tax law, except for specific retirement provisions. Instead, the Legislature must affirmatively conform to federal changes, which it can do in two different ways. First, the Legislature can pass an individual tax bill that conforms to a specific federal provision, such as the Regulated Investment Company Modernization Act (AB 1423 (Perea), Chapter 490, Statutes of 2011). Second, the Legislature can enact one omnibus bill to provide that state law conforms to federal law as of a specified date. Currently, state law generally conforms to federal tax law as of January 1, 2025 (SB 711, (McNerney) Chapter 231, Statutes of 2025).

3) *IRC Section 162(m)*: Federal tax law generally allows businesses to deduct compensation paid to covered employees. For publicly held corporations, this annual compensation deduction is limited to $1 million per covered employee. Effective for tax years beginning after 2017, the Tax Cuts and Jobs Act (TCJA) modified the definition of covered employees for purposes of the $1 million deduction limit for publicly held companies to include the CEO, the CFO, and the next three highest compensated officers. The TCJA also expanded covered employees to include anyone who was ever a covered employee, such as covered employees who terminated employment or retired. The ARPA further revised the definition of covered employees to include the next five highest paid employees, regardless of whether they are officers.

   In 2025, section 70603 of the OBBBA extended the $1,000,000 deduction limitation of IRC Section 162(m) to include a controlled-group aggregation rule. If a publicly held corporation is part of a controlled group under IRC Section 414, compensation paid by all controlled-group members to a specified covered employee is aggregated for purposes of the $1 million limitation, and the allowable deduction is allocated among group members in proportion to the remuneration each member paid. Those amendments apply for federal tax purposes to taxable years beginning after December 31, 2025.

   California generally conforms to IRC Section 162(m) as of the specified date, January 1, 2025, with modifications. Under current state law, the Revenue and Taxation Code conforms to TCJA's amendments to IRC Section 162(m)(3), but does not conform to ARPA's expanded definition of covered employee. Further, because the OBBBA was enacted after January 1, 2025, California does not conform to the controlled group aggregation rule.

According to the Author

Local journalism plays an essential role in strengthening democracy and civic engagement by ensuring communities have access to reliable information about local government, schools, and public safety. Yet across the country and in California, local news organizations are facing unprecedented financial challenges that have led to widespread newsroom closures and a dramatic decline in the number of journalists covering local communities. AB 2222 provides targeted relief to local news organizations by creating a refundable tax credit tied directly to the employment of journalists. By helping offset the cost of retaining and hiring reporters, photographers, editors, and other newsroom staff, this bill aims to stabilize local news outlets and encourage greater investment in original reporting that serves California communities. Supporting local journalism means supporting informed communities, stronger civic participation, and greater transparency in government. AB 2222 represents a practical step to help sustain the journalists who provide Californians with the trusted local reporting they depend on every day.

Arguments in Support
This bill is supported by the California News Publishers Association, which notes, in part:

> In California, more than one-third of newspapers have closed since 2005, according to a 2023 Northwestern Medill School of Journalism report. As the tech industry has monopolized digital advertising dollars that once provided the bulk of news organizations' revenues, the California news industry has contracted sharply: the number of journalists in the state has dropped by some 68 percent since 2005, according to the Medill study. This journalism crisis touches every corner of the industry. Nearly all local news organizations, regardless of size or business model, are struggling with declining advertising and circulation revenues.
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> Providing tax credits for journalism jobs is one direct way that California can support the remaining local journalists who continue to play a vital role in informing our communities. Tax credits are an optimal public policy because they would provide economic benefits to journalists working at all kinds of organizations: small, medium and large, rural, suburban or urban, nonprofit or commercial, print, digital or broadcast.

Arguments in Opposition
This bill is opposed by the California Taxpayers Association, which notes, in part:

> AB 2222 proposes to raise taxes at a time when the state's residents are rightly concerned about affordability. California has already increased taxes on employers this year by billions of dollars, including taxing digital prewritten software and Software-as-a-Service and placing a permanent limitation on the use of business tax credits, and this bill would add to this burden by increasing taxes on publicly traded companies by tens of millions of dollars more. In addition to these taxes, tax increases have been imposed on California employers as a result of the unaddressed debt in the state unemployment insurance system…
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> Although the bill ostensibly targets executive compensation, taxes imposed on employers do not stay with employers. Higher costs are passed through to taxpayers in the form of higher prices, fewer jobs, lower wages, and reduced investment and expansion.

FISCAL COMMENTS

According to the Senate Committee on Appropriations, the 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.

VOTES:

ASM REVENUE AND TAXATION: 5-2-0
YES: Gipson, Carrillo, McKinnor, Quirk-Silva, Michelle Rodriguez
NO: Sanchez, DeMaio

ASM APPROPRIATIONS: 12-2-1
YES: Wicks, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
NO: Hoover, Tangipa
ABS, ABST OR NV: Ta

ASSEMBLY FLOOR: 63-10-7
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, Elhawary, Fong, Gabriel, Gallagher, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO: DeMaio, Dixon, Ellis, Flora, Jeff Gonzalez, Hoover, Johnson, Macedo, Patterson, Sanchez
ABS, ABST OR NV: Castillo, Chen, Hadwick, Lackey, Celeste Rodriguez, Ta, Tangipa

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