



STATE OF CALIFORNIA  
**Franchise Tax Board**

# **Workers' Tax Credit Report**

**Economic and Statistical Research Bureau**

## **Purpose**

This report is intended to fulfill the Franchise Tax Board's (FTB) obligation under Assembly Bill 158 (Chapter 737, Statutes of 2022), which added Revenue & Taxation Code (RTC) section 17053.75, and included language requiring the FTB, while the credit is in effect, to annually report to the Legislature on the number of returns claiming the credit and the aggregate amount of credits claimed for the most recent taxable year for which information is available.

Prepared by the Staff of the  
Franchise Tax Board  
STATE OF CALIFORNIA

Members of the Board:  
Malia M. Cohen, Chair  
Sally J. Lieber, Member  
Joe Stephenshaw, Member

Executive Officer: Selvi Stanislaus

## Background

Chapter 737 of the Statutes of 2022 (AB 158) added RTC Section 17053.75, establishing the Workers' Tax Credit for dues paid to a bona fide labor organization by a qualified taxpayer during the taxable year. The credit is operative for taxable years beginning on or after January 1, 2024, provided that appropriations are made in the annual Budget Act. There is no sunset date.

The credit amount is equal to the greater of:

- a) Union dues paid in the tax year by the qualified taxpayer multiplied by an adjustment factor; or
- b) Union dues paid in the tax year not to exceed \$100, indexed annually for inflation.

If the Budget Act does not appropriate funds for this credit, the adjustment factor in a) is 0 for that tax year and the dollar amount listed in b) shall be zero dollars for that taxable year.

Any excess credit amount exceeding the qualified taxpayer's tax liability for the taxable year will be issued as a refund against other amounts due. The credit does not have a carryover provision.

A "qualified taxpayer" is an individual who satisfies both of the following:

- Is represented for purposes of collective bargaining by, and who pays dues or dues equivalents to, a bona fide labor organization; and
- Meets any of the following requirements:
  - Has wages subject to withholding pursuant to Division 6 of the Unemployment Insurance Code;
  - Is a provider of in-home supportive services; or
  - Is a provider of waiver personal care services.

A "bona fide labor organization" is a labor organization that satisfies all of the following:

- Is exempt from income taxes pursuant to RTC Section 23701a<sup>1</sup>;
- Represents employees in California as to wages, hours, and working conditions;
- Its officers have been democratically elected by its membership or otherwise in a manner consistent with federal law; and
- Is free of domination or interference by any employer and has received no improper assistance or support from any employer.

---

<sup>1</sup> RTC section 23701a pertains to labor, agricultural, or horticultural organizations other than cooperative organizations.

## **Franchise Tax Board Statutory Reporting Requirements**

Under Chapter 737 of the Statutes of 2022, the FTB is required to provide an annual report to the Legislature on the following, while the credit is in effect:

- The total number of returns claiming the credit; and
- The aggregate dollar amount of credits claimed for the most recent taxable year for which information is available.

### **Data**

The Workers' Tax Credit was not funded in the annual Budget Act for tax year 2024, resulting in an allowance of \$0 for that year. Tax year 2024 would be the most recent year for which credit information is available, but due to the allowance amount, there are no credit claims to report.

For tax year 2025, the legislature determined an appropriation amount of \$0 for the Workers' Tax Credit. There will be no expected credit claims, but the information will be included in next year's report.