



Bill Analysis

Author: Glazer, et al.

Sponsor:

Bill Number: SB 1327

Related Bills: See Legislative
History

Amended: March 20, 2024,
May 2, 2024, and May 16,
2024

SUBJECT

Local News Media Tax Credit

SUMMARY

Under the Personal Income Tax Law (PITL) and Corporation Tax Law (CTL), for each taxable year beginning on or after January 1, 2024, and before January 1, 2029, this bill would provide a credit to a qualified taxpayer who pays or incurs costs for qualified services related to local news media and who receives a credit reservation from the Franchise Tax Board (FTB).

Under the PITL and CTL, for taxable years beginning on or after January 1, of an unspecified year, this bill would require any person engaged in data extraction transactions in the state, to pay, on an annual basis, to the state a tax equal to 7.25 percent of gross receipts derived from data extraction transaction in the state during the taxable year. The FTB would be required to administer this tax.

This bill would create the Data Extraction Mitigation Fee Fund (DEM Fee Fund) within the State Treasury. All revenues, interest, and penalties derived from the tax imposed under Data Extraction Mitigation Fee (DEM Fee), less refunds, and reimbursements to the FTB for expenses incurred in administering and collection of tax, would be required to be deposited in the fund. Specified moneys in the fund would be used to issue grants, by reservation to organization who were eligible for the credit proposed in this bill. The FTB would be required to issue and administer the grants.

FTB would also be required to provide Section 41 reporting requirements on the performance of the credit to the Legislature.

RECOMMENDATION

No position—The FTB has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 20, 2024, amendments removed provisions of the bill related to property taxation and replaced them with the provisions discussed in this analysis.

The May 2, 2024, amendments added coauthors, modified the credit requirements for a qualified taxpayer, made the credit refundable, added deduction language, created the DEM Fee Fund, and created the Data Extraction Mitigation Fee Law.

The May 16, 2024, amendments added additional coauthors, increased the credit amount for a "qualified small publication," modified some requirements of defined terms, modified the credit reservation provisions, and expanded allocation of moneys collected in the DEM Fee Fund.

This is the FTB's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to increase employment of local journalists and support local news organizations.

ANALYSIS

Tax Credit

This bill would, under the PITL and CTL, for each taxable year beginning on or after January 1, 2024, and before January 1, 2029, provide a credit to a qualified taxpayer who pays or incurs costs for qualified services and receives a tentative credit reservation from the FTB.

The credit amount would be equal to twenty percent of costs incurred to acquire freelance content produced by individuals performing qualified services that is eventually published or broadcasted by the qualified taxpayer; and the sum of twenty percent of costs incurred to acquire freelance content produced by individuals performing qualified services that is eventually published or broadcasted by the qualified taxpayer and:

- For qualified taxpayers who have fewer than 10 employees on the first day of the taxable year and provide their qualified full-time employees with employer-provided group health insurance and provide employer-provided retirement benefits, or pension benefits as specified, the amount would be the sum of the following:
 - Forty percent of the qualified wages paid or incurred for all qualified full-time employees.

- Ten percent of the qualified wages paid or incurred to qualified full-time employees hired on or after the effective date of this bill being enacted, and before January 1, 2029, if the qualified taxpayer has a net increase in employment in the taxable year.
- For qualified taxpayers who have fewer than 10 employees on the first day of the taxable year and who does not provide their qualified full-time employees with employer-provided group health insurance and provides employer-provided retirement benefits, or pension benefits as specified, the amount would be the sum of the following:
 - Thirty-five percent of the qualified wages paid or incurred for all qualified full-time employees.
 - Ten percent of the qualified wages paid or incurred to qualified full-time employees hired on or after the effective date of this bill being enacted, and before January 1, 2029, if the qualified taxpayer has a net increase in employment in the taxable year.
- For qualified taxpayers who have 10 or more employees on the first day of the taxable year, and provide their qualified full-time employees with employer-provided group health insurance and provide employer-provided retirement benefits, or pension benefits as specified, the amount would be the sum of the following:
 - Thirty percent of the qualified wages paid or incurred for all qualified full-time employees.
 - Ten percent of the qualified wages paid or incurred to qualified full-time employees hired on or after the effective date of this bill being enacted, and before January 1, 2029, if the qualified taxpayer has a net increase in employment in the taxable year.
- For a qualified taxpayers who have 10 or more employees on the first day of the taxable year and who don't provide their qualified full-time employees with employer-provided group health insurance and provide employer-provided retirement benefits, or pension benefits as specified, the amount would be the sum of the following:
 - Twenty-five percent of the qualified wages paid or incurred for all qualified full-time employees.
 - Ten percent of the qualified wages paid or incurred to qualified full-time employees hired on or after the effective date of this bill being enacted, and before January 1, 2029, if the qualified taxpayer has a net increase in employment in the taxable year.

For a qualified small publication with five or fewer full-time employees throughout the taxable year, the above-described percentages used to compute the credit amount would be increased by five.

For qualified taxpayers who have ten or more employees, for the taxable year beginning on or after January 1, 2024, and before January 1, 2025, the taxpayer would not be able to receive a credit if they have ten or less qualified employees for the following two taxable years.

This bill defines the following terms:

“Disqualified organization” means any of the following:

- Any organization exempt from tax under Chapter 4 (commencing with Section 23701) of Part 11, related to exempt corporations, except for organizations exempt under Section 23701d, such as those organized or operated for religious or charitable purposes.
- Any organization described in Section 527 of the Internal Revenue Code (IRC), related to political organizations.
- Any organization that is owned or controlled, directly or indirectly, by one or more organizations described in the previous two bullet points.

“Eligible local news organization” means, with respect to any taxable year, any person or entity with primary circulation or distribution in the state who meets all of the following requirements:

- Publishes 24 or more qualifying publications distributed in the state during the taxable year.
- Is not a disqualified organization.
- Does not derive more than 50 percent of its gross receipts, less returns and allowances, from disqualified organizations in the taxable year.

“Local community” means, with respect to any qualifying broadcast station or qualifying publication, a geographically contiguous area in the state that does not exceed the boundaries of:

- In the case of a qualifying broadcast station, the area in the state for which the qualifying broadcast station is licensed to serve by the Federal Communications Commission under Section 307 of the federal Communications Act of 1934 (Public Law 73-416).
- In the case of a qualifying publication, the following:
 - If the qualifying publication is primarily distributed in a metropolitan or micropolitan statistical area in the state, as defined by the federal Office of Management and Budget, the metropolitan or micropolitan statistical area in which the qualifying publication is primarily distributed.
 - If the qualifying publication is not primarily distributed in a metropolitan or micropolitan statistical area, the county in which the qualifying publication is primarily distributed.

- For qualifying publications, in the case of qualifying publication that is a digital publication, the qualifying publication would be considered primarily distributed in the area where the publication is primarily consumed.

“Qualified broadcast station” means an employer who meets all of the following requirements:

- Owns or operates a broadcast station, as defined in Section 3 of the federal Communications Act of 1934 (Public Law 73-416), in the state.
- Is not a disqualified organization.
- Derives no more than 50 percent of its gross receipts, less returns and allowances, from disqualified organizations in the taxable year in which the credit is claimed.

“Qualified full-time employee” means an individual who meets both of the following requirements:

- Provides qualified services for an average of not less than 35 hours per week for each week the employee is employed by the qualified taxpayer or is a salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer.
- For qualified small publications, provides qualified services for an average of no less than 30 hours per week for each week the employee is employed by the qualified taxpayer who is a qualified small publication, or is salaried employee and was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer who is a qualified small publication.
- Resides in the state.

“Qualified services” means gathering, preparing, recording, directing the recording of, producing, collecting, photographing, writing, editing, reporting, presenting, or publishing original local community news for dissemination to the local community.

“Qualified small publication” means an eligible local news organization or a qualified broadcast station with five or fewer full-time employees throughout the taxable year.

“Qualified taxpayer” means an eligible local news organization or a qualified broadcast station in the state.

“Qualified wages” means those wages subject to withholding pursuant to Division 6 (commencing with Section 13000) of the Unemployment Insurance Code. For purposes of this credit, “qualified wages” also means only those wages paid or incurred beginning with the first day the qualified full-time employee provides qualified services to the qualified taxpayer.

“Qualifying publication” means any print or digital publication that satisfies all of the following:

- The primary purpose of the publication is to serve a local community in the state by providing local news.
- The publication was published in the state during the taxable year and the prior taxable year.
- The publication is covered by media liability insurance.

For purposes of this credit, all employees or businesses that are treated as related under Section 267, 318, or 707 of the IRC would be treated as employed by a single qualified taxpayer. Additionally, employees of trades or businesses that are not incorporated, and are under common control, would be treated as employed by a single qualified taxpayer.

The credit, if any, allowable by this bill with respect to each trade or business would be determined by reference to its proportionate share of the expense of the qualified wages giving rise to the credit and shall be allocated to that trade or business in that manner.

For purpose of controlled group of corporations, the criteria would be as follows:

- “Controlled group of corporations” means a controlled group of corporations as defined in Section 1563(a) of the IRC, related to special rules for controlled groups of corporations, except that:
- “More than 50 percent” would be substituted for “at least 80 percent” each place it appears in Section 1563(a) of the IRC.
- The determination would be made without regard to subsections (a)(4), related to certain insurance companies, and (e)(3)(C), related to constructive ownership, of Section 1563 of the IRC.
- Rules similar to the rules provided in Section 46(e) and 46(h) of the IRC, as in effect on November 4, 1990, would apply to both of the following:
- An organization to which Section 593 of the IRC, related to reserves for losses on loans, applies.
- A regulated investment company or a real estate investment trust subject to taxation under the Corporation Tax Law.

Any unused credits could be credited against other amounts due, if any, and the balance would be refunded to the taxpayer from the Tax Relief and Refund Account.

This bill would allow the FTB to prescribe any rules, guidelines, or procedures necessary for purposes of this section, including guidelines for the allocation of this credit. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the FTB pursuant to this section.

For prevention of improper claims being filed, the FTB may adopt any regulations as emergency regulations in accordance with rulemaking provisions of the Administrative Procedure Act (APA). These emergency regulations would become effective immediately, once filed with the Secretary of State.

Any deduction otherwise allowed under this part for qualified wages would be reduced by the amount of the credit allowed.

This credit would be required to be taken in lieu of any other credit that the qualified taxpayer may otherwise be allowed under this part with respect to amounts considered in calculating the credit allowed.

The credit would be required to be claimed on a timely filed original return and when the qualified taxpayer has received a tentative credit reservation. When a qualified taxpayer is allowed a credit pursuant to this section for qualified wages paid or incurred, only one credit shall be allowed to the taxpayer under this part with respect to any wage consisting in whole or in part of those qualified wages.

The net increase in full-time employees of a qualified taxpayer would be determined as follows:

The net increase in full-time employees would be determined on an annual full-time equivalent basis by subtracting from the amount determined in (1) from the amount determined in (2):

1. The total number of full-time employees employed in the previous year by the taxpayer and by any trade or business acquired by the taxpayer during the current taxable year.
2. The total number of full-time employees employed in the current taxable year by the taxpayer and by any trade or business acquired during the current taxable year.

In the case where a taxpayer first began doing business in the state during the taxable year, the number of full-time employees for the base year would be equal to zero.

Credit Reservation

The total aggregate amount of credit that would be allocated by credit reservation per calendar year to a qualified taxpayer, would not exceed an unspecified amount, plus any unallocated credit amount from the preceding calendar year, if any. A qualified taxpayer would be required to request a tentative credit reservation from the FTB in the form and manner prescribed by the FTB. In addition, the qualified taxpayer would be required to provide necessary information as determined by the FTB.

The FTB would be required to do the following:

- Approve a tentative credit reservation with respect to an eligible individual.
- Allocate an aggregate amount of credits, and allocate any carryover of unallocated credits from the prior year, depending on the annual cap as established.
- In the case where credit reservation requests exceed the cap amount, the FTB would be required to reduce the amount of credit on a proportional basis, and notify qualified taxpayers of their revised credit amount. The FTB would not be able to reduce any credit claimed by a qualified taxpayer who is a qualified small publication, unless the credit reservation requests from qualified taxpayers who are qualified small publications exceed the annual cap established.
- Prioritize processing credit reservation requests and credit claims from qualified small publications.

Section 41 Reporting Requirements

For purposes of complying with Section 41, the goal of the credit is to increase employment of local journalism in local news organizations. The performance indicators the Legislature can use to determine whether the credit meets the goal are the following:

- The number of taxpayers who utilized the credit.
- Total dollar amount of credits claimed.

The FTB would be required to analyze the performance indicators for each taxable year and report its findings to the Legislature, on or before May 1, 2032. The Section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

This credit would remain in effect until December 1, 2029, and would be repealed as of that date. However, this credit would continue to be operative for qualified full-time employees who began employment before January 1, 2029, with respect to their wages earned after the repeal date. The bill also prohibits wages of a qualified employee from being considered in determining any credit for taxable years beginning on or after January 1, 2034.

Data Extraction Mitigation Fee Law (DEM Fee)

This bill would add the DEM Fee Law to Part 10.9 to the Revenue and Taxation Code (RTC). The FTB would be required to administer and collect the DEM Fee, under Part 10.2 of the RTC, including, for taxable years beginning on or after January 1, of an unspecified year, the provisions for estimated payments.

The FTB would be able to prescribe rules, guidelines, procedures or other guidance to carry out the purpose of the DEM Fee. Additionally, the bill indicates that rulemaking procedures required under the APA (Government Code section 11340 et seq.) would not apply to any rules, guidelines, procedures or other guidance. The FTB may adopt any regulations, including regulations necessary to determine the location of a user and proper apportionment of revenue. Regulations could be adopted as emergency regulations in accordance with the APA and would become effective immediately upon filing with the Secretary of State and would remain in effect until revised or repealed by the FTB.

For purposes of the DEM Fee, the following definitions apply:

“Annual gross receipts” means revenue from all sources, before any expenses of any kind, computed according to generally accepted accounting principles.

“Data extraction transaction” means a transaction that satisfies both of the following:

- A taxpayer sells user information or access to users to advertisers.
- The taxpayer engages in a barter by providing services to a user in full or partial exchange for the ability to display advertisements to the user or collect data about the use.

Gross receipts would be considered to come from data extraction transactions if they were generated from the sale of advertising services on a digital interface, including, but not limited to advertisements by banner, search engines, interstitial, and other similar advertising methods that use personal information about people to cater ads to them.

“Data extraction transactions” do not include web hosting services and domain registrations.

“Digital interface” means any type of software, including a website, part of a website, or application that a user is able to access, and includes any type of software or any part of an internet application that a user is able to access.

“News media entity” means an entity, however organized, primarily engaged in the business of newsgathering reporting, or publishing or broadcasting articles or commentary about news, current events, or culture.

“Person” includes any person, firm, partnership, general partner of a partnership, limited liability company, registered limited liability partnership, foreign limited liability partnership, association, corporation, company, syndicate, estate, trust, business trust, or organization of any kind. A “person” would not include a news media entity.

“User” means an individual or other person who accesses the services of a taxpayer directly or indirectly with a digital interface.

For taxable years beginning on or after January 1, of an unspecified year, this bill would require any person engaged in data extraction transactions in the state, to pay, on an annual basis, to the state a tax equal to 7.25 percent of gross receipts derived from data extraction transaction in the state during the taxable year. This tax would be in addition to the franchise and income taxes imposed under Parts 10 and 11 of the RTC.

This tax would not apply to any person with less than two billion five hundred million dollars (\$2,500,000,000) in gross receipts derived from data extraction transactions in the state during the taxable year.

The bill would require that gross receipts derived from data extraction transactions be apportioned based on the location of the user. Data extraction transactions would be considered to be in the state if the user is in the state. The FTB may adopt necessary and appropriate regulations that apply other presumptions, criteria, and formula to determine if the apportionment results fairly reflect data extraction activity in the state. The total amount of data extraction transaction apportioned to California should approximate the proportion of the economy of California to the total economy of the United States as much as practicable.

A user would be considered in the states if the user is in the state. A user is located in the state if at any time it is reasonable to conclude based on various factors such as billing, delivery, and shipping address, that the use is located in the state.

Gross receipts derived from advertisements not generated by a display to, or interaction with, a specific user, would be required to be apportioned to the state based on the same fraction the person uses to apportion gross receipts derived from advertisement generated by a specific instance of display of an online targeted advertisement or generated by specific interaction with an online targeted advertisement, when the user is in the United States.

For purposes of the DEM Fee, the apportionment factor is a fraction, in which the person's annual gross receipts derived from data extraction transitions in the state is considered the numerator. The denominator is the person's annual gross receipts derived from data extraction transaction in the United States.

Annual gross receipts in the state includes the gross receipts of all members that are part of the same unitary group if multiple members of one group engage in data extraction transactions. Unitary group members would be jointly and severally liable for the tax. For purposes of the DEM Fee, unitary group members would also include the taxpayer and any other partnership or limited liability company doing business in this state and required to file a return, in which that same person, owns, directly or indirectly, more than 10 percent of the capital interest or a profit interest.

Data Extraction Mitigation Fee Fund

This bill would create the DEM Fee Fund within the State Treasury. All revenues, interest, and penalties derived from the tax imposed under DEM Fee, less refunds, and reimbursements to the FTB for expenses incurred in administering and collection of tax would be required to be deposited into the fund.

Any remaining funds in the DEM Fee Fund, once disbursements are made as prescribed in Section 8 and 20 of Article XVI of the California Constitution, remaining revenues would be required to be allocated as follows, to support journalism:

- Ten million dollars to the University of California, Berkley, California Local News Fellowship program for grants to expand coverage of local public affairs throughout the state.
- Five million dollars annually, to establish a program to provide fellowships for hiring, training, and career progression for journalists and media professionals from historically underrepresented and marginalized backgrounds to support their professional growth, facilitate networking, foster community connections, and promote equity and inclusion.
- To the General Fund in an estimated amount by the FTB for deductions claimed for taxes paid related to the DEM Fee.
- To the General Fund in an amount estimated by the FTB to reimburse foregone revenues attributable to the credit this bill would create to a qualified taxpayer who pays or incurs costs for qualified services and receives a tentative credit reservation.
- Upon appropriation by the Legislature, an amount up to twenty-five million dollars, or five percent of total annual revenues, whichever is more, for grants to nonprofit eligible local news organizations, as specified. Fifty percent of the appropriated amount would be reserved for distribution to eligible news organizations with fewer than ten full-time employees.

Grant Reservation

The FTB would be required to provide grants to organizations who could have been eligible for the tax credit in this bill. Grants would be in an amount equal to the amount of credit amount would have been if the organization had been subject to taxation.

To be eligible for the grant, a nonprofit organization would be required to apply for a reservation with the FTB, in the form and manner prescribed by the FTB. The nonprofit organization would be required to provide necessary information as determined by the FTB when applying for a grant reservation.

The FTB would be required to do the following:

- Approve a tentative grant reservation with respect to an eligible individual.
- Subject to the annual cap of ten million, allocate an aggregate amount of grants, and allocate any unallocated grants from the prior year.
- Prioritize processing grant reservations requests and grants to qualified small publications.

In the case where grant reservation requests exceed the cap amount, or five percent of the total annual revenues, the FTB would be required to reduce the amount of credit on a proportional basis, and notify qualified taxpayers of their revised credit amount. The FTB would not be able to reduce any grant amount for an eligible recipient who is a qualified small publication, unless the grant reservation requests from eligible recipients who are qualified small publications exceed the annual cap established.

- If grant reservations for organizations with fewer than ten full-time employees exceed the amount reserved for such organizations, the FTB would be required to make grants from the remaining moneys.
- If, after fulfilling grant reservations for organizations with fewer than 10 full-time employees, there is additional unallocated moneys reserved for such organizations, the FTB may use the unallocated funds to satisfy grant reservations for organizations with more than 10 full-time employees.

The FTB may prescribe any regulations necessary or appropriate to carry out the grant reservations and to prevent improper grant applications.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2024, and before January 1, 2029.

Federal/State Law

Federal and state laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits, hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise be undertaken.

Current federal and state laws generally allow taxpayers engaged in a trade, business, or profession to deduct all expenses paid or incurred during the taxable year that are considered ordinary and necessary in conducting that trade, business, or profession.

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

There are numerous items needing clarity within the bill to ensure the program can be administered as intended and the bill produces the desired outcome. The FTB staff is available to work with the author's office and can provide language to resolve these and other considerations that may be identified.

Some of these considerations include, but are not limited to:

The FTB cannot stand up the program as intended in the time frame expected. The FTB does not have the systems and processes in place to implement nor can it establish or modify existing systems and processes prior to the effective date of this act. Furthermore, FTB does not currently administer grant programs, and this would be a new workload.

This bill does not have the administrative details necessary to implement the tax reservation, grant reservation and the DEM fee. The author may wish to amend the bills to include administrative details.

This bill would require the FTB to administer the DEM Fee. However, FTB administers income and franchise taxes, and the collection of this type of tax would differ from FTB's main tax collection responsibilities. In addition, FTB administers taxes measured by gross income not gross receipts, therefore gross receipt information for data extraction sales would not be available.

Typically, credits involving areas for which the FTB does not have the expertise are certified by another agency that has the relevant expertise. The certification language should specify the responsibilities of both the certifying agency and the taxpayer.

This bill is silent as to what happens should the remaining revenues in the DEM Fee Fund be insufficient to meet the allocations requirements to support journalism fellowships.

This bill uses undefined terms, e.g., "data extraction transaction," "full-term employees," "eligible individual," and "unitary group." The absence of definitions could lead to taxpayer confusion. For clarity, the author may wish to amend the bill to define these terms.

The bill is silent on the total amount of credits that the FTB would be able to allocate, via a credit reservation.

The credit reservation system has language that would allow the FTB to modify the credit reservation amount if credit reservations exceed the unspecified cap. This would also lead to taxpayer confusion and possible application of penalties and interest if the amount of the credit amount is less than a taxpayer anticipated such that estimate payments were underpaid. Additionally, the bill is silent on any notification to the qualified taxpayer, therefore it is unclear how a qualified taxpayer would be notified of the reservation amount change.

This bill is silent on the operative date or period for the grant. It is not clear how long the grant would be available and if FTB would know when to begin issuing grants, or cease issuing them.

Technical Considerations

For consistency the following should be modified:

- In Section 19608 (b) replace "10.8" with "10.9"
- In 17053.76 (a) (4) add "qualified" before "taxpayer"
- In 17053.76 (a) (5) insert "(i) and (ii)" after "A"
- In Section 19608 (a)(4) insert the word "local" before "news organization"

Policy Considerations

None Noted.

LEGISLATIVE HISTORY

AB 886 (Wicks, et al., 2023/2024) would create the California Journalism Preservation Act (CJPA), which would require a covered platform, to remit a journalism usage fee to an eligible digital journalism provider, in an amount determined by a prescribed arbitration process; requires the provider to spend at least 70 percent of the fee received on news journalists and support staff; and prohibits retaliation against a provider who exercises their right to demand the fee. AB 886 is currently in the Senate Judiciary Committee.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None Noted.

FISCAL IMPACT

The FTB's costs to implement this bill have yet to be determined, though they are expected to be significant. As the bill moves through the legislative process, costs will be determined.

Additionally, as the financial outlook for future fiscal year budgets continues to be reported on as challenging, if budget reductions are proposed that impact FTB operations, a prioritization of current ongoing work that will need to be stopped or delayed as a result of a budget reduction should be compared against any new work that is requested.

ECONOMIC IMPACT*Revenue Estimate*Refundable Credit for Eligible Local News Organization or Qualified Broadcast Stations

This bill would allow a qualified taxpayer a refundable credit to hire and retain full-time employees at eligible local news organizations or qualified broadcast stations. To determine the magnitude of the potential impact to the General Fund, the number of qualified full-time employees, the qualified wages paid, employee hire dates, determination of a net increase in employment, employee benefits, as well as the cost to acquire freelance content must be known. Because it is difficult to predict this information, the revenue impact to the General Fund is unknown.

However, it is estimated that for every \$80 million in qualified wages paid, after applying an average credit percentage of 40 percent, the revenue loss would be approximately \$32 million. In addition, it is estimated that for every \$20 million in costs to acquire freelance content, after applying the specified credit percentage of 20 percent, the revenue loss would be approximately \$4 million. The combined estimated revenue loss to the General Fund would be \$36 million.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Data Extraction Mitigation Fee

This bill would provide for a new tax referred to as the DEM Fee. To determine the magnitude of the potential impact to the General Fund, the gross receipts derived from data extraction transactions occurring in the state must be known. Because this level of detail is not reported on the tax return and this activity is difficult to predict, the revenue impact to the General Fund is unknown.

However, it is estimated that for every \$5 billion in gross receipts derived from data extractions transactions in the United States, \$700 million, or 14 percent would be attributed to California. After applying the DEM Fee of 7.25 percent, the estimated revenue gain would be approximately \$50 million.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

Deduction

This bill would provide a deduction for the amount of any taxes paid pursuant to Part 10.8 (commencing with Section 21100). Due to technical concerns, an estimate for allowing a deduction under Part 10.8 cannot be determined at this time.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Revenue and Taxation Committee Analysis 05-07-2024

Support:

California Federation of Teachers Afl-cio; Cityside Journalism Initiative; Embarcadero Media Foundation; Fresnoland; News Guild Local Media Guild of The West; News Guild local Pacific Media Workers Guild; Ojai Media LLC DbA Ojai Valley News; Presidents, Publishers, Editors, Executive Directors, CEOs of 25 California; Newspapers; Rebuild Local News Coalition; The News Guild-CWA.

Opposition:

Fold Communications; American Advertising Federation (AAF); American Association of Advertising Agencies (4A's); Americans for Digital Opportunity (ADO); Antelope Valley Chambers of Commerce; Association of National Advertisers; California Association of Realtors; California Attractions and Parks Association; California Black Chamber of Commerce; California Broadband & Video Association; California Business Roundtable; California Chamber of Commerce; California Hispanic Chamber of Commerce; California Hispanic Chambers of Commerce; California Retailers Association; California Taxpayers Association; Carlsbad Chamber of Commerce; Chamber of Progress; Computer & Communications Industry Association; Connecticut Broadcasters Association; Consumer Choice Center; Corona Chamber of Commerce; Council on State Taxation; CTIA; Cupertino Chamber of Commerce; Dana Point Chamber of Commerce; Danville Area Chamber of Commerce; Family Business Association of California; Garden Grove Chamber of Commerce; Gateway Chambers Alliance; Greater Coachella Valley Chamber of Commerce; Greater High Desert Chamber of Commerce; Greater Irvine Chamber of Commerce; Greater San Fernando Valley Chamber of Commerce; Huntington Beach Chamber of Commerce; Imperial Valley Regional Chamber of Commerce; Internet Coalition; LA Canada Flintridge Chamber of Commerce; Laguna Niguel Chamber of Commerce; Long Beach Area Chamber of Commerce; Los Angeles Area Chamber of Commerce; Morgan Hill Chamber of Commerce; Motion Picture Association; Murrieta Wildomar Chamber of Commerce; National Taxpayers Union; Ncta - the Internet and Television Association; Newport Beach Chamber of Commerce; Norwalk Chamber of Commerce; Oceanside Chamber of Commerce; Orange County Taxpayers Association; Palos Verdes Peninsula Chamber of Commerce; Paso Robles Chamber of Commerce; Redondo Beach Chamber of Commerce; Sacramento Taxpayers Association; San Juan Capistrano Chamber of Commerce; San Pedro Chamber of Commerce; Santa Clarita Valley Chamber of Commerce; Santa Maria Valley Chamber of Commerce; Silicon Valley Leadership Group; Simi Valley Chamber of Commerce; Solano County Taxpayers Association; South Bay Association of Chambers of Commerce; Southern California Legislative Council; Southwest California Legislative

Council; Technet; Templeton Chamber of Commerce; Tri County Chamber Alliance; Tulare Chamber of Commerce; West Ventura County Business Alliance.

ARGUMENTS

Proponents: None on file.

Opponents: None on file.

LEGISLATIVE CONTACT

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