



Bill Analysis

Author: Alanis

Sponsor:

Bill Number: AB 1698

Related Bills: See Legislative
History

Amended : March 9, 2026

SUBJECT

Food Handler Tax Credit

SUMMARY

This bill, under the Personal Income tax Law (PITL) and Corporation Tax Law (CTL), would, for taxable years beginning on or after January 1, 2026, and before January 1, 2029, allow a tax credit equal to the amount of expenses paid or incurred by a qualified taxpayer for an employee obtaining a food handler card.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The March 9, 2026, amendments modified the operative dates to add a sunset date, specified the credit amount per taxpayer per taxable year, and added a repeal date. The March 9, 2026, amendments resolved an implementation consideration and a policy consideration discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced February 3, 2026, and created a new technical consideration.

REASON FOR THE BILL

The reason for the bill is to offset the costs of small businesses paying for their employees to obtain food handler cards.

ANALYSIS

This bill, under the PITL and CTL, for taxable years beginning on or after January 1, 2026, and before January 1, 2029, would allow a tax credit equal to any amount paid or incurred by a qualified taxpayer for an employee obtaining a food handler card in compliance with Section 113948 of the Health and Safety Code (HSC), not to exceed \$250 per taxpayer per taxable year.

For purposes of this bill, "qualified taxpayer" would mean a taxpayer that has less than 50 employees and all the taxpayer's employees would obtain and maintain a valid food handler card from an accredited training provider to be in compliance with HSC section 113948 in the California Retail Food Code, which provides certain requirements for employee training in safe food handling.

The FTB may prescribe regulations that are necessary or appropriate to carry out the purpose of this bill.

This credit would be repealed on December 1, 2030.

For purposes of Revenue and Taxation Code (RTC) section 41, this bill would provide that the Legislature finds and declares the purpose of this tax expenditure is to offset the costs of small businesses paying for their employees to get food handler cards.

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, 2026, 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 may not otherwise be undertaken.

There is no comparable credit in federal or state law.

In addition, California legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators, and data collection requirements to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill uses the undefined phrase, e.g., "any expense paid or incurred by a qualified taxpayer for an employee obtaining a food handler card." Absent a definition of expenses paid or incurred by the qualified taxpayer, this phrase could be broadly interpreted and may lead to taxpayer confusion.

The bill also provides that the credit would be allowed "for an employee" and that "all" of the taxpayer's employees must be in compliance with the HSC. "All" employees could include employees not handling food. The bill defines "qualified taxpayer" to mean a taxpayer that has less than 50 employees but does not specify whether that includes both part-time and full-time employees. The author may want to amend the bill to clarify.

A "qualified taxpayer" is defined in terms of a taxpayer, not a business. Under both the PITL and the CTL, a single taxpayer may operate multiple businesses that could each have less than 50 employees, but cumulatively the taxpayer would have greater than 50 employees and thus be ineligible for the credit. If this is contrary to the author's intent, the author may wish to amend the bill.

Note the bill does not specify whether multiple qualified taxpayers can claim expenses for the same employee if the employee is employed at multiple food establishments or food facilities.

Technical Considerations

For consistency:

- In Sections 17053.65(a) and 23665(a), replace "taxpayer" with "qualified taxpayer".
- In Sections 17053.65(a) and 23665(a), replace "any expense paid or incurred by a qualified taxpayer..." with "any expense paid or incurred during the taxable year by a qualified taxpayer..."
- Sections 17053.65(c) and 23665(c) can be removed because the FTB already has the authority to prescribe regulations.
- In Sections 17053.65(e) and 23665(e), replace "December 1, 2030," with "December 1, 2029,".

Policy Considerations

This bill would allow a credit for expenses that are currently deductible as business expenses. Generally, a credit is allowed in lieu of a deduction to eliminate multiple tax benefits for the same item of expense. Providing both a credit and allowing the full amount to be deducted would have the effect of providing a double benefit for the same item. If this is contrary to the author's intent, the author may wish to amend the bill.

This bill does not provide a carryover period. As a result, any unused credit would be lost if the taxpayer is unable to use the entire credit amount in the year claimed. The author may wish to add language to allow a limited carryover period, generally five to eight years.

LEGISLATIVE HISTORY

AB 244 (Alanis, 2025/2026), under the PITL and CTL, would have allowed a tax credit of \$1,000 for each registered apprentice continuously employed, for at least six months, by a qualified taxpayer for taxable years beginning on or after January 1, 2026, and before January 1, 2031. AB 244 did not pass out of the policy committee by the required deadline.

AB 895 (Rubio, 2025/2026), under the PITL and CTL, would have, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, allowed a tax credit of \$12,000 per qualified taxpayer per qualified fast-food restaurant. AB 895 did not pass out of the policy committee by the required deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1698 as Amended March 9, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue
2026-2027	-\$7.1
2027-2028	-\$5.0
2028-2029	-\$2.2

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.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Assembly Committee on Revenue and Taxation, dated March 13, 2026.

Support

None on file.

Opposition

California Tax Reform Association

ARGUMENTS

Assembly Committee on Revenue and Taxation, dated March 13, 2026.

Proponents

None on file.

Opponents

Arguments in opposition were provided by the California Tax Reform Association, noting:

A one hundred percent tax credit represents a direct payment by the state, with virtually no precedent in state tax policy. The costs for food-handling certification are fully deductible as business expenses, as are compliance with other health and safety regulations as well as other regulatory costs. As recently mandated by the legislature, these are a necessary cost of doing business, and therefore a credit in any form would have no incentive effect. If the state wants to reimburse business owners for the cost of recent regulation, it should do so through the budget.

LEGISLATIVE CONTACT

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