



Bill Analysis

Author: Ward

Sponsor:

Bill Number: AB 2222

Related Bills: See Legislative
History

Amended: March 09, 2026

SUBJECT

Local News Organization Refundable 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, 2027, and before January 1, 2032, allow a refundable tax credit to a local news organization for the hiring and retention of qualifying journalists.

This is the Franchise Tax Board's (FTB) first analysis of the bill.

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 removed intent language related to incentivizing the retention and hiring of journalists in California and replaced it with the provisions discussed in this analysis.

REASON FOR THE BILL

The reason for the bill is to incentivize hiring and retention of journalists in California.

ANALYSIS

This bill, for each taxable year beginning on or after January 1, 2027, and before January 1, 2032, would allow a tax credit to a qualified taxpayer equal to the sum of the following:

- \$20,000 for each of the first five qualifying journalists employed by the qualified taxpayer.
- \$15,000 for each additional qualifying journalist beyond the first five employed by the qualified taxpayer.
- An additional \$15,000 for each qualifying journalist in a new journalism position.

The bill would define the following definitions:

- “New journalism position” means the difference, but not below zero, of the average number of qualifying journalists employed on any day of the taxable year, rounded to the nearest whole number, minus the average number of qualifying journalists employed on any day during the prior taxable year, rounded to the nearest whole number.
- “Qualified taxpayer” means a local news organization that 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 that would satisfy all the following:
 - Operates a qualifying digital news outlet, qualifying broadcast station, or qualifying print publication.
 - 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.
 - Carries active media liability insurance coverage continuously for the taxable year.
 - Maintains and publicly displays an editorial policy for error correction and clarification that includes an accessible process for reporting errors and complaints.
 - Is not controlled, directly or indirectly, by either of the following disqualified organizations:
 - A political action committee or other entity described in Internal Revenue Code (IRC) section 527.
 - An organization that is exempt from federal income taxation pursuant to IRC section 501(c)(4).
 - Has not received more than 15% of its gross revenues in the previous two taxable years from disqualified organizations, except if those payments are for political advertising during the lowest unit windows and using comparable rates as determined by the Federal Communications Commission (FCC) in its campaign advertising rate rules.
- “Qualifying broadcast station” means a broadcast station, as defined by Section 153(6) of Title 47 of the United States Code with a broadcasting area that is at least 33% located within the state, as demonstrated using FCC service contour maps.
- “Qualifying digital news outlet” means a publication with a primary mission to publish news and information about the state or a local community within the state that has been publishing at least monthly during the taxable year and can demonstrate, with data on digital subscribers or traffic, to have at least 33% of its audience located within the state during the taxable year.
- “Qualifying journalist” means an individual that satisfies the following:

- Is employed by, or the sole proprietor of, an eligible local news organization on a full-time basis of at least 30 hours per week with annualized wages, salary, or passthrough income of \$35,000 or more during the taxable year.
- Has primary job duties that consist of gathering, preparing, directing the recording of, producing, collecting, photographing, recording, writing, editing, reporting, presenting, or publishing state or local community news, including roles such as reporter, correspondent, photographer, videographer, editor, and digital producer.
- Resides within 50 miles of the coverage area of the qualified taxpayer.
- “Qualifying print publication” means a local newspaper or news magazine publisher with periodicals mailing privileges from the United States Postal Service that publishes at least monthly during the taxable year and maintains its known office of publication for the original entry for periodicals mailing privileges within the state or can demonstrate that at least 33% of its print distribution is to locations within the state during the taxable year.

This bill specifies any credit in excess of the tax liability would be credited against other amounts due with any remaining balance being refunded to the taxpayer from the Tax Relief and Refund Account.

The bill specifies that no other credit would be allowed in relation to the hiring or employment of any qualified journalist.

The bill includes Revenue and Taxation Code section 41 requirements that would provide that the measurement of effectiveness of the credit would be the number of tax returns allowed the credits under the PITL and CTL and the total dollar value of the credits allowed. The FTB would be required to report to the legislature the credit data no later than April 1, 2029, and annually thereafter.

The credit would be repealed on December 1, 2032.

Effective/Operative Date

This bill would be effective January 1, 2027, and specifically operative for taxable years beginning on or after January 1, 2027, and before January 1, 2032.

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.

Federal Law

No comparable provision in federal law.

State Law

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 requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

There are numerous items needing clarity to ensure the program can be administered as intended and produces the desired outcome. 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 bill is silent as to whether the CTL refundable tax credit would be allowed to reduce alternative minimum tax and the \$800 minimum franchise tax to zero. Generally, credits cannot reduce these amounts. The lack of guidance could cause confusion for taxpayers, software providers, and the FTB. Further, the bill does not modify the hierarchy of CTL tax credits. Note the hierarchy under the PITL includes refundable credits. The order in which credits would be applied before this credit would be refunded is unclear.

The terms "qualifying journalist", "qualified taxpayer", "qualifying digital news organization", and "first five journalists" are either undefined or contain undefined terms within their definitions that could lead to implementation issues or complicate the administration of this bill. It is recommended that the bill be amended to further clarify these terms.

Technical Considerations

For consistency of terminology, the following changes are recommended:

- In SEC. 1., 17053.76 (a), replace, "For each taxable year beginning on or after ..." with "For taxable years beginning on or after..."
- For clarity, in Section 17053.76 (e)(2)(A), it is recommended that the phrase "...detailing the number of taxpayers allowed a credit..." be replaced with "...Code, on the number of taxpayers that allowed a credit..." to avoid any assumption that the FTB can provide more detail other than the number of taxpayers.

- In SEC 1., 17053.76(e)(2)(A), replace “total dollar value” with “total dollar amount”.
- In SEC. 2., 23633 (a), replace, “For each taxable year beginning on or after...” with “For taxable years beginning on or after...”
- In SEC. 2., 23633 (c), replace, “...the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the taxpayer.” with “...the balance, if any, shall be paid from the Corporation Tax Fund and refunded to the taxpayer.”
- In SECs. 1. and 2., 17053.76(b)(5)(A) and 23633(b)(5)(A), replace “eligible local news organization” with “qualified taxpayer”.

Policy Considerations

Refundable tax credits are generally subject to federal income tax unless a specific federal income exclusion applies.

The term “qualifying journalist” does not require the employee to work for any specific duration of the taxable year to qualify. A qualifying journalist could include an individual working on a full-time basis of at least 30-hours per week, with an annualized salary equal to or greater than \$35,000, who begins their employment on the last day of the taxable year. If this is contrary to the author’s intent the author may wish to amend the bill.

This credit would be allowed for expenses paid or incurred either inside or outside of California. If this is contrary to the author’s intent, the author may wish to amend the bill.

This bill would allow taxpayers in certain circumstances to claim multiple tax benefits for the same item of expense. If this is contrary to the author’s intent, the author may wish to amend the bill.

The term “new journalism position” is defined as the difference between the average number of employees employed on any day in the current taxable year minus the average number of employees employed on any day in the prior taxable year. This would allow a taxpayer to pick and choose their lowest employment day in the prior year and their highest employment day in the current year every time. If this is contrary to the author’s intent, the author may wish to amend the bill.

Hiring credits are typically based on wages or incentives paid to employees. However, this bill would apply a flat amount which potentially could exceed the wages paid to a qualifying journalist, and the costs associated with the journalist for the taxable year, which would be unprecedented. If this is contrary to the author’s intent, it is recommended the author may wish to amend the bill.

LEGISLATIVE HISTORY

SB 1327(Glazer, 2023/2024) under the PITL and CTL, for taxable years beginning on or after January 1, 2024, and before January 1, 2029, would have provided 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 FTB. SB 1327 did not pass out of the Assembly by the required deadline.

AB 886 (Wicks, et al., 2023/2024) would have created the California Journalism Preservation Act, which would have required a covered platform, to remit a journalism usage fee to an eligible digital journalism provider, in an amount determined by a prescribed arbitration process; would have required the provider to spend at least 70% of the fee received on news journalists and support staff; and prohibited retaliation against a provider who exercised their right to demand the fee. AB 886 did not pass out of the Senate 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 determined.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2222 as Amended March 9, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

| Fiscal Year | Revenue |
|--------------------|----------------|
| 2026-2027 | -\$22 |
| 2027-2028 | -\$50 |
| 2028-2029 | -\$49 |

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.

Revenue Discussion

Based on public data available, it is estimated approximately 600 local news organizations in California employ approximately 2,400 qualified journalists. After adjustment for the requirements specified in the bill and applying the specified credit amounts, the estimated revenue loss is \$47 million in 2027.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov