STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Ward, et al. Bill Number: AB 2222

SUBJECT

Local News Outlet 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 outlet for the hiring and retention of qualifying journalists. Effective January 1, 2027, the bill would also conform to federal changes to business expense deduction limitations related to excessive employee remuneration, as specified.

REASON FOR THE BILL

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

ANALYSIS

The Credit

This bill, for taxable years 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 qualifying journalist continuously employed on a full-time basis by the qualified taxpayer, not to exceed five qualifying journalists.
- $15,000 for each qualifying journalist continuously employed on a full-time basis in excess of five employed by the qualified taxpayer.
- An additional $15,000 for each qualifying journalist employed on a full-time basis in a new journalism position.
- An additional $7,500 for each qualifying journalist employed on a part-time basis by the qualified taxpayer.

The bill would include the following definitions:

- “Annualized wages, salary or passthrough income” means 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.

- "Continuously employed" means the journalist was employed by the qualified taxpayer, or a qualified taxpayer of the same combined reporting group as the qualified taxpayer, that satisfies both of the following:
  - The preceding taxable year on a full-time basis.
  - The taxable year in which this credit is claimed.
- "Local news outlet" means a qualifying digital news outlet, qualifying broadcast station, or qualifying print publication that produces original news coverage concerning local communities in the state.
- "New journalism position" means the difference, but not below zero, of the average number of qualifying journalists employed by the qualified taxpayer, or by any trade or business acquired by the qualified taxpayer during the taxable year, per day during taxable year, rounded to the nearest whole number, minus the average number of qualifying journalists employed per day during the prior taxable year, rounded to the nearest whole number.
- "On a full-time basis" means employed by, or is the sole proprietor of, a qualified taxpayer on a full-time basis of at least 30 hours per week for more than 26 weeks, with annualized wages, salary, or passthrough income of no less than $35,000 during the taxable year.
- "On a part-time basis" means employed by a qualified taxpayer for at least 20 hours per week but less than 30 hours per week for more than 26 weeks, with annualized wages or salary of no less $25,000 during the taxable year.
- "Qualified taxpayer" means a person or entity under the PITL or a taxpayer under the CTL, engaged in a trade or business within California that owns or operates a local news outlet that would satisfy all the following:
  - Is organized in the state, or legally registered to conduct business within the state, for at least 12 months prior to the start of the taxable year.
  - 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, through one or more intermediaries, by a disqualified organization. A "disqualified organization" is either of the following:
    - 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).
    - For purposes of the CTL, the term "taxpayer" would also include an organization exempt from taxation, and the ownership and operation of a local news outlet by that organization that otherwise satisfies the requirements of this credit.
- "Qualifying broadcast station" means a broadcast station that satisfies either of the following:
    - Is licensed to a community of license located within the state by the Federal Communications Commission pursuant to Section 307 of Title 47 of the United States Code.
    - Is a nonprofit organization exempt from federal income taxation pursuant to IRC section 501(c)(3) and satisfies either of the following:
        - Received a community service grant from the Corporation for Public Broadcasting prior the 2025-26 fiscal year.
        - Employes qualifying journalists on behalf of a university-licensed public broadcaster.
- "Qualifying digital news outlet" means an entity that publishes news and information about the state or a local community within the state 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:
    - Has primary job duties that occur in the state and 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.
    - Is a resident of the state, as defined in Section 17014, which defines "resident" for personal income tax purposes.
- "Qualifying print publication" means either of the following:
    - 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.

- A newspaper of general circulation adjudicated by a California court, as described in section 6008 of the Government Code, which allows a newspaper of general circulation to petition the court for a determination that it meets all the legal requirements to be classified as a newspaper of general circulation.

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 or the Corporation Tax Fund, as applicable.

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

Additionally, this bill would allow the credit to reduce the "net tax" below the tentative minimum tax (TMT) under the PITL or the "tax" below the TMT under the CTL. This bill would modify the credit ordering to include this credit within the PITL and CTL hierarchy of tax credits, which specifies the order in which credits would be allowed. Under the PITL and CTL, this credit would be applied after credits that have refundable provisions.

The bill, under the CTL, would allow a qualified taxpayer to be able to claim the refundable credit, in a form and manner prescribed by the Franchise Tax Board (FTB), regardless of whether the taxpayer has any unrelated business taxable income for the taxable year.

The bill includes Revenue and Taxation Code (RTC) section 41 requirements that would provide that the measurement of effectiveness of the credit would be the number of taxpayers allowed the credits under the PITL and CTL and the total dollar amount of the credits allowed and the average dollar amount per qualified taxpayer allowed a credit. The FTB would be required to report to the legislature listing the total number of taxpayers allowed a credit, the amount of credits allowed, and the average dollar amount per qualified taxpayer allowed a credit no later than April 1, 2029, and annually thereafter. In addition, the FTB would be required to publish a version of the report on their internet website, while ensuring that any proprietary financial information regarding the operation of qualified taxpayers remains confidential.

This bill would additionally require the FTB, no later than January 1, 2028, to issue guidance on administration and enforcement of a refundable tax credit for organizations exempt from federal tax pursuant to IRC Section 501(c)(3), including the form and manner in which those organizations would be able to claim the credit and receive refunds.

The Section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

This bill includes double-jointing language to incorporate changes proposed by AB 2319 (Schultz, et al., 2025/2026) to prevent chaptering issues if both bills are enacted and this bill is enacted last.

The credit would be repealed on December 1, 2032.

Conformity to Business Expense Deduction Limitations

The bill would, under the PITL, conform to the $1 million federal limitation on the deduction for compensation paid to a covered employee applicable to publicly held corporations, to also include the five highest compensated employees, other than a corporation's:

- Principal executive officer and principal financial officer, or an individual acting in such a capacity.
- Highest three compensated officers, as required to be reported under the Securities Exchange Act of 1934.

In addition, the bill would, under the CTL, conform to the federal extension of the $1 million deduction limitation for compensation paid to a "specified covered employee," of a controlled group that includes a publicly held corporation.

Effective/Operative Date

The bill would be effective January 1, 2027. The credit provisions would be specifically operative for taxable years beginning on or after January 1, 2027, and before January 1, 2032. The conformity to the business expense deduction limitation provision would be operative for taxable years beginning on or after January 1, 2027, under the PITL and for taxable years beginning on or after January 1, 2026, under the CTL.

Section 7 of this bill provides that Sections 1.5 and 4.5 of this bill would only become operative if all of the following occur:

1) Both this bill and AB 2319 are enacted and become effective on or before January 1, 2027,

2) Each bill amends Sections 17039 and 23036 of the RTC, and

3) This bill is enacted after AB 2319. In which case Sections 1 and 4 of this bill would not become operative.

Federal/State Law

The Credit

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.

Under federal and state law, some credits can reduce regular tax below TMT for the purpose of calculating the alternative minimum tax (AMT). Unless explicitly provided, under the PITL and CTL, credits generally do not reduce regular tax below TMT for the purpose of calculating the AMT. There are numerous credits that are allowed to reduce the regular below the TMT, such as solar energy credits, the College Access Tax Credit and the California Competes Tax Credit. Credits may be carried over for the specified carryover period until exhausted, even if the credit is repealed. Currently, there is no federal corporate AMT. Current federal and state law also provides the order for credits to be allowed against tax.

Under 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.

There is no comparable federal or state income tax credit similar to the credit this bill would create.

Limitation of Excessive Employee Remuneration for Publicly Held Corporations

Under federal law, (IRC section 162(m)) a deduction is disallowed for a publicly held corporation for employee remuneration to a covered employee to the extent the remuneration exceeds $1 million.

Covered employee means an employee of the publicly held corporation if:

- The employee is a principal executive officer, principal financial officer at any time during the taxable year, or was acting in such a capacity;
- The employee was a covered employee of the taxpayer for any preceding taxable years beginning after December 31, 2016;
- The total compensation of the employee for the taxable year is among the three highest compensated officers for the taxable year and is required to be reported to shareholders under the Securities Exchange Act of 1934; or
- Any employee whose total compensation places them among the three highest compensated officers for the taxable year, other than the principal executive officer or principal financial officer, even if the compensation of the employee is not required to be reported to shareholders under the Securities Exchange Act of 1934.

The definition of covered employee was expanded by the American Rescue Plan Act of 2021 (ARPA) to also include any employee who would be among the five highest compensated employees for the taxable year, other than a principal financial officer or principal executive officer, or the three highest compensated executive officers for the taxable year beginning after December 31, 2026.

In 2025, the $1 million deduction limitation was expanded by the One Big Beautiful Bill Act (Public Law 119-21) to include, for taxable years beginning after December 31, 2025, a publicly held corporation that is a part of a controlled group and compensation is paid by all controlled-group members to a specified covered employee, then the compensation is aggregated for the purposes of the $1 million deduction limitation, and the allowed deduction would be allocated among group members in proportion to the remuneration paid.

California law generally conforms to Section 162(m) as of the “specified date” of January 1, 2025, with modifications. However, under current state law, California law does not conform under the PITL to the modifications to IRC section 162(m) made by ARPA and does not conform under the PITL or the CTL to the modification made by H.R. 1.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 886 (Wicks, et al., 2023/2024), under the Civil Code, 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.

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.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB's estimated costs to implement this bill are approximately $434,000 for fiscal year 2027-2028; $10,000 for fiscal year 2028-2029; and $8,000 for fiscal year 2028-2029 and ongoing.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue gain:

Estimated Revenue Impact of AB 611
Assumed Enactment after June 30, 2026

($ in Millions)

Fiscal Year	Revenue
2026-2027	$9.9
2027-2028	$15
2028-2029	$23

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 publicly available data, it is estimated that approximately 2,600 journalists are continuously employed in approximately 600 local news organizations in California on a full-time or part-time basis. After adjusting for the provisions specified in the bill as amended and applying the specified credit amounts, the estimated revenue loss is approximately $40 million in the 2027 taxable year.

A proration of the Joint Committee on Taxation federal tax expenditure estimate for Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction was used to estimate an offsetting revenue gain of $57 million in the 2027 taxable year.

The net revenue impact of this bill is an estimated gain of $17 million for the 2027 taxable year.

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

Senate Floor Analysis, dated August 24, 2026

Support

Rebuild Local News (Source)
Asian American Journalists Association, Los Angeles
California Broadcasters Association
California Independent News Alliance
California Newspaper Publishers Association
CSU Journalism Chairs
Latino Media Collaborative
Media Alliance
Media Guild of the West, Newsguild-CWA Local 39213
Pacific Media Workers Guild (The Newsguild-Communications Workers of America Local 39521)
SAG-AFTRA
The Ark

Opposition

California Business Roundtable
California Chamber of Commerce
California Fuels and Convenience Alliance
California Taxpayers Association
Council on State Taxation
Family Business Association of California
Greater High Desert Chamber of Commerce
Greater San Fernando Valley Chamber of Commerce
Solano County Taxpayers Association

VOTES

Location	Date	Yes Votes	No Votes
Concurrence	August 31, 2026	59	15
Senate Floor	August 30, 2026	30	10
Assembly Floor	May 27, 2026	63	10

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