



Bill Analysis

Author: Alanis

Sponsor:

Bill Number: AB 244

Related Bills: See Legislative
History

Amended: March 24, 2025

SUBJECT

Fast Food Restaurant Owner Workforce Apprenticeship Tax Credit

SUMMARY

This bill, under the Labor Code (LAB), would require the Department of Industrial Relations' Division of Apprenticeship Standards (DAS), upon appropriation, to establish and administer the Quick-Service Restaurant Young Workforce Apprenticeship Program. In addition, under the Personal Income Tax Law (PITL) and Corporate Tax Law (CTL), this bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would provide a tax credit of \$1,000 for each registered apprentice continuously employed for at least six months by a qualified taxpayer.

This is the Franchise Tax Board's (FTB) first analysis of the bill and only addresses the provisions that would impact the FTB.

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 24, 2025, amendments removed provisions of the bill relating to the LAB and replaced them with the provisions discussed in this analysis.

REASON FOR THE BILL

The reason for the bill is to provide relief to fast-food restaurant owners impacted by rising costs of employment.

ANALYSIS

This bill would, under the PITL and CTL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, allow a tax credit in an amount equal to \$1,000 for each registered apprentice continuously employed by a qualified taxpayer for at least six months in a taxable year, not to exceed 100 registered apprentices per qualified taxpayer per taxable year.

This bill would define the following:

- “Registered apprentice” means an individual who meets all the following requirements:
- An individual who is between 16 and 22 years of age at the time of application into the program and is paid at least 85% of the state mandated fast food minimum wage.
- Meets one of the following requirements:
 - Has not obtained a high school diploma and is enrolled in high school or a general education degree (GED) preparation program.
 - Has obtained a high school diploma or passed the GED while participating in the apprenticeship program.
- Trained by the taxpayer through an apprenticeship program that meets all of the following requirements:
 - The apprenticeship program must be approved by the Chief of DAS pursuant to Chapter 4 of Division 3 of the LAB and is also registered with the Office of Apprenticeship in the United States Department of Labor.
 - The program is provided pursuant to an apprenticeship agreement with an employer or program sponsor as specified under LAB section 3077.
 - The minimum term for the program is six months of part-time employment.
- “Qualified Taxpayer” means a participating small franchisee employer as defined under the provisions added by this bill.

This tax credit would only be allowed if the taxpayer has received a certificate from DAS for each taxable year. The taxpayer would be required to provide a copy of the certificate to the FTB upon request.

DAS may adopt rules and regulations as reasonably necessary to implement the provisions above and would be required to consult with the FTB.

The FTB may prescribe rules, guidelines, procedures or other guidance to carry out the purpose of this bill. In addition, the FTB, may prescribe any regulations necessary and appropriate to carry out the purposes of the bill, including any regulations to prevent improper claims from being filed. This bill would exempt FTB’s rules, guidelines, procedures or other guidance from the requirements of the Administrative Procedure Act.

Any excess credit could be carried over for four years, until the credit is exhausted. However, if the training of a registered apprentice is terminated prior to the completion of the apprenticeship program, any unused credit would be cancelled and any previously claimed credit that reduced net tax would be recaptured by increasing the tax imposed for the taxable year in which the apprentice's training was terminated except if any of the following occurs:

- The registered apprentice voluntarily leaves the apprenticeship program.
- The registered apprentice, before the end of the completion of the apprenticeship program, becomes disabled and unable to perform the services of that program, unless that disability is removed before the close of the period of that program and the taxpayer fails to offer reinstatement to the program for that apprentice.
- The training of a registered apprentice was terminated due to the apprentice's misconduct, as defined in Sections 1256-30 to 1256-43, inclusive, Title 22 of the California Code of Regulations.
- The training of a registered apprentice was terminated due to a substantial reduction in the trade or business operations of the taxpayer.

A deduction allowed for any amount paid or incurred by a qualified taxpayer in training a registered apprentice as a trade or business expense would be reduced by the amount of the credit allowed by this bill.

This bill includes language to comply with Revenue and Taxation Code (RTC) section 41, which provides the goal of the credit is to provide financial incentives to quick-service restaurants that employ individuals enrolled in youth workforce apprenticeship programs. The performance indicators would be the number of taxpayers claiming the credit, the number of employees enrolled in a youth workforce apprenticeship program, and the total dollar value of credit claimed per taxpayer.

This bill would provide that the RTC section 41 reporting requirements would be fulfilled by DAS reporting requirements pursuant to LAB section 3133, added by this bill. DAS may request from FTB any information necessary to complete the report on the tax credits, and any information shared with DAS would be subject to the general prohibition against disclosure of confidential information. Reports would be required for each of the five calendar years beginning on January 1, 2026, and before January 1, 2031, and would include, but not be limited to, all the following information:

- The number of companies or businesses taking advantage of the apprenticeship income tax credit.
- The number of apprentices participating in the apprenticeship programs and the number of apprentices who completed the apprenticeship program.

- The number of apprentice program graduates hired by the taxpayer after the apprenticeship training was completed.
- Information on the employment status of individuals who have completed an apprenticeship to the extent the information is available.
- The fiscal impact of the apprenticeship income tax credits.

The report would be required to be submitted to the Assembly and Senate Rules Committees on or before December 1 of the following calendar year, commencing December 1, 2027. In addition, reporting requirements under LAB section 3133 would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

The credit would be effective until December 1, 2031, and would be repealed as of that date.

Effective/Operative Date

This bill would be effective January 1, 2026, and specifically operative for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

Federal/State Law

Existing state and federal 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 or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake. Currently, federal and state laws have no credit comparable to the Fast-Food Restaurant Owner Workforce Apprenticeship Tax Credit.

Under existing 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 requirements to allow the Legislature to evaluate the effectiveness of the tax benefit. Legislation that would create an income exclusion would not require detailed performance indicators and data collection requirements performance measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

The FTB has identified the following considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. FTB staff is available to work with the author's office to resolve these and other considerations that may be identified.

The term “part-time” is undefined in the bill. The absence of definitions could lead to taxpayer confusion. For clarity the author may wish to amend the bill to define the term.

“Taxpayer” and “qualified taxpayer” are used interchangeably. To avoid confusion, the author may want to amend the bill to replace reference to “taxpayer” with “qualified taxpayer.”

The taxpayer would be required to be in compliance with certain labor laws and maintain compliance with program requirements. The FTB would not have access to this information. Typically, credits involving areas for which the FTB does not have the expertise, the information would be certified by another agency or agencies that would have the relevant expertise. It is recommended that this bill be amended to specify that DAS certify that a taxpayer meets the requirements to be a qualified taxpayer.

This bill would require DAS to prepare a report that includes FTB data on the credit allowed by this bill commencing December 1, 2027, and each calendar year thereafter. If the author’s intent is to review a report that contains complete information for the 2026 taxable year, it is recommended that FTB’s deadline for data reporting be extended to no earlier than April of 2029. This date allows time for the FTB to complete processing of both personal income tax returns and corporation returns that file on a fiscal year basis. Corporate filers that file on extension may file as late as October 15, 2028, for the 2026 taxable year. The FTB needs approximately six months to complete return processing and to compile the needed data. As a result, it is recommended that the reporting due date be no earlier than April of 2029 to provide complete information for the 2026 taxable year.

This bill may require the FTB to provide confidential taxpayer information to DAS for purposes of complying with requirements of this bill. However, the bill does not provide an exception for the disclosure of such confidential taxpayer information. The author may wish to amend the bill to provide an exception from the general disclosure provisions to specifically allow the FTB to comply with the reporting requirement.

Technical Considerations

For consistency and clarity, the following changes are recommended:

- In Sections 17053.92(a) and 23684(a), replace “For each taxable year beginning on...” with “For taxable years beginning on...”
- In Section 17053.92(b)(1)(B), replace “minimum wage” with “minimum wage as defined under Labor Code Section 1475(d).”

In Sections 17053.92(e)(1) and 23684(e)(1), remove the unnecessary language, "The Franchise Tax Board may prescribe rules, guidelines, procedures, or other guidance to carry out the purposes of this section."

In Sections 17053.92(e)(2) and 23684(e)(2), remove the language, "The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section, including any regulations to prevent improper claims from being filed." as the FTB already has this authority.

Policy Considerations

Denying a tax credit retroactively to a prior taxable year for which a tax return has already been filed may cause an increase in administrative costs for FTB and confusion for the taxpayer. If this is contrary to the author's intent, the author may wish to amend the bill.

LEGISLATIVE HISTORY

AB 895 (Rubio, 2025/2026) would, under the PITL and CTL, allow a tax credit of \$12,000 per qualified taxpayer per qualified fast-food restaurant for taxable years beginning on or after January 1, 2026, and before January 1, 2031. AB 895 was held by the Assembly Revenue and Taxation Committee.

AB 976 (Farias, 2025/2026) would, under the PTIL and CTL, allow a credit to qualified taxpayers in an amount equal to a taxpayer's qualified retail theft prevention measure expenses, limited to \$4,000, for taxable years beginning on or after January 1, 2026, and before January 1, 2028. AB 976 was held by the Assembly Revenue and Taxation Committee.

AB 1431 (Tangipa, 2025/2026) would, under the PITL, allow a credit, not to exceed \$5,000, to a qualified taxpayer for moneys paid by an employer for medical services performed in rural area of the state and authorized under the qualified taxpayer's license for taxable year beginning on or after January 1, 2025, and before January 1, 2032. AB 1431 was held by the Assembly Revenue and Taxation Committee.

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 244 as Amended March 24, 2025
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	-\$0.07
2026-2027	-\$0.20
2027-2028	-\$0.25

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

None on file.

ARGUMENTS

None on file.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov