Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2222 (Ward) – As Amended March 9, 2026

SUSPENSE

2/3 vote. Fiscal committee.

SUBJECT: Personal Income Tax Law and Corporation Tax Law: credits: local news organizations

SUMMARY: Allows, under the Personal Income Tax (PIT) Law and Corporation Tax (CT) Law, a refundable tax credit to a local news organization for the hiring and retention of qualifying journalists, as specified. Specifically, **this bill**:

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

   a) $20,000 for each of the first five qualifying journalists employed by the qualified taxpayer;

   b) $15,000 for each additional qualifying journalist beyond the first five employed by the qualified taxpayer; and,

   c) An additional $15,000 for each qualifying journalist in a new journalism position.

2) Defines all of the following terms:

   a) "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;

   b) "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 satisfies all the following:

      i) Operates a qualifying digital news outlet, qualifying broadcast station, or qualifying print publication;

      ii) 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;

      iii) Carries active media liability insurance coverage continuously for the taxable year;

iv) Is not controlled, directly or indirectly, by either of the following:

1) A political action committee or other entity described in Internal Revenue Code (IRC) section 527; or,

2) An organization that is exempt from federal income taxation pursuant to IRC section 501(c)(4);

v) Maintains and publicly displays an editorial policy for error correction and clarification that includes an accessible process for reporting errors and complaints; and,

vi) 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.

c) "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.

d) "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.

e) "Qualifying journalist" means an individual that satisfies all of the following:

i) 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;

ii) 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; and,

iii) Resides within 50 miles of the coverage area of the qualified taxpayer.

f) "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.

3) Provides that the amount of the credit that exceeds the taxpayer's PIT or CT liability shall be refunded and paid from the Tax Relief and Refund Account.

4) Provides that the credit allowed by this bill must be taken in lieu of any other tax credit allowed pursuant to the hiring or employment of a qualifying journalist.

5) Sunsets the credit's statutory provisions on December 1, 2032.

6) Finds and declares the following for the purpose of satisfying the requirements of Revenue and Taxation Code (R&TC) Section 41:

   a) The specific goal of the credits is to provide financial relief to struggling local news media outlets;

   b) To measure whether this bill achieves its intended purpose, the Franchise Tax Board (FTB) shall prepare a written report on the following:

      i) The number of taxpayers allowed a credit; and,

      ii) The total dollar value of credits allowed.

7) Requires the FTB to provide a written report to the Legislature no later than April 1, 2029, and annually thereafter, and publish this report on its website while ensuring all taxpayer information is anonymized.

8) Provides that the disclosure requirements of this bill shall be treated as an exception to R&TC Section 19542.

EXISTING LAW:

1) Allows various tax credits under the PIT Law and CT Law. These credits are generally designed to encourage socially beneficial behavior or to provide relief to taxpayers that incur specified expenses.

2) Requires any bill authorizing a new tax expenditure to contain all of the following:

   a) Specific goals, purposes, and objectives that the tax expenditure will achieve;

   b) Detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets the goals, purposes, and objectives stated in the bill; and,

   c) Data collection requirements to enable the Legislature to determine whether the tax expenditure is meeting, failing to meet, or exceeding those specific goals, purposes, and objectives. The requirements shall include the specific data and baseline measurements to be collected and remitted in each year the expenditure is in effect, for the Legislature to measure the change in performance indicators, and the specific taxpayers, state agencies, or other entities required to collect and remit data. (R&TC Section 41.)

FISCAL EFFECT: The FTB estimates General Fund revenue losses of $22 million in fiscal year (FY) 2026-27, $50 million in FY 2027-28, and $49 million in FY 2028-29.

COMMENTS:

1) The author has provided the following statement in support of this bill:

> Local journalism plays an essential role in strengthening democracy and civic engagement by ensuring communities have access to reliable information about local government, schools, and public safety. Yet across the country and in California, local news organizations are facing unprecedented financial challenges that have led to widespread newsroom closures and a dramatic decline in the number of journalists covering local communities.
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> AB 2222 provides targeted relief to local news organizations by creating a refundable tax credit tied directly to the employment of journalists. By helping offset the cost of retaining and hiring reporters, photographers, editors, and other newsroom staff, this bill aims to stabilize local news outlets and encourage greater investment in original reporting that serves California communities.
>
> Supporting local journalism means supporting informed communities, stronger civic participation, and greater transparency in government. AB 2222 represents a practical step to help sustain the journalists who provide Californians with the trusted local reporting they depend on every day.

2) This bill is sponsored by Rebuild Local News, which notes, in part:

> The Community NEWS Act is a First Amendment-friendly policy that would create refundable tax credits for California local news organizations based on the number of journalists they employ, with enhanced benefits for the smallest community newsrooms and outlets creating new journalist jobs. Local print, digital, and broadcast outlets would benefit regardless of whether they are for-profit businesses, 501(c)3 nonprofits or sole proprietorships. Similar versions of this approach have been recently enacted in Illinois, New York and New Mexico with broad support from lawmakers and local news stakeholders.
>
> Our communities need action to address the local news crisis. California has one of the lowest levels of local reporting capacity in the United States, according to the Local Journalist Index developed by Muck Rack and Rebuild Local News. In 2002, the U.S. employed roughly 40 full-time local journalists per 100,000 residents. Since then, California has lost nearly 34 journalists per 100,000 residents. California has an estimated 2,386 full-time local journalists left — just over six per 100,000 residents — ranking 42nd out of all 50 states in the nation.

3) This bill is supported by Media Guild of the West, which notes, in part:

> We support AB 2222 because we have seen firsthand the devastating impact of widespread newsroom layoffs and forced buyouts not only on our own newsrooms but also on the communities we are dedicated to covering. These cuts by media institutions facing severe financial challenges have led to significantly reduced coverage of local issues and have left some communities without consistent access to trusted local reporting.

The simple truth is that real community journalism requires real journalists. It requires journalists who are committed to understanding the communities they cover. Without those journalists, local government, public safety, education and other key issues go uncovered, and Californians cannot receive the accurate and reliable information they need about the issues affecting their daily lives.

4) Committee Staff Comments:

a) *What is a "tax expenditure"*? Existing law provides various credits, deductions, exclusions, and exemptions for particular taxpayer groups. In the late 1960s, U.S. Treasury officials began arguing that these features of the tax law should be referred to as "expenditures" since they are generally enacted to accomplish some governmental purpose and there is a determinable cost associated with each (in the form of foregone revenues).

As the Department of Finance notes in its annual Tax Expenditure Report, there are several key differences between tax expenditures and direct expenditures. First, tax expenditures are typically reviewed less frequently than direct expenditures. Second, there is generally no control over the amount of revenue losses associated with any given tax expenditure. Finally, it should also be noted that, once enacted, it takes a two-thirds vote to rescind an existing tax expenditure absent a sunset date. This effectively results in a "one-way ratchet" whereby tax expenditures can be conferred by majority vote, but cannot be rescinded, irrespective of their efficacy or cost, without a supermajority vote.

b) *A uniquely American tradition*: Thomas Paine's Common Sense is rightly understood as the document that did the most to foment a revolutionary spirit in America. Its unprecedented sales of over half a million copies in the first year made it the most read political document of its time. Less appreciated is the extent to which Common Sense owed its success to the broad circulation of newspapers throughout the country. The tract received tremendous publicity from the papers in circulation at the time. Furthermore, R. Bell, the pamphlet's publisher, relied heavily on the distribution networks created by the newspapers to ensure the document would reach as broad an audience as possible.[1, 2]

After the ratification of the Constitution in 1787, a relatively little known clause – the Postal Clause – quickly expanded the information distribution system by allowing citizens to send news and correspondence to each other paid for by government subsidy. In 1791, President James Madison remarked that Congress had an obligation to improve the "circulation of newspapers through the entire body of the people". He helped champion the Post Office Act of 1792, which included a provision for the delivery of newspapers by the Post Office at extremely low rates. For the century following the passage of the Post Office Act, newspapers often accounted for more than 95% of the weight of mail transported by the post office but never made up more than 15% of the revenue. The result of this large indirect subsidy of the fledgling industry was enormous. In 1790, before the passage of the act, there was less than one newspaper produced for

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[1] Crichton, Christel, Shidham, Valderrama, and Karmel, *Journalism in the Digital Age*, https://cs.stanford.edu/people/eroberts/cs201/projects/2010-11/Journalism/index.html.
[2] Frank Luther Mott, *American journalism: a history of newspapers in the United States through 250 years, 1690-1940*, The Macmillan Company (1942).

every five citizens. By 1840, there were almost three papers printed per person.

c) *The Gilded Age*: Following the Civil War, America's economy grew dramatically due to the effects of industrialization, new forms of economic organization, and immigration from abroad, creating a strong trend toward urbanization and diversification. The Gilded Age was also a period of immense graft and corruption, a theme that would be a mainstay of journalistic reporting throughout the era. The federal bureaucracy became ever more clogged with political appointees in positions that required little or no work, expanding the spoils system that was the hallmark of the earlier Andrew Jackson administration in the 1830s. Furthermore, political machines drove the politics of major metropolitan cities and used a system of corruption to ensure the election of desired candidates.[2]

Newspapers played a crucial role in exposing scandals and investigating the wrongdoing of public officials. However, newspapers often took strong political stances, which was reflected in their reporting and the topics that were covered. Major newspapers were typically associated with one of the political parties or a particular social movement. Scandals, therefore, were often unearthed by journalists opposed to the policies of a particular politician.

d) A *changing landscape*: While newspapers and print journalism would be a mainstay throughout the 20th Century, changing technology would damage its monopoly over the dissemination of information. The development of radio provided broadcasts for the first time in America, and World War I created a need for a nationwide broadcast system that would lay the ground for this new source of news. The medium was a popular choice of President Franklin Delano Roosevelt in his fireside chats and came to be one of the trusted sources of news in America. Broadcast television, however, offered something that radio and newspapers could not: live video; and it was this ability that drew audiences to the new medium. The major radio corporations moved their operations to television, creating evening news broadcasts that became a top source of news in the 1950s.

Newspapers reached a theoretical height of excellence in the early 1970s – never before had a President of the United States resigned in scandal, and the investigation was conducted almost entirely by newspaper journalists. However, the velocity of news would increase dramatically with the development of new mediums including cable news and the internet, and newspapers faced increasingly stiff competition in their basic business.[3]

The Cable News Network (now known as CNN) was first broadcast in 1980 and provided a 24-hour medium for constant news. The channel suffered from credibility issues throughout its first decade of operations and proved to be mostly insignificant against the already established evening news television broadcasts and newspapers. However, that dynamic changed during the First Gulf War. When the bombing of Baghdad by coalition forces first began, CNN had the only reporters in the city and broadcast the bombing live. The vivid coverage drew wide attention among the public and put CNN "on the map."

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[3] Ken Auletta, *Backstory: Inside the Business of News*, Penguin Press (2003).

e) *The digital world*: The internet was opened to commercial traffic in 1995, and newspapers quickly joined the new medium, though the power of the internet to spread information was not immediately clear. One of the most sensational stories of the 1990s was the scandal of Bill Clinton and Monica Lewinsky. The story was first investigated by Newsweek, which had learned of Lewinsky's potential involvement with the President. While reporters for the magazine waited for further sourcing, the news was scooped by Matt Drudge of the Drudge Report, an online clearinghouse of news headlines with a conservative slant. Journalists of all stripes learned that the ethos of reporters maintaining methodical sourcing and getting the story right was waning.[3]

f) *Does journalism still "pencil out"*? While maintaining a website and social media accounts may cost less than physically printing and distributing daily or weekly editions, the sources of revenue for news organizations have also changed dramatically. Almost every single source of revenue, from newsstand and subscription sales to classified and retail advertising, has fallen dramatically over the past few decades.[4] The forces driving these trends are complex, but the basic cause is that the newspaper business is organized around a model that was extremely profitable when newspapers were the only medium to receive news, but extremely vulnerable in the face of competition.

News as a product has two important economic features. First, news is non-excludable, meaning that once the news is reported anyone can use it. Second, while it is expensive to pay reporters to gather information, the costs of actually distributing this information is the same regardless of how much information is actually produced.

Before television became a regular source of news, newspapers had a loophole in the non-excludability condition of news. While a newspaper could not prevent a competitor from reporting on a breaking news story once it had published an issue, the lag of a single day was enough to make breaking a story before another newspaper a very profitable activity.

Moreover, because distribution costs were the same regardless of how much information each paper collected, there was a tendency toward monopoly once a big paper had set up a sufficient distribution network. The fixed costs of distributing information had another side effect: newspapers became an extremely effective way to distribute classified ads because the marginal cost of including them in the paper was so low. Similarly, it became extremely profitable to include advertising in the paper since the additional cost of including ads was so low.

The rise of the internet and cable news has completely transformed this economic situation. No longer could newspapers expect to be the biggest beneficiaries from reporting a story. As soon as an organization such as *The New York Times* reports a new story, cable news networks, bloggers, and social media influencers can move quickly to cover the story – with much of the profit of the hard work of newspaper reporters going to other players. Further, while microtargeted digital advertisements can be much more affordable and effective than traditional mass media advertising, search engine previews

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[4] McChesney and Nichols, *The Death and Life of American Journalism: The Media Revolution that Will Begin the World Again*, Nation Books (2010).

and summaries generated by artificial intelligence have posed continuing challenges to websites that depend on selling advertisements for revenue.

g) *Who would benefit from this bill*? As the underlying business realities of news media have changed, so too have the organizational forms of publications themselves. Without the barriers to entry posed by large printing and distribution requirements, the internet has enabled smaller publications to reach large audiences. Additionally, there is a growing recognition that local newsgathering and reporting constitutes a public good, driving some publications to reorganize as tax-exempt nonprofit corporations or start new organizations altogether.

Still, digital-first nonprofit newsrooms are generating only a fraction of the revenue of the newspaper industry from 20 years ago, and their "earned revenue" through things such as subscriptions and memberships makes up only about one-quarter to one-third of their total funding.[5] The remaining revenue largely comes from philanthropy, including large foundations. While the nonprofit model is celebrated by many, a publication's nonprofit status may restrict their ability to endorse candidates or ballot measures, which was a traditionally important role played by newspapers and editorial boards.

This bill recognizes the shifting landscape of journalism and provides the tax credits under both the PIT Law and the CT Law. Additionally, to ensure that tax-exempt nonprofit publications benefit from these credits, this bill makes the credits refundable. Refundable tax credits allow a taxpayer to receive money from the state by claiming the full cash value of the credit amount that is in excess of their tax liability. This design enables taxpayers with little to no tax liability to benefit from the credit and has historically been used to target state resources to individuals in deep poverty. Limited refundability provisions were added to the California Motion Picture and Television Product credits by SB 132 (Committee on Budget and Fiscal Review), Chapter 56, Statutes of 2023.

This bill also includes a number of safeguards to prevent these credits from being claimed by illegitimate news organizations. To qualify for the credits, a publication must disclose on its website all of its beneficial owners or its board of directors if it is a nonprofit entity, maintain active media liability insurance throughout the year, and maintain and publicly display an editorial policy for error correction and clarification. Entities that are controlled, directly or indirectly, by political action committees or a 501(c)(4) organization or that receive more than 15% of their gross revenues in the previous two taxable years from such entities are not eligible for the credits.

h) *Prior efforts*: In 2024, legislation was introduced in both the Assembly and Senate that responded to many of the changes in the media economy described above and sought to direct additional resources towards local journalists. Ultimately, August 21, 2024, saw the announcement of a first-in-the-nation partnership between the State, news publishers, major tech companies, and philanthropy to provide ongoing financial support to

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[5] Eric Rynston-Lobel, "Nonprofit newsrooms have grown, but they still generate a fraction of what newspapers once did," *Poynter*, April 7, 2026, https://www.poynter.org/business-work/2026/nonprofit-newsroom-revenue-philanthrophy/.

newsrooms across California and launch a National AI Accelerator. Despite this initial announcement to jointly spend $175 million over five years to fund local journalism, the status of the venture is unclear, as reported by the *Los Angeles Times*.[6]

i) *Committee's tax expenditure policy*: Both R&TC Section 41 and Committee policy require any tax expenditure bill to outline specific goals, purposes, and objectives that the tax expenditure will achieve, along with detailed performance indicators for the Legislature to use when measuring whether the tax expenditure meets those stated goals, purposes, and objectives. A tax expenditure bill will not be eligible for a Committee vote unless it has complied with these requirements.

In its current form, this bill states that the credit is designed to provide financial relief to struggling local news media outlets. In addition, this bill provides that the credit's effectiveness shall be measured by the number of taxpayers claiming the credit. The Committee may wish to consider whether credit utilization, in and of itself, is a sufficient rubric by which to measure this credit's effectiveness.

In addition to the R&TC Section 41 requirements, this Committee's policy also requires that all tax expenditure proposals contain an appropriate sunset provision to be eligible for a vote. According to this policy, an "appropriate sunset provision" means five years, except in the case of a tax expenditure measure providing relief to California veterans, in which case "appropriate sunset provision" means ten years. This bill, as currently drafted, complies with the Committee's policy on sunset dates.

j) *Implementation and technical considerations*:

i) *Duration of employment*: As currently drafted, 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.

ii) *Multiple benefits*: Businesses can deduct wages and salaries as necessary and ordinary costs of doing business. While this bill provides that the credits created by this bill must be taken in lieu of any other hiring or employment credit for any qualifying journalist, it does not prevent a business from deducting those expenses and claiming the credits.

iii) *Calculating change in employees*: As currently drafted, 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

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[6] Yue Stella Yu, *Newsom plans no new journalism funding despite $175-million funding deal with Google*, Los Angeles Times (January 19, 2026), https://www.latimes.com/california/story/2026-01-19/newsom-plans-no-new-journalism-funding-despite-175-million-funding-deal-with-google.

author's intent, the author may wish to amend the bill.

iv) *Refundable credits are typically taxable for federal income tax purposes*: Refundable tax credits are generally subject to federal income tax unless a specific federal income exclusion applies.

k) *Prior legislation*:

i) SB 1327 (Glazer) of the 2023-24 Legislative Session, would have, under the PIT Law and CT Law, for taxable years beginning on or after January 1, 2024, and before January 1, 2029, allowed a credit to a qualified taxpayer who pays or incurs costs for qualified services related to local news media and who received a credit reservation from the FTB. SB 1327 was not heard by this Committee.

ii) AB 886 (Wicks) of the 2023-24 Legislative Session, the California Journalism Preservation Act, would have required a covered digital 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 the Senate.

REGISTERED SUPPORT / OPPOSITION:

Support

Asian American Journalists Association, Los Angeles
California Independent News Alliance
California State University 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)
Rebuild Local News
SAG-AFTRA

Opposition

None on file

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