September 14, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Subject: Veto Request for AB 2222 (Ward)

Dear Governor Newsom:

The California Taxpayers Association and the organizations listed below respectfully request the veto of AB 2222 (Ward), which would increase taxes on publicly traded companies by conforming state law to Internal Revenue Code Section 162(m), relating to the non-deductibility of executive pay, to offset the cost of a new tax hiring credit related to journalism.

CalTax and the organizations below oppose AB 2222 for the following reasons:

Tax Credit Subsidizes Existing Activity Rather Than Encouraging New Hiring. While this bill attempts to increase General Fund revenue by conforming to IRC Section 162(m), it may not be enough to offset the spending that would result from the refundable tax credit. The Franchise Tax Board (FTB) estimates that revenue generated from the limitations on business expenses would be $29 million in 2026-27, $58 million in 2027-28, and $65 million in 2028-29. However, the tax credit would decrease General Fund revenue by $19 million in 2026-27, $43 million in 2027-28, and $42 million in 2028-29, leaving a very tight margin that could turn into a net revenue loss very quickly if the projections are off by even a small amount. In addition, the FTB anticipates administrative costs for implementation to be $434,000 in 2027-28 and $10,000 per year in subsequent years

According to the Department of Finance bill analysis, this tax credit is “likely to mainly subsidize existing activity rather than encourage net new hiring …. The refundable tax credit created by this bill is likely to mainly provide windfall benefits to taxpayers rather than encourage net new hiring activity since the credit is allowed for journalists already employed as well as new hires, which results in fiscal costs to the state without generating new incremental economic benefit …. Windfall benefits for a tax credit mean that the state is spending money in the form of tax credits but not receiving any incremental economic benefit to justify the expenditure ….”

Funding local journalism in this manner does not encourage the level of economic activity required to justify the significant revenue losses from the General Fund.

Additionally, funding journalists through a government-provided tax credit could undermine the public's trust in the independence of the journalists who receive the credit, creating a lasting harmful effect.

Conformity Should Be Considered Independently of Revenue. Conformity, as outlined in last year's conformity omnibus bill, SB 711, evaluated all tax law changes, allowing, according to the Department of Finance, "a complete fiscal, administrative, and policy impact separate from revenue considerations." AB 2222 does the opposite by cherry-picking a single conformity provision to raise revenue. AB 2222's conformity provision should be considered comprehensively with other tax laws in an omnibus bill with the goal of improving tax administration for the state and taxpayers alike, not for the sole sake of raising revenue.

AB 2222 ultimately does not accomplish the goal it sets out to achieve. It does not incentivize the hiring of journalists, and the small advantages it provides to local news groups do not warrant the significant decreases in General Fund revenue. As the Department of Finance states, "A refundable tax credit with no cap creates unlimited fiscal liability to the state, unlike a Budget appropriation which is limited and can be adjusted each year in the Budget."

For these reasons, we respectfully urge that you veto AB 2222.

Sincerely,

Robert Gutierrez
President and Chief Executive Officer
California Taxpayers Association

On behalf of…

California Taxpayers Association
California Business Roundtable
California Chamber of Commerce
California Fuels and Convenience Alliance
California Retailers 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
TechNet

The California Taxpayers Association is a nonpartisan, nonprofit association formed to support good tax policy, oppose unnecessary taxes and promote government efficiency. Established in 1926, CalTax is the oldest and largest group representing California taxpayers.

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