AB-231 Income and corporation taxes: credits: work opportunity credit. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL NO. 231

Introduced by Assembly Member Ta

January 13, 2025

An act to add and repeal Sections 17053.10 and 23621.1 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 231, as introduced, Ta. Income and corporation taxes: credits: work opportunity credit.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws.

This bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would allow a credit against those taxes to a qualified taxpayer in an amount equal to 40% of the qualified wages paid or incurred to a qualified employee employed during the taxable year. The bill would define a qualified employee for this purpose to mean an individual that, among other things, has been convicted of a felony, as provided, and has a hiring date not more than one year after the date the individual was convicted or was released from prison.

Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would include additional information required for any bill authorizing a new income tax expenditure.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17053.10 is added to the Revenue and Taxation Code, to read:

17053.10. (a) (1) For taxable years beginning on or after January 1, 2026, and before January 1, 2031, there shall be allowed a credit against the “net tax,” as defined in Section 17039, to a qualified taxpayer in an amount equal to 40 percent of the qualified first-year wages paid or incurred to a qualified employee.

(2) The credit allowed pursuant to this section to a qualified taxpayer based on qualified first-year wages paid to any qualified employee shall not exceed five thousand dollars ($5,000), regardless of taxable year.

(b) For purposes of this section:

(1) “Qualified employee” means an individual who satisfies all of the following:

(A) Is employed by a qualified taxpayer during the taxable year.

(B) Has worked for the qualified taxpayer for at least six months.

(C) Has been convicted of a felony under any statute of the United States, or of any state.

(D) Is employed by the qualified taxpayer to perform services within the State of California.

(E) Has a hiring date that is not more than one year after the date the individual was convicted or was released from prison.

(2) “Qualified taxpayer” means a taxpayer with fewer than five employees that pays qualified first-year wages to a qualified employee.

(3) (A) “Qualified first-year wages” means wages paid or incurred to a qualified employee within the one-year period beginning on the date the qualified employee begins performing services for the qualified taxpayer.

(B) “Qualified first-year wages” shall not include the following:

(i) Amounts paid or incurred by a qualified taxpayer for any period to an individual for whom the qualified taxpayer receives federally funded payments for on-the-job training of the individual for that period.

(ii) Amounts paid or incurred by the qualified taxpayer to an individual for services which are the same as, or substantially similar to, those services performed by employees participating in, or affected by, a strike or lockout during the period of that strike or lockout.

(iii) In the event that a qualified taxpayer pays or incurs qualified wages to a qualified employee in two separate taxable years, “qualified first-year wages” shall not include any amount paid or incurred that was used to calculate the amount of any credit allowed in a prior year.

(c) Any deduction that is otherwise allowed to the qualified taxpayer pursuant to this part with respect to wages paid to the qualified employee shall be reduced by the amount of any credit claimed under this section. This credit shall be taken in lieu of any other credit that the qualified taxpayer may otherwise claim pursuant to this part with respect to wages paid to a qualified employee.

(d) (1) For purposes of complying with Section 41, as it relates to the credit allowed pursuant to this section and Section 23621.1, the Legislature finds and declares as follows:

(A) The specific goal, purpose, and objective of the credit is to reduce recidivism rates by reducing unemployment among recently released ex-felons.

(B) The performance indicators for the Legislature to use in determining whether the credit achieves the stated goals shall be the number of taxpayers allowed a credit pursuant to this section or Section 23621.1, and the average dollar value of credits allowed.

(2) (A) No later than December 1, 2028, and each December 1 thereafter, the Franchise Tax Board shall submit a report, in compliance with Section 9795 of the Government Code, to the Legislature detailing the number of taxpayers that receive a credit pursuant to this section or Section 23621.1 and the average dollar value of credits allowed.

(B) The disclosure provisions of this paragraph shall be treated as an exception to Section 19542.

(e) This section shall remain in effect only until December 1, 2031, and as of that date is repealed.

SEC. 2. Section 23621.1 is added to the Revenue and Taxation Code, to read:

23621.1. (a) (1) For taxable years beginning on or after January 1, 2026, and before January 1, 2031, there shall be allowed a credit against the “tax,” as defined in Section 23036, to a qualified taxpayer in an amount equal to 40 percent of the qualified first-year wages paid or incurred to a qualified employee.

(2) The credit allowed pursuant to this section to a qualified taxpayer based on qualified first-year wages paid to any qualified employee shall not exceed five thousand dollars ($5,000), regardless of taxable year.

(b) For purposes of this section:

(1) “Qualified employee” means an individual who satisfies all of the following:

(A) Is employed by a qualified taxpayer during the taxable year.

(B) Has worked for the qualified taxpayer for at least six months.

(C) Has been convicted of a felony under any statute of the United States, or of any state.

(D) Is employed by the qualified taxpayer to perform services within the State of California.

(E) Has a hiring date that is not more than one year after the date the individual was convicted or was released from prison.

(2) “Qualified taxpayer” means a taxpayer with fewer than five employees that pays qualified first-year wages to a qualified employee.

(3) (A) “Qualified first-year wages” means wages paid or incurred to a qualified employee within the one-year period beginning on the date the qualified employee begins performing services for the qualified taxpayer.

(B) “Qualified first-year wages” shall not include the following:

(i) Amounts paid or incurred by a qualified taxpayer for any period to an individual for whom the qualified taxpayer receives federally funded payments for on-the-job training of the individual for that period.

(ii) Amounts paid or incurred by the qualified taxpayer to an individual for services which are the same as, or substantially similar to, those services performed by employees participating in, or affected by, a strike or lockout during the period of that strike or lockout.

(iii) In the event that a qualified taxpayer pays or incurs qualified wages to a qualified employee in two separate taxable years, “qualified first-year wages” shall not include any amount paid or incurred that was used to calculate the amount of the credit allowed under this section in a prior year.

(c) Any deduction that is otherwise allowed to the qualified taxpayer pursuant to this part with respect to wages paid to the qualified employee shall be reduced by the amount of any credit claimed under this section. This credit shall be taken in lieu of any other credit that the qualified taxpayer may otherwise claim pursuant to this part with respect to wages paid to a qualified employee.

(d) This section shall remain in effect only until December 1, 2031, and as of that date is repealed.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.