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AB-976 Personal Income Tax Law: Corporation Tax Law: California Retail Security Tax Credit. (2025-2026)

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AMENDED IN ASSEMBLY APRIL 28, 2025

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 976

Introduced by Assembly Member Ávila Farías

February 20, 2025

An act to add and repeal Sections 17053.77 and 23621.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 976, as amended, Ávila Farías. Personal Income Tax Law: Corporation Tax Law: California Retail Security Tax 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, 2028, would allow a credit against the taxes imposed by those laws to a business operating in a disadvantaged community, as described, with total gross annual receipts of no greater than \$5,000,000, with 25 or fewer employees in an amount equal to the taxpayer's qualified retail theft prevention measure expenses at retail locations in the state, not to exceed \$4,000 per taxable year, and subject to a credit reservation by the ~~California Tax Credit Allocation Committee~~, *Franchise Tax Board*, as specified. The bill would limit the total amount of tax credits allocated per taxable year to \$10,000,000.

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

This bill would include findings and reporting requirements in compliance with this requirement.

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. The credits allowed by Sections 17053.77 and 23621.5 of the Revenue and Taxation Code, as added by this act, shall be known, and may be cited, as the California Retail Security Tax Credit.

SEC. 2. Section 17053.77 is added to the Revenue and Taxation Code, to read:

17053.77. (a) (1) For each taxable year beginning on or after January 1, 2026, and before January 1, 2028, there shall be allowed a credit against the "net tax," as defined in Section 17039, to a qualified taxpayer in an amount equal to the taxpayer's qualified retail theft prevention measure expenses during the taxable year, subject to paragraph (2), that receives a tentative credit reservation pursuant to this section.

(2) The credit allowed by this section shall be equal to the amount received as a credit reservation pursuant to subdivision (c), not to exceed four thousand dollars (\$4,000) per taxable year.

(b) For purposes of this section:

(1) "Full-time equivalent employee" shall be calculated as follows:

(A) An employee of a qualified taxpayer who works a minimum of 36 hours per week for each week the employee is employed by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one full-time equivalent employee.

(B) An employee of the qualified taxpayer who works a minimum of 20 hours per week, but less than 36 hours per week, for each week the employee is employed by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one-half full-time equivalent employee.

(C) A salaried employee of the qualified taxpayer who was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one full-time equivalent employee.

(2) "Qualified retail theft prevention measure expenses" means the purchase, that is incurred on or after the operative date of this section, in an amount of at least four thousand dollars (\$4,000), of any of the following equipment by the qualified taxpayer at a retail location in the state:

(A) Security cameras.

(B) Interior or exterior locking or hardening measures.

(C) Perimeter security lighting.

(D) Access control systems.

(E) Alarm systems.

(3) "Qualified taxpayer" means a business operating in a disadvantaged community, as described in Section 39711 of the Health and Safety Code, *as of January 1, 2026*, with total gross annual receipts of no greater than five million dollars (\$5,000,000) that employs 25 or fewer total full-time equivalent employees who are employed for at least 40 weeks within the prior taxable year at one or more retail locations in the state.

(c) (1) The total aggregate amount of the credit that may be allocated by credit reservations per taxable year to all qualified taxpayers pursuant to this section and Section 23621.5 shall not exceed ten million dollars (\$10,000,000), plus the unallocated credit amount, if any, from the preceding taxable year.

(2) (A) To be eligible for the credit allowed by this section, a qualified taxpayer shall request a credit reservation from the ~~California Tax Credit Allocation Committee~~, *Franchise Tax Board*, in the form and manner prescribed by the ~~committee~~. *board*.

(B) To obtain a credit reservation, the qualified taxpayer shall provide all necessary information, as determined by the ~~California Tax Credit Allocation Committee~~. *Franchise Tax Board*.

(3) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall do all of the following:

(A) On or before January 1, 2026, publish on its internet website the application form required to obtain a credit reservation.

(B) On or before March 15, 2026, approve credit reservations for taxable years beginning on or after January 1, 2026, and before January 1, 2027, with respect to qualified taxpayers who submit an application for a credit reservation on or before February 1, 2026.

(C) If credit reservation request amounts received on or before February 1, 2026, exceed the amount in paragraph (1), the ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall reduce the amount of credit on a proportional basis.

(D) On or before March 15, 2026, or within 30 days of receipt of a credit reservation, whichever occurs later, notify qualified taxpayers of the credit reservation amount received pursuant to this section and Section 23621.5.

(E) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall continue to accept and approve additional credit reservations received after February 1, 2026, for taxable years beginning on or after January 1, 2026, and before January 1, 2027, on a rolling basis until the annual cap specified in paragraph (1) is allocated.

(4) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall repeat the process in paragraph (3) for the 2027 taxable year.

(d) Any deduction otherwise allowed under this part for any amount paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit allowed under this section.

(e) For purposes of complying with Section 41, as it applies to the credit allowed by this section and Section 23621.5, the Legislature finds and declares as follows:

(1) The specific goal, purpose, and objective of the retail security tax credit is to incentivize retail establishments to install security systems to protect their employees and deter theft.

(2) The performance indicator for the Legislature to use in determining if the security tax credit achieves its stated purpose is the number of qualified taxpayers allocated a tax credit pursuant to this section.

(3) No later than June 30, 2027, and each June 30 thereafter, the Franchise Tax Board shall submit a report to the Legislature, in accordance with Section 9795 of the Government Code, detailing the number of taxpayers that claimed the tax credit pursuant to this section and Section 23621.5 for the most recent taxable year.

(f) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 3. Section 23621.5 is added to the Revenue and Taxation Code, to read:

23621.5. (a) (1) For each taxable year beginning on or after January 1, 2026, and before January 1, 2028, there shall be allowed a credit against the "tax," as defined in Section 23036, to a qualified taxpayer in an amount equal to the taxpayer's qualified retail theft prevention measure expenses during the taxable year, subject to paragraph (2), that receives a tentative credit reservation pursuant to this section.

(2) The credit allowed by this section shall be equal to the amount received as a credit reservation pursuant to subdivision (c), not to exceed four thousand dollars (\$4,000) per taxable year.

(b) For purposes of this section:

(1) "Full-time equivalent employee" shall be calculated as follows:

(A) An employee of a qualified taxpayer who works a minimum of 36 hours per week for each week the employee is employed by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one full-time equivalent employee.

(B) An employee of the qualified taxpayer who works a minimum of 20 hours per week, but less than 36 hours per week, for each week the employee is employed by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one-half full-time equivalent employee.

(C) A salaried employee of the qualified taxpayer who was paid compensation during the taxable year for full-time employment, within the meaning of Section 515 of the Labor Code, by the qualified taxpayer, at the qualified taxpayer's retail location in the state, shall equal one full-time equivalent employee.

(2) "Qualified retail theft prevention measure expenses" means the purchase, that is incurred on or after the operative date of this section, in an amount of at least four thousand dollars (\$4,000) of any of the following equipment by the qualified taxpayer at a retail location in the state:

(A) Security cameras.

(B) Interior or exterior locking or hardening measures.

(C) Perimeter security lighting.

(D) Access control systems.

(E) Alarm systems.

(3) "Qualified taxpayer" means a business operating in a disadvantaged community, as described in Section 39711 of the Health and Safety Code, *as of January 1, 2026*, with total gross annual receipts of no greater than five million dollars (\$5,000,000) that employs 25 or fewer total full-time equivalent employees who are employed for at least 40 weeks within the prior taxable year at one or more retail locations in the state.

(c) (1) The total aggregate amount of the credit that may be allocated by credit reservations per taxable year to all qualified taxpayers pursuant to this section and Section 17053.77 shall not exceed ten million dollars (\$10,000,000), plus the unallocated credit amount, if any, from the preceding taxable year.

(2) (A) To be eligible for the credit allowed by this section, a qualified taxpayer shall request a credit reservation from the ~~California Tax Credit Allocation Committee~~, *Franchise Tax Board*, in the form and manner prescribed by the ~~committee~~. *board*.

(B) To obtain a credit reservation, the qualified taxpayer shall provide all necessary information, as determined by the ~~California Tax Credit Allocation Committee~~. *Franchise Tax Board*.

(3) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall do all of the following:

(A) On or before January 1, 2026, publish on its internet website the application form required to obtain a credit reservation.

(B) On or before March 15, 2026, approve credit reservations for taxable years beginning on or after January 1, 2026, and before January 1, 2027, with respect to qualified taxpayers who submit an application for a credit reservation on or before February 1, 2026.

(C) If credit reservation request amounts received on or before February 1, 2026, exceed the amount in paragraph (1), the ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall reduce the amount of credit on a proportional basis.

(D) On or before March 15, 2026, or within 30 days of receipt of a credit reservation, whichever occurs later, notify qualified taxpayers of the credit reservation amount received pursuant to this section and Section 17053.77.

(E) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall continue to accept and approve additional credit reservations received after February 1, 2026, for taxable years beginning on or after January 1, 2026, and before January 1, 2027, on a rolling basis until the annual cap specified in paragraph (1) is allocated.

(4) The ~~California Tax Credit Allocation Committee~~ *Franchise Tax Board* shall repeat the process in paragraph (3) for the 2027 taxable year.

(d) Any deduction otherwise allowed under this part for any amount paid or incurred by the taxpayer upon which the credit is based shall be reduced by the amount of the credit allowed under this section.

(e) For purposes of complying with Section 41, as it applies to the credit allowed by this section and Section 17053.77, the Legislature finds and declares as follows:

(1) The specific goal, purpose, and objective of the retail security tax credit is to incentivize retail establishments to install security systems to protect their employees and deter theft.

(2) The performance indicator for the Legislature to use in determining if the security tax credit achieves its stated purpose is the number of qualified taxpayers allocated a tax credit pursuant to this section.

(3) No later than June 30, 2027, and each June 30 thereafter, the Franchise Tax Board shall submit a report to the Legislature, in accordance with Section 9795 of the Government Code, detailing the number of taxpayers that claimed the tax credit pursuant to this section and Section 17053.77 for the most recent taxable year.

(f) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.