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**AB-1428 California Affordable Childcare Act: Personal Income Tax and Corporation Tax.** (2025-2026)

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AMENDED IN ASSEMBLY APRIL 09, 2025

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

**ASSEMBLY BILL**

**NO. 1428**

Introduced by Assembly Member Muratsuchi

February 21, 2025

An act to add ~~Sections 17043.5, 19602.6, and 23151.5 to~~ *Section 19602.6 to, and add and repeal Sections 17043.5 and 23151.5 of,* the Revenue and Taxation Code, relating to childcare, and making an appropriation therefor.

**LEGISLATIVE COUNSEL'S DIGEST**

AB 1428, as amended, Muratsuchi. California Affordable Childcare Act: Personal Income Tax and Corporation Tax.

The Personal Income Tax Law and the Corporation Tax Law impose taxes according to, or measured by, income derived from or attributable to sources within this state.

This bill, *for taxable years beginning on or after January 1, 2026, and before January 1, 2031,* in addition to any other taxes imposed by those laws, would impose a tax at a rate of ~~0.05%~~ *0.5%* on that portion of income in excess of \$10,000,000 during the taxable ~~year~~ *year, except as provided.* The bill would establish the California Affordable Child Care Fund in the State Treasury and would direct all revenues, less reimbursement to the Franchise Tax Board for the administration of the additional tax, to be deposited into that fund. The bill would continuously appropriate the moneys in the fund to the State Treasurer for the purpose of establishing a grant program for licensed child care facilities, as described. By establishing a new continuously appropriated fund, this bill would make an appropriation.

This bill would include a change in state statute that would result in a taxpayer paying a higher tax within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

Vote: 2/3 Appropriation: yes Fiscal Committee: yes Local Program: no

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

**SECTION 1.** This measure shall be known, and may be cited, as the “California Affordable Child Care Act.”

**SEC. 2.** The Legislature finds and declares all of the following:

- (a) There are 2.7 million children ages 5 and under in California – 62% of these children have all available parents in the workforce.
- (b) The typical annual cost of child care for an infant in California is around \$19,000.
- (c) On average, child care providers in California earn just \$37,270 a year which can make it a challenge to recruit and retain this workforce, leading to labor supply issues.
- (d) The California economy loses \$17 billion annually due to child care challenges.

**SEC. 3.** Section 17043.5 is added to the Revenue and Taxation Code, to read:

**17043.5.** (a) For each taxable year beginning on or after January 1, 2026, *and before January 1, 2031*, in addition to any other taxes imposed by this part, a tax shall be imposed at a rate of ~~0.05~~ 0.5 percent on that portion of a taxpayer’s income in excess of ten million dollars (\$10,000,000).

(b) (1) The tax imposed pursuant to subdivision (a) shall only apply to a taxpayer that employs one or more employees, either as an individual or through a partnership, limited liability company, or similar business enterprise of which the taxpayer is a partner, member, owner, or beneficial owner.

(2) Notwithstanding paragraph (1), the tax imposed by this section shall not apply where the taxpayer satisfies either of the following:

(A) Provides child care for their employees during working hours.

(B) Fully reimburses employees for necessary child care services.

*(c) This section shall remain operative only until December 1, 2031, and as of that date is repealed.*

**SEC. 4.** Section 19602.6 is added to the Revenue and Taxation Code, to read:

**19602.6.** (a) The Affordable Childcare Reimbursement Fund is hereby established in the State Treasury. All revenues, less reimbursement to the Franchise Tax Board for the costs of administration, from the additional tax imposed under Sections 17043.5 and 23151.5 for the taxable year shall be deposited in the Affordable Childcare Reimbursement Fund.

(b) Notwithstanding Section 13340 of the Government Code, moneys in the fund are continuously appropriated without regard to fiscal year to the Treasurer for the purposes of funding grants as described in this section.

(c) Beginning with the 2027–28 fiscal year, grants shall be made available to childcare facilities licensed pursuant to the California Child Day Care Facilities Act (Chapters 3.5 (commencing with Section 1596.90) and 3.6 (commencing with Section 1597.30)) of Division 2 of the Health and Safety Code.

(d) Grant funds shall be used exclusively for the following:

(1) Lowering rates charged by a licensee for child care services.

(2) Increasing available spaces for services provided by hiring additional employees.

**SEC. 5.** Section 23151.5 is added to the Revenue and Taxation Code, to read:

**23151.5.** (a) For each taxable year beginning on or after January 1, 2026, *and before January 1, 2031*, in addition to any other taxes imposed by this part, a tax shall be imposed at a rate of ~~0.05~~ 0.5 percent on that portion of a corporation’s income in excess of ten million dollars (\$10,000,000).

(b) (1) The tax imposed pursuant to subdivision (a) shall only apply to any corporation that employs one or more employees.

(2) Notwithstanding paragraph (1), the tax imposed by this section shall not apply where the corporation satisfies either of the following:

(A) Provides child care for their employees during working hours.

(B) Fully reimburses employees for necessary child care services.

*(c) This section shall remain operative only until December 1, 2031, and as of that date is repealed.*