

CALIFORNIA LEGISLATURE—2025-2026 SIMULATION SESSION

SENATE BILL

NO 23

Introduced by Senator Roger Niello

October 1st, 2025

This bill is an act to add Section 23610.8 to, and to amend Section 17053 of, the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 23, as introduced, Niello. Business Tax Credits: Educational Donations.

Under existing law, the Personal Income Tax Law and the Corporation Tax Law allow taxpayers to deduct charitable contributions to qualifying organizations, subject to statutory limitations (Revenue and Taxation Code Sections 17053 and 24357). These deductions reduce taxable income but do not provide an enhanced incentive for targeted contributions to specific public purposes.

This bill, beginning with the 2026–27 fiscal year, would establish a tax credit in an amount equal to 25 percent of the total value of qualified donations made by a business entity to a qualified educational institution located in California. Qualified educational institutions include public K–12 schools, community college districts, campuses of the California State University and the University of California, and nonprofit scholarship funds organized for the purpose of supporting California residents.

The bill would require the Franchise Tax Board to administer the program, adopt regulations, and establish verification procedures for eligible donations. The bill would limit the aggregate statewide amount of credits available under this program to eight million dollars (\$8,000,000) per taxable year.

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 of the Revenue and Taxation Code is amended to read:

17053. *(f) For taxable years beginning on or after January 1, 2026, there shall be allowed a credit against the “net tax,” as defined in Section 17039, equal to 25 percent of the total amount of qualified donations made during the taxable year by a qualified business entity to a qualified educational institution, as those terms are defined in Section 23610.8.*

SEC. 2. Section 23610.8 is added to the Revenue and Taxation Code, to read:

23610.8. (A) For purposes of this section, the following definitions shall apply:

(1) "Qualified business entity" means a corporation, partnership, or other business organization lawfully registered to conduct business in the State of California.

(2) "Qualified educational institution" means any of the following located in the State of California:

(a) ~~A public school in a school district or a charter school established pursuant to the Education Code.~~

(a) A public school in a school district established pursuant to the Education Code. Charter schools are not included as qualified educational institutions under this section.

(b) A community college district organized under Section 70900 of the Education Code.

(c) A campus of the California State University or the University of California.

(d) A nonprofit public benefit corporation established under Division 2 (commencing with Section 5000) of Title 1 of the Corporations Code and recognized under Section 501(c)(3) of the Internal Revenue Code, the primary purpose of which is to provide scholarships to California residents.

(3) "Qualified donation" means a contribution of money, books, computer equipment, or other tangible resources directly related to the educational mission of the institution receiving the donation.

~~(B) The total credit allowed under this section shall not exceed eight million dollars (\$8,000,000) statewide for any taxable year.~~

(B) The total credit allowed under this section shall not exceed eight million dollars (\$8,000,000) statewide per taxable year. This limit represents the total aggregate amount of credits that may be claimed by all business entities combined within a given year

(C) The Franchise Tax Board shall administer this section and shall adopt rules, forms, and regulations as necessary to implement its provisions. The Franchise Tax Board shall also establish a process for educational institutions to verify receipt of qualified donations and for businesses to claim the credit.

SEC. 3.

Effective Date.

This act shall apply to taxable years beginning on or after January 1, 2026.