



Date: April 8, 2026

To: Members, Assembly Human Services Committee

From: Peter Blocker, Vice President of Policy

Subject: **OPPOSITION to AB 2258 (Ávila Farías), as amended on April 7, 2026**

---

The California Taxpayers Association and the organizations listed below respectfully oppose AB 2258, which, beginning July 1, 2027, would impose a new income-based payroll tax on employers and workers by requiring taxpayers to contribute to the California Alternative Payment Support Program Trust Fund through a payroll deduction. CalTax and these organizations oppose AB 2258 for the following reasons:

**Makes California's Affordability Problem Worse.** AB 2258 establishes an income-based payroll tax at a time when the state's residents are rightly concerned about affordability. For workers and employees alike, the historic costs of living in the state make it harder to stay.

**Impact on Small Businesses.** This tax would disproportionately affect small businesses, which cannot absorb new payroll taxes. As a result, these businesses would be forced to cut hours and benefits for existing employees, delay hiring, pass costs onto their consumers, or, in the worst case, close altogether. Small businesses are still recovering from inflation and labor shortages, so introducing an additional financial burden would exert further pressure that not all businesses are ready to take on. Additionally, California employers already are paying significant tax increases triggered by the state's unrepaid loan that enabled the Unemployment Insurance system to continue providing benefits to unemployed Californians. The tax increase on employers totals more than \$4.2 billion since 2023, according to the Employment Development Department. By imposing another tax and adding to the ranks of the unemployed, AB 2258 would exacerbate the problems faced by small business owners.

**Impact on Workers.** California workers are already subject to various payroll deductions, including taxes for Social Security, Medicare, and the State Disability Insurance system. AB 2258 would further reduce the take-home pay for working families, particularly affecting lower- and middle-income earners who may not be able to absorb new deductions. These workers may include those who rely on hourly wages, or service and frontline workers.

While AB 2258 is intended to support the state's childcare system, it may result in further financial burden for those whom it seeks to help. For these reasons, CalTax and the organizations listed below oppose AB 2258.

*On behalf of...*

California Taxpayers Association	Flasher Barricade Association
Acclamation Insurance Management Services	National Federation of Independent Business
Allied Managed Care	Orange County Business Council
California Chamber of Commerce	Solano County Taxpayers Association
California Retailers Association	Southern California Rental Housing Association
Family Business Association of California	

cc: The Honorable Anamarie Ávila Farías, California State Assembly

*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.*