

AMENDED IN ASSEMBLY MARCH 28, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

## ASSEMBLY BILL

No. 796

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**Introduced by Assembly Member Lowenthal**

February 18, 2025

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~~An act to amend Section 105 of the Revenue and Taxation Code, relating to taxation. An act to add and repeal Division 11 (commencing with Section 29000) of the Business and Professions Code, and to add and repeal Part 27 (commencing with Section 51000) of Division 2 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.~~

### LEGISLATIVE COUNSEL'S DIGEST

AB 796, as amended, Lowenthal. ~~Property tax: improvements. Social media platforms: advertising: tax.~~

*Existing law imposes various taxes, including a tax on income, the gross receipts from the sale of tangible personal property, and real property.*

*This bill would, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, impose a tax on a social media platform provider, as defined, equal to an unspecified percentage of the annual gross receipts derived from the purchase of advertisements for distribution on the provider's social media platform, as provided.*

*This bill would create the Social Media Safety Trust Fund within the State Treasury and would require all moneys raised pursuant to these taxes be deposited into the fund. The bill would establish various accounts within the fund and would allocate moneys into those accounts for expenditure according to specified purposes, including an Education Account, Mental Health Care Account, Research and Development*

Account, and Social Services Account. The bill would continuously appropriate the moneys in the fund to administer those provisions. The bill would repeal these provisions on January 1, 2031.

~~Existing property tax law defines improvements for the purposes of property taxation.~~

~~This bill makes nonsubstantive changes to that provision.~~

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: ~~no~~<sup>yes</sup>. Fiscal committee: ~~no~~<sup>yes</sup>. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. The Legislature finds and declares all of the  
2     following:
- 3     (a) The Tenth Amendment to the United States Constitution  
4     reserves to the states all powers not delegated to the federal  
5     government, including the authority to regulate taxation and  
6     commerce within their borders.
- 7     (b) A social media platform subject to taxation under this act  
8     directly contributes to economic, social, and regulatory burdens  
9     on the state, including, but not limited to, all of the following:
- 10    (1) Public health and safety concerns, including increased costs  
11    related to law enforcement, mental health interventions,  
12    educational services, and consumer protection.
- 13    (2) Regulatory compliance burdens, including the need for  
14    additional oversight and enforcement to mitigate harms caused  
15    by the social media platform.
- 16    (3) Economic and infrastructure costs, including increased  
17    reliance on publicly funded resources to counteract adverse effects  
18    generated by the social media platform.
- 19    (c) The United States Supreme Court has upheld state taxation  
20    authority on commerce that has a substantial nexus to the state  
21    and recognized that states have the power to impose taxation on  
22    out-of-state businesses if there is sufficient connection to the state's  
23    economy, regulatory framework, or public interest.
- 24    (d) Social media advertising constitutes a distinct service that  
25    is exclusive to digital platforms and cannot be replicated by  
26    traditional media, as it relies on proprietary algorithmic targeting  
27    and ongoing user data aggregation, which make it fundamentally  
28    different from any other advertising medium, including traditional  
29    print, television, radio, and outdoor advertising. Because the tax

1 *applies broadly to in-state social media advertising transactions,*  
2 *it is not a discriminatory tax on internet-based commerce, but*  
3 *rather a neutral, service-specific sales tax that ensures fair*  
4 *contribution to the regulatory and economic costs imposed on the*  
5 *state.*

6 *(e) Accordingly, the state retains its sovereign authority to*  
7 *impose a sales tax on the specified internet-based social media*  
8 *platform, as this taxation is a lawful exercise of the state's taxation*  
9 *power to mitigate the financial and social costs imposed on the*  
10 *people of California through a unique, distinct service.*

11 *(f) Dangers including cyberbullying, human trafficking, fraud,*  
12 *illegal drug distribution, sexual harassment, sexual assault,*  
13 *self-harm, anxiety, depression, and violence that are caused,*  
14 *perpetrated, facilitated, or exacerbated through the use of social*  
15 *media platforms have caused significant and pervasive harm to*  
16 *California residents under 18 years of age. California taxpayers*  
17 *have incurred substantial costs in attempts to address these harms*  
18 *through numerous responses, including social work, mental health*  
19 *support, health care, and law enforcement.*

20 *(g) It is the intent of the Legislature to establish a program for*  
21 *the purposes of promoting, supporting, and improving the*  
22 *protection, resilience, and recovery from the harms caused,*  
23 *facilitated, or exacerbated by adolescent social media use. It is*  
24 *the intent of the Legislature that these purposes be accomplished*  
25 *through the support of existing and new resources and programs*  
26 *emphasizing awareness, education, social services, health care,*  
27 *and research.*

28 *SEC. 2. Division 11 (commencing with Section 29000) is added*  
29 *to the Business and Professions Code, to read:*

30  
31 *DIVISION 11. SOCIAL MEDIA PLATFORM ADVERTISING*

32  
33 *CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS*

34  
35 *29000. This division shall be known as the California Social*  
36 *Media Accountability Act.*

37 *29010. For purposes of this division:*

38 *(a) "Social media platform" means a public or semipublic*  
39 *internet-based service or application that has users in California*  
40 *and that meets both of the following criteria:*

1 (1) (A) A substantial function of the service or application is  
2 to connect users in order to allow users to interact socially with  
3 each other within the service or application.

4 (B) A service or application that provides email or direct  
5 messaging services shall not be considered to meet this criterion  
6 on the basis of that function alone.

7 (2) The service or application allows users to do all of the  
8 following:

9 (A) Construct a public or semipublic profile for purposes of  
10 signing into and using the service or application.

11 (B) Populate a list of other users with whom an individual shares  
12 a social connection within the system.

13 (C) Create or post content viewable by other users, including,  
14 but not limited to, on message boards, in chat rooms, or through  
15 a landing page or main feed that presents the user with content  
16 generated by other users.

17 (b) “Fund” means the Social Media Safety Trust Fund  
18 established pursuant to Section 29100.

19  
20 *CHAPTER 2. SOCIAL MEDIA SAFETY ACCOUNTABILITY PROGRAM*

21  
22 29100. The Social Media Safety Trust Fund is hereby created  
23 within the State Treasury. Notwithstanding Section 13340 of the  
24 Government Code, all moneys in the fund are hereby continuously  
25 appropriated without regard to fiscal year to administer this  
26 division. All costs to implement this division shall be paid from  
27 moneys deposited into the fund.

28 29110. (a) The fund shall consist of moneys collected pursuant  
29 to the taxes imposed by Part 27 (commencing with Section 51000)  
30 of Division 2 of the Revenue and Taxation Code.

31 (b) All grants, gifts, or bequests of money made to or for the  
32 benefit of the fund from public or private sources to be used for  
33 social media safety programs shall be deposited in the fund and  
34 expended for the specific purpose for which the grant, gift, or  
35 bequest was made in compliance with this division.

36 29120. (a) Moneys in the fund shall be allocated to the  
37 following separate accounts, which are hereby established within  
38 the fund, for expenditure according to the following formula:

39 (1) \_\_\_\_ percent shall be deposited into the Education Account  
40 for expenditures to ensure the public is educated on how to mitigate

1 *the risks of adolescent social media platform use, including, but*  
2 *not limited to, the delivery of evidenced-based social media*  
3 *platform safety curriculum to children, caregivers, and educators.*  
4 *Upon appropriation by the Legislature, the Superintendent of*  
5 *Public Instruction may provide grants from the Education Account*  
6 *to school districts or elementary or secondary schools to support*  
7 *these purposes. Grant funds may be used by grantees to contract*  
8 *with entities specializing in the delivery of social media platform*  
9 *safety educational services.*

10 (2) \_\_\_\_\_ percent shall be deposited into the Mental Health Care  
11 Account for expenditures to ensure that children and their  
12 caregivers receive appropriate mental health care services and  
13 support for mental health risks associated with adolescent social  
14 media platform use, including, but not limited to, anxiety,  
15 depression, eating disorders, and self-harm. Upon appropriation  
16 by the Legislature, the State Public Health Officer may provide  
17 grants from the Mental Health Care Account to any entity  
18 employing a duly licensed mental health care provider to support  
19 these purposes.

20 (3) \_\_\_\_\_ percent shall be deposited into a Research and  
21 Development Account for expenditures to ensure that research of  
22 best practices for all programs and services relating to adolescent  
23 social media safety and to advance the public's understanding of  
24 social media platform safety and expenditures to ensure  
25 development of technology to protect children from the dangers  
26 associated with social media platform use. Upon appropriation  
27 by the Legislature, the State Public Health Officer may provide  
28 grants to any entity conducting research or development of this  
29 type.

30 (4) \_\_\_\_\_ percent shall be deposited into a Social Services  
31 Account for expenditures to ensure that children harmed through  
32 using social media platforms, including, but not limited to,  
33 cyberbullying, sexual predation, and human trafficking, receive  
34 appropriate social services and at-risk youth, including, but not  
35 limited to, foster youth receive appropriate social services to  
36 prevent, mitigate, and respond to harms relating to adolescent  
37 social media platform use. Upon appropriation by the Legislature,  
38 the Director of Social Services may provide grants to any entity  
39 providing these services.

1 (b) Any moneys appropriated to any of these accounts that are  
2 not encumbered or expended within the period prescribed by  
3 Section 16304 of the Government Code shall, together with the  
4 accrued interest on the amount, revert to and remain in the same  
5 account for the next fiscal period.

6 29130. This division shall remain in effect only until January  
7 1, 2031, and as of that date is repealed.

8 SEC. 3. Part 27 (commencing with Section 51000) is added to  
9 Division 2 of the Revenue and Taxation Code, to read:

10  
11 PART 27. SOCIAL MEDIA PLATFORM ADVERTISING TAX  
12 LAW

13  
14 CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

15  
16 51000. For purposes of this part:

17 (a) "Advertisement" means a paid message or posting, including  
18 video, text, illustration, or audio, which is rendered in exchange  
19 for consideration and is disseminated by a social media platform  
20 provider by means of a social media platform in any manner, for  
21 the purpose of inducing, or which is likely to induce, directly or  
22 indirectly, the purchase of a commercial product or service.

23 (b) "Social media platform" or "platform" means a public or  
24 semipublic internet-based service or application that has users in  
25 California and that meets both of the following criteria:

26 (1) (A) A substantial function of the service or application is  
27 to connect users in order to allow users to interact socially with  
28 each other within the service or application.

29 (B) A service or application that provides email or direct  
30 messaging services shall not be considered to meet this criterion  
31 on the basis of that function alone.

32 (2) The service or application allows users to do all of the  
33 following:

34 (A) Construct a public or semipublic profile for purposes of  
35 signing into and using the service or application.

36 (B) Populate a list of other users with whom an individual shares  
37 a social connection within the system.

38 (C) Create or post content viewable by other users, including,  
39 but not limited to, on message boards, in chat rooms, or through

1 *a landing page or main feed that presents the user with content*  
2 *generated by other users.*

3 *(c) “Social media platform provider” or “provider” means a*  
4 *person who, for commercial purposes in or affecting commerce,*  
5 *provides, manages, operates, or controls a social media platform.*

6 *51010. (a) All moneys raised pursuant to the taxes imposed*  
7 *by Section 51100 shall be deposited in the Social Media Safety*  
8 *Trust Fund, established pursuant to Division 11 (commencing with*  
9 *Section 29000) of the Business and Professions Code.*

10 *(b) All moneys raised pursuant to taxes imposed by Section*  
11 *51100 shall be appropriated and expended only for the purposes*  
12 *expressed in the Social Media Safety Accountability Act (Division*  
13 *11 (commencing with Section 29000) of the Business and*  
14 *Professions Code) and shall be used only for new services or to*  
15 *supplement existing levels of service and not to fund up to*  
16 *preexisting levels of service. No moneys in the Social Media Safety*  
17 *Trust Fund shall be used to supplant state General Fund money*  
18 *for any purpose.*

19  
20 *CHAPTER 2. IMPOSITION OF TAX*  
21

22 *51100. (a) For taxable years beginning on or after January*  
23 *1, 2026, and before January 1, 2031, in addition to the taxes*  
24 *imposed under Part 11 (commencing with Section 23001), a tax*  
25 *is hereby imposed on a social media platform provider equal to*  
26 *\_\_\_\_\_ percent of the annual gross receipts derived from the*  
27 *purchase of advertisements for distribution on the provider’s social*  
28 *media platform.*

29 *(b) The gross receipts used to calculate the amount of tax due*  
30 *under subdivision (a) shall include only purchases that originate*  
31 *in California or purchases for advertisements distributed to persons*  
32 *residing in California.*

33 *(c) The gross receipts used to calculate the amount of tax due*  
34 *under subdivision (a) shall not include the cost of advertising*  
35 *services that the social media platform provider refunds either in*  
36 *cash or credit.*

37 *(d) The gross receipts used to calculate the amount of tax due*  
38 *under subdivision (a) shall not include purchases that meet either*  
39 *of the following criteria:*

1     (1) *The purchaser is a nonprofit organization that qualifies for*  
2 *exempt status under Section 501(c)(3) of the United States Internal*  
3 *Revenue Code of 1986.*

4     (2) *The purchaser's aggregate gross payments to the social*  
5 *media platform provider for advertisements within the calendar*  
6 *year has not exceeded one hundred thousand dollars (\$100,000).*

7     51110. *This part shall remain in effect only until January 1,*  
8 *2031, and as of that date is repealed.*

9     SEC. 4. *Nothing in this act is intended to infringe upon any*  
10 *right to exercise free expression protected under the First*  
11 *Amendment to the United States Constitution or under Section 2*  
12 *of Article I of the California Constitution.*

13     ~~SECTION 1. Section 105 of the Revenue and Taxation Code,~~  
14 ~~as amended by Section 3 of Chapter 58 of the Statutes of 2020, is~~  
15 ~~amended to read:~~

16     ~~105. (a) "Improvements" includes both of the following:~~

17     ~~(1) Any building, structure, fixture, or fence erected on or~~  
18 ~~affixed to the land.~~

19     ~~(2) A fruit, nut-bearing, or ornamental tree and vine, not of~~  
20 ~~natural growth, and not exempt from taxation, except a date palm~~  
21 ~~under eight years of age.~~

22     ~~(b) This section shall be in effect until the date Chapter 4.5~~  
23 ~~(commencing with Section 83) of Part 0.5 goes into effect pursuant~~  
24 ~~to subdivision (a) of Section 88, and as of that date is repealed.~~