

10 New California Laws That Could Impact Your Taxes in 2025

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As we enter 2025, a host of new laws are taking effect in California, many that could directly influence your tax planning and finances. From reforms in banking and food delivery to freelancer protections and new insurance mandates, these changes could play a role in how you approach your tax planning.



Here's what you need to know:

Ban on Certain Bank Fees

California Assembly Bill (AB) 2017 prohibits state-chartered banks and credit unions from charging fees for declined ATM withdrawals due to insufficient funds. Effective Jan. 1, 2025, this new law could save you from unexpected penalties.

- **Tax Planning Impact:** Reduced banking fees mean fewer deductions for penalty-related costs. While this may not affect you, it's a healthy reminder to evaluate other areas of tax planning where savings or reduced deductions might come into play.

Paid Family Leave Expansion

Starting Jan. 1, AB 2123 (Changes in Managing Employee Leave under Paid Family Leave Act) ensures that employers can no longer require workers to use accrued vacation time before accessing the state's Paid Family Leave Program.

- **Tax Planning Impact for Individuals:** If you plan to take Paid Family Leave, remember that benefits from the state program may be taxable. Here at SWC, we recommend that you consider setting aside funds for potential tax liabilities to adjust your withholding or estimated tax payments.
- **Tax Planning Guidance for Business Owners:** We recommend that you review your policies and payroll processes to ensure compliance with the new rule. Consider how this change may affect your labor costs or employee coverage needs and ask us for help in updating your tax strategy accordingly, if you're unsure what to do.

Freelancer Protections Against Late Payments

Under California Senate Bill (SB) 988 (Freelance Worker Protection Act), effective Jan. 1, companies must pay independent contractors by the date specified in their contracts – or within 30 days if no date is listed.

- **Tax Planning Impact for Individuals:** Freelancers may see improved cash flow, making it easier to manage quarterly tax payments. Timely payments also simplify expense tracking, which is fundamental for accurate tax reporting.
- **Tax Planning Guidance for Business Owners:** If your business works with freelancers, we recommend reviewing your existing contracts and payment processes to ensure compliance with the new law. Late payment penalties or disputes could lead to additional costs, so maintaining timely payments can help avoid unnecessary expenses and ensure smooth contractor relationships.

Medical Debt Removed from Credit Reports

SB 1061 (Consumer Debt: Medical Debt Act), which became effective Jan. 1, ensures that medical debts in California will no longer appear on credit reports or negatively impact financial opportunities.

- **Tax Planning Impact for Individuals:** While this change doesn't directly impact taxes, improved credit scores could open opportunities for tax-advantaged financing options like home or auto loans or business investments.

Subscription Cancellation Made Simple

Canceling subscriptions becomes easier starting July 1 under AB 2863 (Automatic Renewal and Continuous Service Offers Act), which requires companies to offer the same method for cancellation as they do for sign-up.

- **Tax Planning Impact for Individuals:** Streamlining subscription cancellations could help you reduce unnecessary expenses. Reassess your recurring business subscriptions to identify potential cost savings and adjust your deductible expenses.
- **Tax Planning Guidance for Business Owners:** Review your business's subscription services and ensure compliance with the new law if you offer automatic renewal options. Simplified cancellation processes may reduce revenue from overlooked subscriptions, so evaluate the potential impact on cash flow and adjust your financial forecasts and tax strategy accordingly.

Insurance Coverage for Fertility Treatments

SB 729, effective July 1, 2025, mandates that large group health plan – ones for 100 employees or more – cover fertility treatments, including in-vitro fertilization (IVF), and expands access to all families.

- **Tax Planning Impact for Individuals:** Fertility treatments can be a significant out-of-pocket expense. With expanded coverage, your out-of-pocket costs may decrease, but any remaining expenses could still qualify as a medical deduction if they exceed the adjusted gross income threshold. If this is something you think will affect you and your family, be sure to mention this to us during your upcoming tax planning meeting.

Wildfire Sick Leave Protections for Farmworkers

Under SB-1105 (Paid Sick Leave: Agricultural Employees - Emergencies Act), farmworkers can now use sick leave during wildfires or other emergencies involving smoke, heat, or flooding under provisions effective January 1.

- **Tax Planning Impact:** For agricultural businesses, this change may impact labor costs. Be sure to track these expenses, as they may qualify as deductible business expenses.
- **Tax Planning Guidance for Business Owners:** If you own or operate an agricultural-related business, this change may increase your labor costs during natural emergencies. Be sure to track these additional expenses, because they may qualify as deductible business expenses. We recommend adjusting your payroll processes and budgets to reflect these potential shifts, and please feel free to consult with us to integrate these changes into your tax planning strategy.

Child Influencers' Finances Safeguarded

Two new laws, SB 764 (Minors: Online Platforms Act) and AB 1880 (Minors: Artistic Employment Act), effective Jan. 1, require that a portion of earnings for child influencers be placed in trust accounts to prevent financial abuse. And if you're unfamiliar with the designation, a child influencer is a minor who earns income through social media platforms by creating content that attracts followers, brands, and advertisers – either for themselves or for your business or brand.

- **Tax Planning Impact:** Parents of child influencers should ensure proper tax reporting and compliance, because income held in trust may have specific tax implications. Consult with us to develop a tax strategy that accounts for these changes.
- **Tax Planning Guidance for Business Owners:** If your business collaborates with or employs child influencers – including when hiring your own children – we recommend that you make sure you're complying with these new laws. Payments made to minors must be properly documented, and you should account for the trust fund requirements when structuring contracts and agreements. If you're concerned about complying, we recommend consulting with us to assess the tax implications of influencer-related expenses and ensure your business remains compliant with these new regulations.

Legacy and Donor Admissions Banned at Universities

Under AB 1780 (Legacy and Donor Preference in Admissions: Prohibition Act), colleges and universities can no longer grant admission based on a family's high net-worth or personal relationships. Effective Sept. 1, 2025, this rule aims to create a more equitable college admissions process.

- **Tax Planning Impact:** Families that previously made donations to colleges or universities for admissions considerations may need to reevaluate their charitable giving strategies. Charitable contributions to universities can still offer tax benefits if structured appropriately, so consider this going forward.

Food Delivery App Fee Transparency

Under SB 1490 (Food Delivery Platforms Act), apps like DoorDash, GrubHub, and Uber Eats must now provide consumers with an itemized breakdown of fees and allow restaurants to opt out of their platforms. This law, effective Jan. 1, empowers consumers with greater clarity on charges while giving restaurants more control over their partnerships.

- **Tax Planning Impact for Businesses and Independent Contractors:** If you're a restaurant owner or food delivery contractor, these changes could alter your revenue streams and deductible business expenses. Understanding the breakdown of fees may help you track your deductible costs more accurately.

Planning Ahead for 2025

These 10 new laws are designed to address financial equity and transparency but may also influence your tax strategy. Whether you're adjusting to expanded insurance coverage, navigating new freelancer protections, or reassessing deductible expenses, we at SWC are here to help you plan ahead.

If you have questions about how these changes may affect your taxes, [contact us today](#) to schedule a consultation. Let's work together to optimize your tax planning for 2025 and beyond.

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