

ALERT

Chamber-Opposed Bill Seeks to Harm Int'l Businesses



The California Chamber of Commerce is **opposing** legislation that

will increase taxes for international businesses.

AB 1790 by Assemblymember Damon Connolly (D-San Rafael) would eliminate the water's edge election — an *intentional* provision of California's corporation tax structure — forcing all taxpayers to file on a worldwide combined reporting basis beginning January 1, 2028.

CalChamber has [identified the bill as a Cost Driver](#)

Makes State Less Affordable

Without the water's-edge election, some companies would face higher overall tax liabilities in California on income earned abroad, increasing their cost of doing business.

The increased tax burden gets passed through to consumers in the form of higher prices for goods and services, especially for products with relatively inelastic demand.

Manufactured goods — electronics, vehicles, machinery, and other common products sold in California — are largely produced abroad and priced competitively. Adding significant tax costs would reduce that competitiveness and make these goods less affordable for California consumers, at a time when affordability is a major concern for state residents.

Jeopardizes Relationships with Foreign Trading Partners

Before the water's-edge election was

enacted, the United Kingdom, Japan, Canada, and other trading partners were outraged by California's method of taxing multinational companies. Those governments called for significant retaliatory measures against California and the United States unless corrective measures were adopted.

This outrage led to the creation of California's water's-edge election in 1986 with the passage of SB 85 by Senator Al Alquist. Adoption of the water's edge was a bipartisan decision to prevent trade retaliation.

The water's-edge election ensured that California can accurately tax profits derived from or attributable to California, while California and other international businesses are not overburdened with reporting requirements or penalized for their California investments.

At the same time, trading partners are satisfied with California's water's-edge election because their constituents are not being unreasonably burdened.

Trading partners argue that eliminating the water's edge choice will lead to double taxation. In some cases, taxpayers could be required to report taxable income that already is taxed by foreign governments.

Risk of Retaliation

In a [letter to the author](#) of AB 1790, CalChamber pointed out that foreign governments would likely view enactment of the bill as a violation of tax treaties and agreements made by the United States.

Foreign governments would view a move to mandatory worldwide combined reporting as an aggressive extension of taxing authority to income earned outside

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Cost Cutter Regulatory Reform Bill Clears First Committee Hurdle



State agencies will be required to consider the fiscal impacts of regulatory

proposals on the cost of living before moving them forward if a California Chamber of Commerce-**supported** bill becomes law.

The **Cost Cutter** bill, **AB 2366** ([Ávila Fariás; D-Martinez](#)), this week passed the first committee to consider the legislation.

AB 2366 requires state agencies as well as the Legislative Analyst's Office to evaluate regulations to determine their fiscal impact on cost of living in California, ensuring affordability is a consideration when the state is evaluating proposed new regulations.

Californians have made clear that affordability is top of mind due to the high cost of living in the state, CalChamber noted in a letter to the committee.

It therefore is important that the impact of proposed regulations on people's pocketbooks is taken into consideration when new rules are being considered, CalChamber stated.

For example, the agency should analyze whether regulations may increase the cost of goods and services or deter job growth in California and the resulting impact on consumers.

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*Labor Law Corner***Ways to Handle Intermittent Leave for Exempt Employees**

Dana Leisinger
Employment Law
Expert

We have an employee who needs to take time off to care for a parent who is ill; however, she wants to take intermittent leave, and she is a salaried employee. How do we pay her?

Assuming that the salaried employee is classified as exempt under California law, how to pay this employee is complicated.

Ordinarily, exempt employees are paid a set salary regardless of the number of hours worked. If an exempt employee is not ready, willing or able to perform work on a full workday, the employer may deduct that full day from the employee's salary. However, if the employee does perform any work in that day they must be paid for a full day.

Options

In these circumstances, the employer may have a couple of options.

- First, if this leave is being taken under the California Family Rights Act (CFRA) and/or Family and Medical Leave Act (FMLA), those regulations allow for salary deductions for the intermittent time taken even during partial days.
- Another solution, especially if this leave is being provided outside of CFRA/FMLA, is to change the status of the exempt employee to nonexempt and convert their salary to an hourly rate.

The employer can take the individual's yearly salary, divide it by 2,080 (for a full-time employee, there are 2,080 work hours in a year), and arrive at an hourly rate to pay the employee.

If the employer chooses this route, it will need to provide a Notice to Employee under Labor Code Section 2810.5 before making the change that sets out the pay rate for hours worked under this arrangement, amongst other information.

The employer should explain all of this to the employee, because indeed, some people do not want to be paid hourly. Going from exempt to hourly can be seen as a loss of prestige and create hurt feelings. Regardless of the employee's desire to remain exempt, it is the employer's sole discretion how to classify each employee.

Although some employers may be hesitant to take this step, an employee's default status is nonexempt; the employee

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Human Resources

HR Boot Camp. CalChamber. April 23–24, June 4–5, September 10–11, **Virtual Seminar**. (800) 331-8877.

Leaves of Absence. CalChamber. May 7–8, August 6–7, **Virtual Seminar**. (800) 331-8877.

Wage & Hour 101: Nonexempt/Hourly Employees. CalChamber. May 21, **Webinar**. (800) 331-8877.

Cal/OSHA Consultation Program Overview and Key Updates. May 28, Free Member Webinar. **Contact account manager**.

Wage & Hour 101: Exempt Employees. CalChamber. June 18, **Webinar**. (800) 331-8877.

Supervisor Essentials. CalChamber, July 16, **Virtual Seminar**. (800) 331-8877.

Mid-Year Update (1-Hour Free Member Webinar). CalChamber. August 20. (800) 331-8877.

Conducting California Workplace Investigations. CalChamber. August 27, **Virtual Seminar**. (800) 331-8877.

California Pregnancy Disability and Child Bonding Leaves. CalCham-

ber. September 17, **Webinar**. (800) 331-8877.

Simplifying Local Ordinances: Helpful Resources for California Employers. CalChamber. **Webinar recording**. (800) 331-8877.

2026 Employment Law Updates. CalChamber. **Webinar recording**. (800) 331-8877.

California Employers' Guide to AI Decision Making. CalChamber. **Webinar recording**. (800) 331-8877.

Navigating Paid Sick Leave and Time Off Requirements in California. CalChamber. **Webinar recording**. (800) 331-8877.

International Trade

Why South Africa? Technology Market Opportunities for U.S. Companies.

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CalChamber Calendar

California Business Outlook and Dinner:
June 10, Sacramento

The Workplace

Navigating Drug Testing, Substance Use in Today's Workplace



In **Episode 242** of *The Workplace* podcast, CalChamber Associate General Counsel for Labor and Employment Matthew

Roberts and CalChamber General Counsel for Labor and Employment Bianca Saad explore how California employers can navigate drug and alcohol issues in the workplace amid evolving legal standards.

They examine the balance between maintaining workplace safety and complying with employee protections. Legalization of cannabis for recreational use and recent amendments to the California Fair Employment and Housing Act (FEHA) that provide additional protections for cannabis use and alter cannabis testing can

make striking this balance difficult.

Throughout the episode, Roberts and Saad focus on three topics for employers:

- Maintaining and enforcing a drug- and alcohol-free workplace policy;
- Compliant drug testing protocols; and
- Accommodations for recovery from drug and alcohol abuse under the law.

Saad emphasizes that employers still can enforce drug- and alcohol-free workplace policies, regardless of whether certain substances are legal. These policies should clearly communicate a zero-tolerance approach to workplace intoxication and outline enforcement mechanisms, while also accounting for nuanced situations, such as company-sponsored events where alcohol is served.

Drug testing remains one of the most complex aspects of compliance. Employers may always conduct pre-employ-

ment drug testing as a matter of policy, including testing for cannabis, but need to ensure the method for testing for cannabis complies with the FEHA.

Saad also explains that drug testing current employees is more restricted due to California's privacy laws. Generally, reasonable suspicion testing based on observable signs of impairment is permitted, while random or post-accident testing may require consultation with legal counsel.

Lastly, Saad and Roberts address employee protections related to substance abuse. While employers may discipline an employee for on-the-job intoxication, they also may be required to accommodate requests for leave to attend rehabilitation programs under California law, the FEHA or the Americans with Disabilities Act (ADA).

CalChamber Opposes Bill Seeking to Harm International Businesses

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the United States, potentially targeting companies headquartered within foreign borders.

That perception risks straining trade relationships, discouraging foreign investment, and limiting California's ability to engage in future diplomatic or economic partnerships.

California cannot effectively pursue international partnerships while adopting policies that global partners see as hostile to their domestic employers.

Global Outlier

Currently, no other state in the nation mandates worldwide combined reporting for all taxpayers. Similarly, no other nation in the world utilizes a system

that taxes extraterritorial income in this manner.

AB 1790 taxes water's-edge filers more than worldwide filers for the 2026 and 2027 tax years. If the bill is enacted, California would become the only subnational government in the world to mandate such a system, placing the state at a competitive disadvantage.

Water's Edge Not 'Loophole'

Taxpayers that choose to file on a water's edge basis enter a binding seven-year contract to use that method. During the contract period, they don't have the ability to go back to the worldwide method for a year simply because it results in a lower tax burden.

It is possible that businesses will pay

higher taxes during portions of the seven-year period because they chose to file on a water's edge basis.

Coalition Effort

AB 1790 is expected to be considered by the California Assembly Revenue and Taxation Committee on Monday, April 27.

CalChamber is working in a coalition representing the business community to stop this bill from moving forward.

To sign on to the coalition opposition letter or receive more information, [contact Alexis Rodriguez](#).

Coalition members so far include nearly two dozen local chambers of commerce.

Staff Contact: Alexis Rodriguez

Cost Cutter Regulatory Reform Bill Clears First Committee Hurdle

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The Assembly Economic Development, Growth and Household Impact Committee passed AB 2366 by a vote of 7-0 on April 14:

Ayes: Castillo (R-Corona), Patel (D-San Diego), Petrie-Norris (D-Irvine), Michelle Rodriguez (D-Pomona), Solache (D-Lakewood), Soria (D-Merced), Wallis (R-Bermuda Dunes).

No vote recorded: Muratsuchi (D-Torrance).

The bill will be considered next by the Assembly Judiciary Committee.

Staff Contact: Andrea Lynch

First Phase of Tariff Refund Process to Begin on April 20



The U.S. Customs and Border Protection (CBP) will launch the first phase

of the tariff refund process on Monday, April 20.

The process is a result of the February 20 U.S. Supreme Court decision that the Trump administration does not have authority to impose tariffs under a national security law.

The process will be via the Consolidated Administration and Processing of Entries (CAPE) tool in the Automated Commercial Environment Secure Data Portal (ACE Portal).

The [U.S. Supreme Court ruling](#) upheld a lower court's decision that the President's use of the statutory International Emergency Economic Powers Act of 1977 (IEEPA) exceeded his authority and did not grant the President the power he claimed to impose tariffs.

Tariffs are taxes and thereby authorized by Congress. IEEPA had previously been used only to impose sanctions.

CBP said that CAPE will simplify the IEEPA duty refund requests made pursuant to court order and in accordance with appropriate statutory authority by providing an electronic pathway to submit valid IEEPA duty refund claims.

The Supreme Court justices did not order refunds, nor address the extent to which the approximately 300,000 importers of record (of which approximately 200,000 are small importers) are entitled to refunds, or how the refund process would work. The court left the question to be answered by other entities, such as the U.S. Court of International Trade, the U.S. Department of Treasury, and the CBP as the administrator.

The process will have an impact on small importers in particular. The total of potential refunds is estimated at \$166 billion.

Consolidated Refund Process

CBP [describes the CAPE process in a bulletin](#) as designed to consolidate

refunds of IEEPA duties including interest instead of processing refunds on an entry-by-entry basis. CBP says it plans to add more functionality in subsequent phases for more complicated scenarios.

CAPE Phase 1 is limited to certain unliquidated entries and certain entries within 80 days of liquidation.

To request refunds of IEEPA duties:

- Importers of Record and authorized customs brokers should have an established ACE Secure Data Portal account.
- Refund recipients will use the ACE Portal account to provide CBP with bank account information for refunds.
- Importers of Record and authorized customs brokers must submit CAPE Declarations in the Ace Portal.

More Information

For additional information about ACE Portal access and ACH refunds, visit the CBP resources below:

- One Page Overview: [ACH Refund Enrollment](#).
- Frequently Asked Questions: [ACE Portal and ACH Refunds FAQs](#).
- Training Video: [Applying for an ACE Portal Importer Account and Enrolling in ACH Refunds](#).
- Training Guide: [ACE Portal Importer Account Application](#).
- Training Guide: [ACH Refund Enrollment in the ACE Portal](#).
- Rejected ACH Refund Information: [Replacement Refund Instructions](#).

CBP describes CAPE Phase 1 in its [CAPE Information Notice](#). It also has prepared a [CAPE Refund Quick Reference Guide](#).

CalChamber Position

The California Chamber of Commerce continues to voice concern about tariffs or any other actions that increase the cost of doing business for California entrepreneurs. CalChamber has long been committed to supporting a national free trade agenda that fosters economic growth and job creation. CalChamber will continue to focus on eliminating tariff and nontariff barriers to support the expansion of American exports. Further, a focus on trade agreements instead will ultimately lower both tariff and nontariff barriers and help create long-term, sustainable economic growth.

CalChamber encourages the administration to adhere to the spirit of the U.S. Supreme Court ruling and not look to other avenues to impose tariffs but work to refund the tariffs in a smooth and orderly fashion, thereby offering certainty for the business community, especially small businesses.

A brief online [CalChamber survey of members in December 2025](#) reflected the significant impact of federal tariffs on companies' supply chains, costs and hiring decisions.

Staff Contact: Susanne T. Stirling



For tariff information
please visit
calchamber.com/tariffs/

Ways to Handle Intermittent Leave for Exempt Employees

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becomes exempt only upon proper designation by the employer.

Once the need for intermittent leave is over, the employer can redesignate the employee as exempt, assuming that the position meets all the requirements for the exemption when intermittent leave ends.

Caution

Employers can get into trouble by

trying to make an hourly employee exempt by paying them a salary without the position meeting all the requirements for an exemption. The rules on exemptions are specific and designating an employee as exempt when they don't meet the requirements of the exemption subjects the employer to possible additional wages and penalties.

If an employer is not sure whether a position should be exempt or nonex-

empt, CalChamber provides an [Exempt/Nonexempt "Wizard"](#) on [HRCalifornia](#) that members may use to help make that determination.

Column based on questions asked by callers on the Labor Law Helpline, a service to California Chamber of Commerce preferred members and above. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at [www.hrcaifornia.com](#).

CalChamber-Sponsored Seminars/Trade Shows

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U.S. Commercial Service and Informa Tech. April 23, Webinar. [Register](#).

European Tech Resilience: Scaling Trusted Technologies in a Changing World. European American Chamber of Commerce (EuroCham). April 28, San Francisco. [Get tickets](#).

EXIM Annual Conference. Export-Import Bank of the United States. April 29–30, Washington, D.C. [Conference website](#).

The World in Motion: Advancing Sports Tourism on a Global Stage. Inland Empire World Trade Conference Committee and San Bernardino International Airport. May 1, Highland. [Get tickets](#).

SelectUSA Investment Summit. Select USA. May 3–6, National Harbor,

Maryland. [Event website](#).

East and Central Africa Grid Security Business Briefing. U.S. Trade and Development Agency (USTDA). May 5, San Francisco. [Reserve a spot](#).

12th Annual Orange County World Trade Week Forum. District Export Council of Southern California. May 7, Irvine. [Event website](#).

NADEC Annual Trade Conference: Global Trade in Transition. National Association of District Export Councils. May 12–13, Nashville, Tennessee. [Event website](#).

BeautyWorld Saudi Arabia: California Pavilion. Governor's Office of Business and Economic Development (GO-Biz). May 18–20. [See flyer](#). Tricia.Utterback@gobiz.ca.gov.

Asia Tech x Singapore: California Pavil-

ion. GO-Biz. May 20–22, Singapore. [Learn more](#).

Sri Lanka Expo 2026. Sri Lanka Export Development Board. June 18–21, Sri Lanka. [Event website](#).

Farnborough Airshow. GO-Biz to lead delegation of economic developers. July 20–24, London, United Kingdom. [Event website](#).

Semicon Taiwan: California Pavilion. GO-Biz. September 1–4, Taipei, Taiwan. Up to 8 California small businesses in semiconductor supply chain invited to apply. [See flyer](#).

Aquatech: California Pavilion. GO-Biz with U.S. Commercial Service. September 1–3, Mexico City, Mexico. Registration deadline: June 1 or until spaces are filled. [See flyer](#).



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