

# Environmental Tax Preference Items PowerPoint

Franchise Tax Board Meeting  
Monday, April 6, 2026

## Slide 1: Environmental Tax Preference Items

Jenna Lewis – Legal Division and John McMahan – Finance and Executive Services  
Division

April 6, 2026

## Slide 2: California Only Incentives

- Credits
  - Natural Heritage Preservation
    - 55% of the fair market value of the contributed property
    - Contribution of qualified real property on or before June 30, 2026
    - Approval from Wildlife Conservation Board
    - FTB Form 3503

## Slide 3: California Only Incentives (Continued)

- Credits
  - Eligible Transmission Project
    - SB 254 (2025) established the Transmission Accelerator Revolving Fund for financing eligible projects
    - Available for taxable years beginning on or after January 1, 2026, and before January 1, 2036
    - Approval from GO-BIZ Infrastructure and Economic Development Bank (“IBank”)
    - FTB implementation team formed

## Slide 4: California Only Incentives (Continued)

- Deduction
  - Interest paid for financing from a public utility company for installation of an energy-efficient product
- Exclusions
  - Turf Replacement
    - Rebates for replacing existing grass with organic, drought-tolerant landscaping

- Available for taxable years beginning on or after January 1, 2022, and before January 1, 2027
- Amounts received for recycling
- Reimbursement for bicycle commuting
- Employee benefits for ridesharing program

## **Slide 5: California and Federal Incentives**

- Deductions
  - Up to 25% of qualified expenditures for farming activity
    - Soil or water conservation
    - Prevention of erosion
    - Endangered species recovery
  - Reforestation of qualified timber property located in California
    - Deduction of \$10,000 per year of reforestation expenditures
    - Over \$10,000 may be amortized over 7 years

## **Slide 6: California and Federal Incentives (Continued)**

- Exclusions
  - Public utility company subsidy for purchase and installation of an energy conservation measure
  - Clean energy credit elective payments
    - Applicable entity may elect to treat credit as a payment
    - Other entities may transfer credit to an unrelated party

## **Slide 7: Federal Only Incentives**

- Clean Electricity Production
- Clean Electricity Investment
- Carbon Oxide Sequestration
- Investments in Advanced Energy Projects
- Advanced Manufacturing Production
- Alternative Fuel Vehicle Refueling Property
- Clean Hydrogen Production
- Clean Fuel Production

## **Slide 8: Data**

- TER (Tax Expenditure Report)
- Natural Heritage Preservation Credit
- Turf Replacement Program
- Other Incentives

## **Slide 9: Current Outreach**

- Annual Forms and Instructions updates

*A screenshot from [www.ftb.ca.gov/forms/whats-new.html](http://www.ftb.ca.gov/forms/whats-new.html) is shown.*

## **Slide 10: Outreach Opportunities**

- Tax News article
- Tax professional outreach

## **Slide 11: Questions?**

## **Slide 12: Public Comment**