



## Bill Analysis

Author: Choi

Sponsor:

Bill Number: AB 324

Related Bills: See Legislative  
History

Introduced: January 26, 2021

### SUBJECT

Attic Vent Closure Credit

### SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), allow a tax credit for costs paid or incurred to install an attic vent closure in a residential property.

### RECOMMENDATION

No position

### SUMMARY OF AMENDMENTS

Not applicable.

### REASON FOR THE BILL

The reason for the bill is to encourage California residents to make their residential properties more fire safe by offering a credit for them to install attic vent closures.

### ANALYSIS

This bill would, for each taxable year beginning on or after January 1, 2022, and before January 1, 2027, allow a 40 percent credit for costs paid or incurred by a qualified taxpayer that installs an attic vent closure in a residential property. The credit would not exceed \$500 per taxable year and is allowed to a qualified taxpayer for one residential property per taxable year.

This bill would define the following terms:

- Qualified costs is defined as amounts paid or incurred for retrofitting, materials, and costs of labor from an approved company or vendor listed on the Department of Forestry and Fire Protection website or as amounts paid by the qualified taxpayer to purchase and install one-eighth inch mesh that prevents fire embers from entering the attic vents.

- Qualified taxpayer is defined as an owner of a residential property located in California. A taxpayer who owns a proportional share of a California residential property may claim the credit based on their share of the qualified costs.
- Residential property is defined as any building containing no more than one unit intended for human habitation.

The qualified taxpayer may not take a deduction for any amount used in the calculation of the credit.

The credit can be carried over for seven years until exhausted.

The credit would be repealed on December 1, 2027.

#### *Effective/Operative Date*

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for each taxable year beginning on or after January 1, 2022, and before January 1, 2027.

#### *Federal/State Law*

Existing state and federal laws provide various tax credits designed to provide tax relief for taxpayers who incur certain expenses (e.g., child adoption) or to influence behavior, including business practices and decisions (e.g., research credits or hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise undertake.

Current federal and state laws lack a comparable credit for the installation of attic vent closures.

Under Revenue and Taxation Code section 41, legislation that would create a new tax credit is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the credit.

#### *Implementation Considerations*

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

The definition provided for “residential property” refers to any building containing not more than one unit. It is recommended that, if it is the author's intent, the bill be amended to clarify if a qualified property would be limited to one a single family residence only.

The bill would disallow a deduction for “amounts taken into account in the calculation of the credit.” This exclusion would prevent a taxpayer from taking a deduction on the costs used to generate the credit and would limit the taxpayer to a \$500 credit. If the author intends for a deduction otherwise allowed to be reduced by the credit or the expense that generated the credit versus being eliminated, this bill should be amended.

#### *Technical Considerations*

None noted.

#### *Policy Considerations*

None noted.

### **LEGISLATIVE HISTORY**

AB 266 (Choi, 2019/2020) and AB 2414 (Choi, 2017/2018), were substantially similar to this bill. Both would have allowed a tax credit to a qualified taxpayer that installed an attic vent closure in a residential property in an amount equal to 40 percent of the qualified costs paid or incurred by the qualified taxpayer during the taxable year of the installation. AB 266 and AB 2414 did not pass out of the house of origin by the constitutional deadline.

### **PROGRAM BACKGROUND**

Not applicable.

### **FISCAL IMPACT**

This bill would require some changes to the existing tax forms and instructions, and information systems. As the bill continues to move through the legislative process, costs will be identified.

## **ECONOMIC IMPACT**

### *Revenue Estimate*

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 324 as Introduced on January 26, 2021  
Assumed Enactment after June 30, 2021

(\$ in Millions)

Fiscal Year	Revenue
2021-2022	-\$21
2022-2023	-\$60
2023-2024	-\$85

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

## **LEGAL IMPACT**

None noted.

## **APPOINTMENTS**

None noted.

## **SUPPORT/OPPOSITION**

To be determined.

## **ARGUMENTS**

To be Determined.

## **LEGISLATIVE CONTACT**

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