



## **Bill Analysis**

Author: Connolly

Sponsor:

Bill Number: AB 582

Related Bills: See Legislative  
History

Amended: April 24, 2023

### **SUBJECT**

Fire-Resistant Home Tax Credits

### **SUMMARY**

This bill would, under the Personal Income Tax Law (PITL), provide a maximum \$400 tax credit each taxable year, to a qualified taxpayer with a primary residence in high or very high fire hazard zone for certain expenses paid or incurred.

### **RECOMMENDATION**

No position.

### **SUMMARY OF AMENDMENTS**

The April 24, 2023, amendments changed the operative and repeal dates, modified the definitions for, “qualified expenses” and “qualified taxpayer,” and changed the Revenue and Taxation Code (RTC) Section 41 reporting deadline. These amendments also made nonsubstantive numbering changes. These amendments resolved the prior implementation, technical, and policy considerations. The amendment impacting the Section 41 reporting deadline created a policy consideration.

### **REASON FOR THE BILL**

The reason for the bill is to encourage California residents to make their properties more fire-safe by offering credits to offset the cost of those safety measures.

### **ANALYSIS**

This bill would, under the PITL, for taxable years beginning on or after January 1, 2024, and before January 1, 2029, allow a qualified taxpayer, as defined, a credit for an amount equal to 40% of the taxpayer’s qualified expenses, subject to limitations discussed below.

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This bill would provide the following definitions:

- “Qualified expenses” means costs paid or incurred by a qualified taxpayer associated with the building or installation of hardening measures to the taxpayer’s primary residence, including, but not limited to the following:
  - A Class A fire rated roof.
  - Enclosed eaves.
  - Fire-resistant vents.
  - At least six inches of noncombustible vertical clearance at the bottom of the exterior surface of a building on the property, measured from the ground up.
- “Qualified taxpayer” means an individual who is at least 65 years of age as of the last day of the taxable year, whose primary residence, for any taxable years in which the taxpayer claims the credit, is located in a high or very high fire hazard severity zone, as identified by the State of California Fire Marshal, as defined, and who satisfies either of the following:
  - For spouses filing joint returns, heads of household, and surviving spouses, as defined in Section 17046, adjusted gross income (AGI) is two hundred fifty thousand dollars (\$250,000) or less, or
  - For other individuals, AGI is one hundred twenty-five thousand dollars (\$125,000) or less.

This bill would allow a maximum credit, not to exceed \$400 for each taxable year, or a \$2,000 cumulative total without regard to taxable year.

If the credit exceeds the \$400 annual limit or the net tax, the unused credit could be carried forward for four succeeding years, until the credit is exhausted.

This bill, for purposes of complying with Section 41 of the RTC would require the Franchise Tax Board (FTB) to provide a written report to the Legislature on or before November 1, 2029, the following information:

- The number of taxpayers who claimed the credit, and
- The average dollar amount of credits claimed.

The Section 41 reporting requirements would be treated as an exception to the disclosure provisions under the RTC.

This credit will be repealed as of December 1, 2029.

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### *Effective/Operative Date*

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2024, and before January 1, 2029.

### *Federal/State Law*

Federal and state 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, hiring credits). These credits generally are designed to provide incentives for taxpayers to perform various actions or activities that they may not otherwise be undertaken.

### *Implementation Considerations*

None noted.

### *Technical Considerations*

None noted.

### *Policy Considerations*

This bill would require a one-time RTC section 41 Report due one month prior to the repeal date. If the report is delivered 1 year prior to the repeal date this would allow the legislature time to review the program and decide on a potential extension. An earlier report would include information for tax years 2024, 2025, and 2026.

## **LEGISLATIVE HISTORY**

AB 266 (Choi, 2019/2020) 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% of the qualified costs paid or incurred by the qualified taxpayer during the taxable year of the installation. AB 266 did not pass out of the Assembly by the constitutional deadline.

AB 2414 (Choi, 2017/2018), 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% of the qualified costs paid or incurred by the qualified taxpayer during the taxable year of the installation. AB 2414 did not pass out of the Assembly by the constitutional deadline.

AB 1329 (Patterson, et al., 2015/2016) would have allowed a tax credit for certain costs paid to create defensible space on real property. AB 1329 did not pass out of the Assembly by the constitutional deadline.

**PROGRAM BACKGROUND**

None noted.

**FISCAL IMPACT**

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

**ECONOMIC IMPACT**

*Revenue Estimate*

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB582 as Amended April 24, 2023  
Assumed Enactment after June 30, 2023

(\$ in Millions)

<b>Fiscal Year</b>	<b>Revenue</b>
2023-2024	-\$7.1
2024-2025	-\$9.8
2025-2026	-\$8.4

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.

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### **SUPPORT/OPPOSITION**

The April 28, 2023, Assembly Revenue and Taxation Committee analysis contained the following support and opposition:

#### *Support*

California Association of Realtors; California Senior Legislature.

#### *Opposition*

California Tax Reform Association; California Teachers Association.

### **ARGUMENTS**

To be determined.

### **LEGISLATIVE CONTACT**

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