



## Bill Analysis

Author: Nguyen

Sponsor:

Bill Number: AB 1606

Related Bills: See Legislative  
History

Amended: April 29, 2026

### SUBJECT

Business Cleanup Costs Tax Credit

### SUMMARY

This bill would, under the Personal Income Tax Law (PITL) and Corporate Tax Law (CTL), for taxable years beginning on or after January 1, 2027, and before January 1, 2032, provide a tax credit to a qualified taxpayer in an amount equal to 30% of qualified cleanup expenses paid or incurred during the taxable year, not to exceed \$20,000.

### RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

### SUMMARY OF AMENDMENTS

The April 29, 2026, amendments modified the definition of a qualified taxpayer and added definitions for the terms “abandoned property,” “illegal dumping,” and “unauthorized encampment.”

These amendments resolved part of the implementation considerations, one of the technical considerations and four of the policy considerations **discussed in the FTB’s** analysis of the bill as introduced on January 20, 2026. However, in addition to the one implementation, two technical and one policy consideration that remain, additional technical considerations have been identified.

### REASON FOR THE BILL

The reason for the bill is to provide financial relief for cleanup expenses related to unauthorized encampment and illegal dumping.

## ANALYSIS

Under the PITL and CTL, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, this bill would provide a credit to a qualified taxpayer for an amount equal to 30% of the qualified cleanup expenses paid or incurred during the taxable year not to exceed \$20,000.

The bill defines the following:

- “Abandoned property” means personal property that has been left on private property without the consent of the property owner and without intent to return.
- “Illegal dumping” means the disposal of waste of private property in violation of state or local law.
- “Unauthorized encampment” means a temporary shelter or campsite located on private property without consent of the property owner.
- “Qualified cleanup expenses” means costs directly related to the one-time removal and disposal of unauthorized encampments, illegal dumping, and abandoned property in the state, provided the costs are paid or incurred within 60 days of discovery. Costs would be limited to the following:
  - Waste removal and disposal services.
  - Sanitization and restoration of property as necessary to restore the property to its pre-encampment condition.
  - Security measures installed as a temporary and nonpermanent measure directly related to the immediate cleanup, such as temporary fencing or temporary security gates. Ongoing monitoring, surveillance equipment, or security service contracts shall not qualify.
  - Repairs to property caused by damage from encampments or illegal dumping, excluding property improvements or upgrades.
  - Under the PITL, installation of passive deterrent measures to prevent re-encampments or entry, such as riprap or other material, excluding permanent construction or new structures. Under the CTL, installation of measures to prevent re-encampments or entry, such as riprap or other material, excluding permanent construction or new structures.
- “Qualified cleanup expenses” would not include any of the following:
  - Ongoing or unrelated maintenance, permanent security systems, construction of new structures, and other capital improvements.
  - Compensation paid to the taxpayer’s employees, independent contractors, or other personnel for services performed in the normal course of employment or lease obligations.
  - Costs that are reimbursed, in whole or in part, by insurance, grants, or other sources.
  - Costs that are recurring.

- “Qualified taxpayer” means:
  - Under the PITL a business entity, including an individual operating as a sole proprietorship, with gross revenue of \$5,000,000 or less during the taxable year that owns or leases real property used for commercial purposes in the state impacted by unauthorized encampments, illegal dumping, or abandoned property.
  - Under the CTL, a taxpayer with gross revenue of \$5,000,000 or less during the taxable year that owns or leases real property used for commercial purposes in the state impacted by unauthorized encampments, illegal dumping, or abandoned property.

This bill would, upon the request of the Franchise Tax Board (FTB), require the taxpayer to provide the following documentation:

- The condition of the real property before the cleanup, and
- Detailed invoices or receipts from contractors or service providers performing the cleanup.

In addition, this bill would require a qualified taxpayer to certify, under the penalty of perjury, all the following:

- That the expenses were paid or incurred as a direct result of unauthorized encampments, illegal dumping, or abandoned property on the taxpayer's real property were not caused or contributed by the taxpayer or related party,
- Provide the real property address associated with the claimed expenses,
- Confirm whether the taxpayer is the property owner or a lessee, and
- That such expenses meet all of the qualifications in the bill.

In addition, the adoption of regulations necessary to carry out the purpose of the bill, could be adopted as emergency regulations in accordance with the rule making provisions of the Administrative Procedures Act and shall be deemed an emergency and necessary for the immediate preservation of the public peace, health and safety, and general welfare. The emergency regulations would not be subject to the review and approval of the Office of Administrative Law (OAL) and would become effective immediately upon filing with the Secretary of the State and would remain in effect until revised or repealed by the FTB.

The unused credit could be carried over for five years until exhausted.

The bill provides that any deduction for amounts paid or incurred must be reduced by the amount of credit allowed.

In addition, a qualified taxpayer may not claim a credit for any qualified expenses paid or incurred by another taxpayer who has also claimed a credit provided by this bill. If two or more taxpayers are eligible for the same qualified cleanup expenses, the credit shall only be allowed to the taxpayer who directly incurred and paid for the expenses and retains documentary evidence demonstrating payment.

This bill includes language to comply with Revenue and Taxation Code (RTC) section 41, which provides the goal of the credit is to provide support to businesses by encouraging timely action and ensuring properties remain safe and accessible. The performance indicators would be the number of taxpayers allowed the credit, and the total dollar amount of credit allowed.

The bill would also require the FTB to submit a report to the Legislature on or before July 1, 2029, and annually thereafter, detailing the number of taxpayers allowed the credit and the total value of credit allowed.

The RTC section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

The credit would be repealed on December 1, 2032.

#### *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, 2027, and before January 1, 2032.

#### *Federal/State Law*

Existing 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 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.

Currently, federal and state laws have no credit comparable to the Business Cleanup Costs Tax Credit.

Legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators, and data collection requirements to allow the Legislature to evaluate the effectiveness of the tax benefit.

### *Implementation Considerations*

The FTB has identified the following considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. FTB staff is available to work with the author's office to resolve these and other considerations that may be identified.

This bill uses undefined terms and phrases, e.g., "riprap," "business entity," "gross revenue," and "related party." The absence of definitions could lead to taxpayer confusion. For clarity the author may wish to amend the bill to define these terms.

### *Technical Considerations*

Remove Sections 17053.76(h) and 23688(h) as this language is unnecessary and could lead to taxpayer confusion. Generally qualified expenses are claimed by a taxpayer that paid or incurred the expense during the taxable year.

This bill uses the terms "qualified taxpayer" and "taxpayer" interchangeably. For clarity, the author should amend the bill to use exclusively "qualified taxpayer."

In Sections 17053.76(b)(3)(B)(ii) and 23688(b)(3)(B)(ii), replace "paid" with "paid or incurred."

In Sections 17053.76(i)(2)(A) and 23688(i)(2)(A), replace "value" with "amount."

### *Policy Considerations*

This bill defines "qualified cleanup expenses" under the PITL to include the installation of passive deterrent measures to prevent re-encampments, and under the CTL to include the installation of measures to prevent re-encampments. If this is contrary to the author's intent, the author may wish to amend the bill.

### LEGISLATIVE HISTORY

AB 976 (Farias, 2025/2026) would have, under the PITL and CTL, allowed a credit to qualified taxpayers in an amount equal to a taxpayer's qualified retail theft prevention measure expenses, limited to \$4,000, for taxable years beginning on or after January 1, 2026, and before January 1, 2028. AB 976 did not pass out of the Assembly by the constitutional deadline.

AB 1431 (Tangipa, 2025/2026) would have, under the PITL, allowed a credit, not to exceed \$5,000, to a qualified taxpayer for monetary compensation paid by an employer for medical services performed in rural area of the state and authorized under the qualified taxpayer's license for taxable years beginning on or after January 1, 2026, and before January 1, 2031. AB 1431 did not pass out of the Assembly by the constitutional deadline.

AB 1435 (Nguyen, 2025/2026) a similar bill, would have under the PITL and CTL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, provided a tax credit to a qualified taxpayer in an amount equal to qualified cleanup expenses paid or incurred during the taxable year, not to exceed \$20,000 for taxpayers subject to the PITL and without limitation for taxpayers subject to the CTL. AB 1435 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

**OTHER STATES' INFORMATION**

None noted.

FISCAL IMPACT

FTB'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 AB 1606 as Amended April 29, 2026  
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue*
2026-2027	-\$1.5
2027-2028	-\$3.6
2028-2029	-\$4.0

\*This estimate assumes that members/shareholders of pass-through entities would receive and claim the pro rata share of any credit generated by the business.

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.

*Revenue Discussion*

Based on available data, it is estimated that in total government, business entities, and individuals would spend about \$80 million on homeless encampment cleanup costs in the 2027 taxable year. Of that amount, it is estimated that 25%, or \$20 million, would be paid or incurred by a qualified taxpayer for qualified cleanup expenses resulting in a credit generated of \$5.4 million in the 2027 taxable year.

It is estimated that 85%, or \$4.6 million, of the credit generated would be earned by taxpayers with sufficient tax liability to offset with the credit. Of that amount, 75%, or \$3.5 million, would be claimed in the year generated and the remaining credit would be used in the following five years.

Taxpayers must reduce their expense deduction by the amount of credit allowed, or \$5.4 million in 2027. To arrive at the tax impact of this reduction, an average tax rate of 6% is applied, resulting in an offsetting revenue gain of \$0.3 million. The resulting net revenue loss for taxable year 2027 would be \$3.1 million.

The tax year estimates are converted to fiscal year estimates and then rounded to arrive at the amounts reflected in the above table.

## LEGAL IMPACT

None noted.

## EQUITY IMPACT

None noted.

## APPOINTMENTS

None noted.

## SUPPORT/OPPOSITION

Assembly Committee on Appropriations, dated May 12, 2026

*Support*

None on file.

*Opposition*

None on file.

## ARGUMENTS

Assembly Committee on Appropriations, dated May 12, 2026

### *Proponents*

As Proponents, the California Chamber of Commerce, argues that this bill:

Supports businesses that take responsibility for restoring their properties after illegal dumping or unwanted encampments and would allow businesses to install preventative measures to ensure the property remains accessible and inviting to customers.

### *Opponents*

As Opponents of this bill, the National Alliance to End Homelessness, argues:

The measure would inevitably draw funds away from critical services in the state budget that fund proven solutions to homelessness, and could incur costs in the tens of millions with little in the way of guardrails.

## LEGISLATIVE CONTACT

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