



Bill Analysis

Author: Sanchez

Sponsor:

Bill Number: AB 1620

Related Bills: See Legislative
History

Introduced: January 22, 2026

SUBJECT

Deduction for Homeowners' Insurance

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), allow an income tax deduction for amounts paid or incurred by a taxpayer for premiums on a homeowner's insurance policy on the taxpayer's primary residence for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

Not applicable.

REASON FOR THE BILL

The reason for the bill is to assist homeowners in affording homeowners' insurance.

ANALYSIS

This bill would, under the PITL, allow a deduction for premiums on a homeowners' insurance policy on the taxpayer's primary residence for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

The bill defines "primary residence" as the residence that is eligible for the homeowner's exemption as described in Revenue and Taxation Code (RTC) section 218, or the veteran's exemption, as described in RTC section 205 and subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution.

The bill includes RTC section 41 requirements that would provide that the measurement of effectiveness of the deduction would be the number of taxpayers receiving the deduction. The Franchise Tax Board (FTB) would be required to annually report to the legislature the deduction data no later than December 1, 2027, and each December 1 thereafter. The FTB would be required to file this report in compliance with Government Code section 9795.

This deduction would be repealed on December 1, 2031.

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, 2026, and before January 1, 2031.

Federal/State Law

Existing federal and state laws allow for deductions for trade or business expenses, including a deduction for insurance premiums against fire, storm, theft, accident, or other similar losses in case of a business, and rental for the use of business property.

Existing federal law allows for the treatment of mortgage insurance premium as a qualified residence interest deduction; however, California does not conform.

Implementation Considerations

The FTB has identified the following considerations and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill does not define "homeowners' insurance policy". Existing insurance laws define "homeowners' insurance" and "residential property insurance" to include different types of coverage. The absence of a definition of "homeowners' insurance policy" in this bill could lead to taxpayer confusion. For clarity, the author may wish to amend the bill to define that term.

Because the bill does not specify otherwise, taxpayers may be able to deduct total premiums paid or incurred during the year for homeowner's insurance without limit. If this is contrary to the author's intent, the author may wish to amend the bill to provide a provision limiting the amount of the deduction, e.g., a phase out provision based on a taxpayer's income.

This bill requires the FTB to report on the performance of the deductions received by this bill on or before December 1, 2027, with a final report due by December 1, 2031. For a report that contains complete information for the 2026 taxable year, it is recommended that the reporting due date be extended to July of 2028. If the reporting due date remains unchanged, the report would include the information available as of six months prior to the report due date, which would exclude taxpayer information for those filing on extension.

Technical Considerations

For consistency of terminology, consider replacing the term "receiving" with "allowed" in Section 17226(c)(1)(B).

For consistency of terminology, consider replacing the term "received" with "allowed" in Section 17226(c)(2)(A).

Policy Considerations

This bill would allow for a miscellaneous itemized deduction that is subject to the 2% adjusted gross income floor. If this is contrary to the author's intent, the author may wish to amend the bill.

LEGISLATIVE HISTORY

AB 1867 (Sanchez, 2023/2024), under the PITL, would have allowed an income tax deduction for amounts paid or incurred by a taxpayer for premiums on a homeowner's insurance policy on the taxpayer's primary residence. AB 1867 did not pass out of the Assembly Revenue and Taxation committee by the required deadline.

AB 731 (Chen, 2017/2018) would have allowed a deduction for qualified homeowners' association assessments under the PITL. AB 731 did not pass out of committee 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 1620 as Introduced January 22, 2026
 Assumed Enactment after June 30, 2026

(\$ in Millions)

| Fiscal Year | Revenue |
|--------------------|----------------|
| 2026-2027 | -\$110.0 |
| 2027-2028 | -\$70.0 |
| 2028-2029 | -\$70.0 |

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 data from the California Department of Insurance and Publicly available information, it is estimated that there would be approximately 6.4 million taxpayers with homeowner’s insurance premiums and that the average written premium would be \$2,000 in the 2026 taxable year. This would result in approximately \$12 billion in premiums paid in the 2026 taxable year.

Of this amount, it is estimated that approximately \$11 billion would be premiums paid on a primary residence.

It is further estimated that approximately 600,000 taxpayers would have aggregate miscellaneous itemized deductions that exceed 2% of their adjusted gross income and would be able to claim the deduction on the return. This would result in approximately \$1.1 billion in deducted premiums.

Applying an average tax rate of 6.3% would result in an estimated revenue loss of approximately \$69 million in the 2026 taxable year.

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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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