



Bill Analysis

Author: Sanchez

Sponsor:

Bill Number: AB 1620

Related Bills: See Legislative
History

Amended: April 29, 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 qualified 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

The April 29, 2026, amendments added and defined the term "qualified taxpayer," added an adjusted gross income (AGI) limitation for qualification, modified the Section 41 reporting requirements, and made other technical changes. The April 29, 2026, amendments resolved all of the technical considerations discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced on January 22, 2026, leaving the implementation and policy considerations unresolved.

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 a qualified taxpayer's primary residence for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

The bill would define “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 would additionally define a “qualified taxpayer” as a taxpayer whose AGI is as follows:

- a. If the taxpayer is a head of household, surviving spouse, or a married couple filing a joint return, the taxpayer’s AGI does not exceed \$250,000.
- b. If a taxpayer has a filing status that is not head of household, surviving spouse, or a married couple filing a joint return, the taxpayer’s AGI does not exceed \$125,000.

The bill includes RTC section 41 requirements that would provide that the measurement of effectiveness of the deduction would be the number of taxpayers allowed the deduction. The FTB would be required to annually report to the legislature the deduction data no later than December 1, 2027, and for 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.

This bill requires the FTB to report on the performance of the deductions received by this bill on or before December 1, 2027, and annually thereafter, 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 April 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

None noted.

Policy Considerations

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

Although the bill provides an AGI limit for qualified taxpayers, qualified taxpayers would be able to deduct the total premiums paid or incurred during the year for homeowner's insurance without a cap. If this is contrary to the author's intent, the author may wish to amend the bill to provide a cap or otherwise limit the amount of the deduction that could be claimed as a miscellaneous itemized deduction.

LEGISLATIVE HISTORY

AB 232 (Calderon, et al., 2025/2026), under the PITL, would have allowed homeowners to establish a catastrophe savings account (CSA) to pay for insurance deductibles and other uninsured losses resulting from a Governor-declared emergency and expenses to incorporate property-level wildfire mitigation efforts. This bill would have also provided both a deduction for amounts contributed by an individual homeowner to a CSA and a gross income exclusion for interest amounts earned by a CSA for taxable years beginning on or after January 1, 2026, and before January 1, 2031. AB 232 was held under submission in the Assembly Appropriations Committee.

AB 1354 (Wallis and Flora, 2025/2026) would have, under the PITL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, allowed a qualified taxpayer a fire insurance tax credit in an amount equal to the amount of specified residential fire insurance premiums paid or incurred. AB 1354 was held under submission in the Assembly Revenue and Taxation Committee.

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 was did not pass out of the Assembly Revenue and Taxation committee by the required 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 Amended April 29, 2026
 Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue
2026-2027	-\$55
2027-2028	-\$36
2028-2029	-\$40

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 3.5 million taxpayers with homeowner's insurance premiums and that the average written premium would be \$1,700 in the 2026 taxable year. This would result in approximately \$6 billion in premiums paid in the 2026 taxable year.

Of this amount, it is estimated that approximately \$5.5 billion would be premiums paid on a primary residence.

It is further estimated that approximately 300,000 taxpayers would have aggregated miscellaneous itemized deductions that exceed 2% of their AGI and would be able to claim the deduction on the return. This would result in approximately \$530 million in deducted premiums.

Applying an average tax rate of 6.3% would result in an estimated revenue loss of approximately \$33 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

Assembly Revenue and Taxation Committee Report, dated April 24, 2026

Support

California Association of Realtors
California Hispanic Chambers of Commerce
Southern California Rental Housing Association
Southwest California Legislative Council

Opposition

California State PTA
California Tax Reform Association
California Teachers Association

ARGUMENTS

Assembly Revenue and Taxation Committee Report, dated April 24, 2026

Proponents

The bill is supported by the Southern California Rental Housing Association, which notes, in part:

California's housing providers and homeowners are facing rapidly escalating insurance costs and, in many regions, declining availability of coverage due to wildfire risk and market withdrawals by insurers. These trends place increasing financial strain on property owners and threaten housing stability across the state. While the bill is focused on homeowners, the broader housing market - including rental housing - feels the effects of rising insurance costs. When property insurance becomes more expensive or difficult to obtain, it increases operating costs for housing providers and ultimately contributes to higher housing costs statewide.

Opponents

The bill is opposed by the California Tax Reform Association, which notes, in part:

Providing deductions for insurance premiums means state taxpayers are called on to subsidize well-off homeowners in high-risk areas. While we understand that the insurance market has many problems, it is a problem which will have to be resolved in the insurance market, not paid for by taxpayers. In particular, with a progressive income tax, it is clear that higher income homeowners will benefit disproportionately from this deduction.

LEGISLATIVE CONTACT

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