



Bill Analysis

Author: Tangipa

Sponsor:

Bill Number: AB 1714

Related Bills: See Legislative
History

Introduced: February 4, 2026

SUBJECT

First-time Homebuyers Qualified Repair Tax Credit

SUMMARY

This bill, under the Personal Income tax Law (PITL), would allow a taxpayer a credit up to \$25,000 for qualified repair expenses for taxable years beginning on or after January 1, 2028, and before January 1, 2033.

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 facilitate the effectiveness of first-time homebuyer programs by offsetting the seller's required repair costs.

ANALYSIS

This bill, under the PITL, for taxable years beginning on or after January 1, 2028, and before January 1, 2033, would allow a tax credit in an amount equal to 100 percent of the amount paid or incurred during the taxable year for qualified repair expenses by a taxpayer, not to exceed \$25,000 per taxable year.

The following definitions would apply:

- "First-time homebuyer assistance program" means any program under Chapter 11 or Chapter 12 of Part 3 of Division 31 of the Health and Safety Code known as the California Homebuyer's Downpayment Assistance Program and California Dream for All Program.

- “Qualified repair expenses” mean amounts paid or incurred by the seller for repairs that are required as a condition of closing the sale of real property to a purchaser utilizing a first-time homebuyer assistance program administered by the California Housing Finance Agency (CHFA), including repairs identified by any of the following:
 - A lender appraisal.
 - A property inspection report required by the lender.
 - Any health and safety requirement imposed as a condition of financing under a first-time homebuyer assistance program administered by the CHFA.
- “Qualified repair expenses” would not include cosmetic improvements, renovations, or upgrades not required as a condition of financing, including, but not limited to, remodeling, landscaping, or aesthetic enhancements.

To be eligible for this credit, a taxpayer would be required to substantiate, in the manner prescribed by the Franchise Tax Board (FTB), that the repairs were required as a condition of closing the sale, the repairs were completed prior to or as part of the sale transaction, and the purchaser utilized a first-time homebuyer assistance program administered by the CHFA.

If the credit exceeds the net tax, the unused credit could be carried forward until exhausted.

This bill, for purposes of complying with Section 41, would require the FTB to provide a written report to the Legislature on or before December 1, 2033, that provides the total number of returns claiming the credit and the aggregate dollar amount of credits claimed. The Section 41 reporting requirements would be treated as an exception to the general prohibition against disclosure of confidential taxpayer information.

This credit would be repealed as of December 1, 2033.

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, 2028, and before January 1, 2033.

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.

Currently, federal and state laws have no credit comparable to the credit this bill would create for a seller.

In addition, California 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 and is available to work with the author's office to resolve these and other considerations that may be identified.

The terms "cosmetic improvements," "renovations," and "upgrades" are undefined. The absence of a definition could lead to taxpayer confusion. For clarity the author may wish to amend the bill to define these terms.

The bill would allow two married taxpayers, filing a married filing joint return or a married filing separate return, to each be eligible for the credit. Additionally, residences can be owned by multiple related and unrelated taxpayers and each taxpayer could be eligible for the credit. If this is contrary to the author's intent, this bill should be amended to clarify.

This bill requires the FTB to report on the performance of the credit allowed by this bill on or before December 1, 2033. For a report that contains complete information for the 2032 taxable year, it is recommended that the reporting due date be extended to July of 2034. 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 and clarity, the following changes are recommended:

- In Section 17053.45(a), replace, "For each taxable year beginning on..." with "For taxable years beginning on..."
- In Section 17053.45(a), replace, "expenses by a taxpayer. The credit shall not exceed..." with "expenses by a taxpayer, not to exceed..."
- In Section 17053.45(b)(2)(A), replace, "amounts paid or incurred by..." with "amounts paid or incurred during the taxable year by..."
- In Section 17053.45(c), replace, "in the manner prescribed by the Franchise Tax Board..." with "in the form and manner prescribed by the Franchise Tax Board..."

- In Section 17053.45(c)(1) and (2), replace, “repairs” with “qualified repair expenses.”
- In Section 17053.45(e)(2), replace, “credits claimed” with “credits allowed.”

Policy Considerations

The bill allows a credit for taxpayers under the PITL, but not under the Corporate Tax Law (CTL). The bill would allow a credit for individuals, limited partnerships (LPs), limited liability partnerships (LLPs), and Limited Liability Corporations (LLCs) not classified as corporations, that are subject to tax under the PITL, but would not allow a credit for corporations or LLCs classified as corporations subject to tax under the CTL. If this is contrary to the author’s intent, or if the author’s intent is to limit the properties to those owned by individuals, the author may wish to amend the bill.

This bill does not limit the amount of credit by a percentage of the expenditures that may be taken. Credits that could potentially be quite costly are sometimes limited. This bill would provide 100 percent credit, which would be unusual. Credits are generally allowed for a percentage of expenses. In addition, the bill would allow a credit to the seller without regard to the seller’s income. If this is contrary to the author’s intent, the author may wish to amend the bill.

The bill would allow a credit for qualified expenses that would generally increase the basis of the property or may otherwise be allowed as a deduction. Allowing the qualified expenses to be added to the basis of the property or otherwise deducted, as well as the credit, would have the effect of providing a double benefit for the same item. If this is contrary to the author’s intent, the author may wish to amend the bill.

This bill would allow an unlimited carryover period. Credits are generally enacted with a limited carryover period because experience shows credits typically are exhausted within five to eight years of being earned. In addition, when a credit allows for an unlimited carryover period, the taxpayer does not always maintain the needed supporting documentation to subsequently claim the credit. For ease of compliance and to limit taxpayer disputes, the author may wish to amend the bill.

LEGISLATIVE HISTORY

AB 389 (Wallis, 2025/2026), ABX1-3 (Wallis, 2025/2026), and AB 582 (Connolly, 2023/2024), under the PITL, would have allowed 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. AB 389 did not pass out of the policy committee by the required deadline. ABX1-3 “died at the desk” in the Assembly ten business days after its introduction, and AB 582 did not pass out of the Assembly Appropriations 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 identified.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 1714 as Introduced on February 4, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue*
2026-2027	-\$0
2027-2028	-\$4.5
2028-2029	-\$9.2

*This estimate assumes funding would be appropriated to the specified "First-time homebuyer assistance programs" each year the credit is available.

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.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

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