



Bill Analysis

Author: Tangipa

Sponsor:

Bill Number: AB 1714

Related Bills: See Legislative
History

Amended: March 23, 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

The March 23, 2026, amendments modified the allowed percentage of qualified repair expenses, defined “cosmetic improvements,” modified the number of taxpayers that can claim the credit, modified the carryover period, modified the Revenue and Taxation Code (RTC) section 41 reporting due date, and made several technical changes. The March 23 amendments resolved the implementation and technical considerations and two of the policy considerations discussed in the Franchise Tax Board’s (FTB) analysis of the bill as introduced February 4, 2026, and created new implementation considerations and a new technical consideration.

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 40 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:

- “Cosmetic improvements” means modifications to residential real property that are intended solely to improve the visual appearance or aesthetic appeal of the property and that do not affect the structural integrity, safety, habitability, or essential systems of the property.
- “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 during the taxable year 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 form and manner prescribed by the FTB, that the qualified repair expenses 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.

A taxpayer would only be able to claim one credit per taxable year. If more than one taxpayer owns the real property where the qualifying repair expenses are made, only one taxpayer is allowed to claim the credit for the taxable year.

If the credit exceeds the net tax, the unused credit could be carried forward up to five years.

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, 2034, that provides the total number of returns claiming the credit and the aggregate dollar amount of credits allowed. 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.

This bill would provide that if the property is owned by more than one taxpayer, only one taxpayer may claim the credit, but does not specify how that determination would be made, for example, whether determination be based on the taxpayer that incurs the highest percentage of qualified repair expenses or another basis. The author may want to amend the bill to clarify.

This bill uses the terms "seller" and "taxpayer." For clarity, the author may want to amend the bill to add a definition of "qualified taxpayer" as "a taxpayer that sells property and pays or incurs qualified repair expenses" to limit those claiming the credit to only sellers of property if that is the author's intent.

The bill requires the FTB to report on the performance of the credit allowed by this bill on or before December 1, 2034, which would allow the report to contain complete information for the 2032 taxable year. However, the section, including the reporting provision, would be repealed on December 1, 2033. The author may wish to extend the section repeal date to December 1, 2034, in order to ensure the report is completed before the section repeals.

Technical Considerations

For consistency within the RTC, the carryover language should read, “and the succeeding four years, until the credit is exhausted” if the author intends for the credit to be carried over for five years in total.

In Section 17053.45(d)(2), replace “expenses are incurred” with “expenses are paid or incurred” in both places within the sentence.

Policy Considerations

This bill would allow 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, limited liability partnerships, 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 credit to properties owned only by individuals, the author may wish to amend the bill.

This 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.

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 amended on March 23, 2026
Assumed Enactment after June 30, 2026

(\$ in Millions)

Fiscal Year	Revenue*
2026-2027	-\$0
2027-2028	-\$1.8
2028-2029	-\$3.7

*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

Assembly Revenue and Taxation Committee Report, dated April 3, 2026

Support

United Way Fresno and Madera Counties

Opposition

California Federation of Teachers

California Tax Reform Association

ARGUMENTS

Assembly Revenue and Taxation Committee Report, dated April 3, 2026

Proponents

The bill is supported by the United Ways of Fresno and Madera Counties, noting in part:

This bill addresses a common point of failure in first-time homebuyer transactions: mandatory health and safety repairs identified through lender appraisals or inspections. These costs are often unavoidable, disproportionately affect older housing stock, and frequently cause otherwise viable sales to fall through. By allowing sellers to offset these required repair costs, the bill helps reduce failed escrows and expand access to homeownership without subsidizing cosmetic or discretionary improvements, while lowering the overall cost of homes.

Opponents

The bill is opposed by The California Federation of Teachers (CFT), which noted:

Funding for tax expenditures, such as tax credits, burdens California's public education system. For every dollar that is provided as a tax credit, approximately 40 cents of that dollar comes out of our classrooms. [The] CFT asserts that it is bad public policy to raid the funds that provide for our students, especially when it is education that can help prevent residents from facing financial situations that lead to being unhoused, for tax credits.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov