STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Alvarado-Gil, et al.	Sponsor:	Bill Number: SB 1084
	Related Bills: See Legislative History	Amended: April 23, 2026

SUBJECT

Fire Safe Home Tax Credits Act

SUMMARY

This bill, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, would provide two credits under the Personal Income Tax Law (PITL), (1) a credit to a qualified taxpayer for qualified costs paid or incurred for qualified home hardening on a qualified property, and (2) a credit to a qualified taxpayer for costs paid or incurred for qualified vegetation management on qualified property, collectively known as the Fire Safe Home Tax Credits Act (Act).

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 23, 2026, amendments reduced the credit amounts, added definitions, modified the definition of qualified costs, and made technical changes. The amendments resolved all of the implementation, technical and policy considerations discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced on February 13, 2026, and created additional implementation considerations.

REASON FOR THE BILL

The reason for the bill is to help homeowners reduce the risk of their homes being damaged in fires.

ANALYSIS

The Act

This bill would, under the PITL, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, establish the Act composed of two credits:

- A qualified home hardening credit, and
- A qualified vegetation management credit.

The total aggregate amount of credits allocated under the Act by credit reservation would be $50 million per taxable year plus any unused credit amount from the preceding taxable years.

This bill would allow (1) a credit for a qualified taxpayer who pays or incurs qualified costs for qualified home hardening on a qualified property during the taxable year, and (2) a credit for a qualified taxpayer who pays or incurs qualified costs for qualified vegetation management on a qualified property during the taxable year.

This bill would limit the Qualified Home Hardening Credit to fifty percent of qualified costs paid or incurred, not to exceed:

- $1,000 per taxable year, if the qualified property is located in a high fire hazard severity zone.
- $2,000 per taxable year, if the qualified property is located in a very high fire severity zone.

This bill would limit the Qualified Vegetation Management Credit to fifty percent of qualified costs paid or incurred, not to exceed $500.

This bill would provide the following definitions:

- "High fire hazard severity zone" means land classified by the State Fire Marshal pursuant to Public Resources Code (PRC) section 4202 as within a high fire hazard severity zone.
- "Very high fire hazard severity zone" means either land classified by the State Fire Marshal pursuant to PRC section 4202 as within a very high fire hazard severity zone or an area designated by the State Fire Marshal pursuant to Government Code section 51178 that is not a state responsibility area.
- For purposes of the Qualified Home Hardening Credit, "qualified costs" means any unreimbursed expense paid or incurred by the qualified taxpayer during the taxable year in which the credit allowed by this section is claimed, documented by receipt, for qualified home hardening. Qualified costs would specifically exclude costs of any inspection or certification fees, costs covered or paid for through in-kind contributions, donations or incentives, and expenses paid or incurred by the qualified taxpayer from any grants awarded to the qualified taxpayer for performing qualified home hardening.
- For purposes of defining excluded qualified costs the following terms are defined:
    - "Incentive" means a payment made by a third party to the qualified taxpayer under a cost-sharing or grant program.
    - "In-kind contribution" means a nonmonetary resource provided to, or used by, a qualified taxpayer, including, but not limited to, personnel, equipment, facilities, and services, by a third party.

- For purposes of the Vegetation Management Credit, "qualified costs" means any unreimbursed expense paid or incurred by the qualified taxpayer during the taxable year in which the credit allowed by this section is claimed, documented by receipt, for qualified vegetation management. Qualified costs would specifically exclude costs of any inspection or certification fees, costs covered by in-kind contributions, donations, or incentives, and expenses paid or incurred by the qualified taxpayer from any grants awarded to the qualified taxpayer for performing qualified vegetation management. For purposes of defining excluded qualified costs, the following terms are defined:
    - "Incentive" means a payment made by a third party to the qualified taxpayer under a cost-sharing or grant program.
    - "In-kind contribution" means a monetary resource provided to, or used by, a qualified taxpayer, including, but not limited to, personnel, equipment, facilities, and services, by a third party.
- For purposes of the Qualified Home Hardening Credit, "qualified home hardening" means the replacement or repair of structural features that are affixed to the qualified property and performed or implemented for the primary purpose of reducing risk to structures from wildland fire. "Structural features" includes any of the following structural features that meet the requirements of Chapter 7A (commencing with Section 701A.1) of Part 2 of Title 24 of the California Code of Regulations, or its successor code: roofs, exterior walls, vents, eave assemblies, decks, fences, driveways, and chimneys.
- "Qualified property" means a dwelling or housing unit that is located in a high fire hazard severity zone, or very high fire hazard severity zone that is owned by a qualified taxpayer that has been granted a property tax exemption pursuant to Revenue and Taxation Code (RTC) section 218 in the taxable year that the credit is allowed.
- "Qualified taxpayer" means a taxpayer who owns a qualified property and whose adjusted gross income (AGI) for the taxable year the credit is allowed is less than or equal to $140,000 in the case of spouses filing a joint return, heads of households, and surviving spouses, as defined, or $70,000 for a single individual or a married individual filing separately.
- For purposes of the Vegetation Management Credit, "qualified vegetation management" means any of the following activities that meet the requirements of PRC section 4291 performed or implemented for the primary purpose of reducing risk to structures from wildland fire:
    - The creation of defensible space around structures,
    - The establishment of fuel breaks,
    - The thinning of woody vegetation, or
    - The secondary treatment of woody fuels by lopping and scattering, piling, chipping, removing from site, or prescribed burning.

This bill would allow excess credits to be carried forward for up to nine taxable years, until exhausted.

This bill would limit two taxpayers filing a joint return to claim only one of each credit under this Act. If two taxpayers who could file a joint return file separate returns, only one taxpayer may claim only one of each credit allowed under this Act. In the case where two taxpayers, who are unable to file a joint return, share ownership in a qualified property, only one credit may be claimed on the same property.

This bill would allow a qualified property to be eligible for one of each credit allowed under this Act per taxable year.

This bill would reduce any deduction or credit otherwise allowed for any qualified expenditure made by the qualified taxpayer as a trade or business expense by the amount of qualified costs taken into account in calculating the credit under this section.

Credit Reservation

This bill would require a qualified taxpayer to obtain a tentative credit reservation from and in the form and manner prescribed by the FTB, during the month of July for each taxable year or within 30 days of the start of their taxable year if the qualified taxpayer's taxable year begins after July.

This bill would require a qualified taxpayer to provide all necessary information as determined by the FTB to obtain a credit reservation with respect to a qualified expenditure. The FTB would be required to approve tentative credit reservations for qualified expenditures paid or incurred during the taxable year for the qualified taxpayers, subject to the credit cap.

Section 41

This bill would, for purposes of complying with RTC section 41, require the FTB to submit a report to the Legislature, no later than April 1, 2029, and annually thereafter, and include the following:

- The number of taxpayers allowed either or both of the credits.
- The average dollar amount of the credits allowed.

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

The credits and provisions under this Act would remain in effect until December 1, 2032, and be repealed as of that date.

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.

State Law

Current state law provides gross income exclusions for qualified taxpayers who received a settlement from a settlement entity in connection with a wildfire in California. This exclusion is available to both personal and corporate taxpayers beginning on or after January 1, 2021, and before January 1, 2030.

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 requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. In addition, legislation that would create an income exclusion would not require detailed performance indicators and data collection measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

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

This bill uses the undefined term, "certification fees" within the definition of affordable housing. The absence of a definition could lead to taxpayer confusion. For clarity, the author may wish to amend the bill to define this term.

The bill does not specify the division of credits if multiple qualified taxpayers own a qualified property. The author may wish to amend the bill to specify.

This bill would require FTB to implement a tentative credit reservation system by July of 2027. This may not be enough time for the FTB to "stand up" a reservation system. It is recommended that this bill be amended to delay the required start date for the credit reservation system beyond July of 2027.

The FTB does not have the expertise to determine what qualified costs are, if a dwelling or housing unit is qualified property, and if a home hardening expenditure meets the requirements of Chapter 7A of the California Building Code, as it relates to roofs, exterior walls, vents, eave assemblies, decks, fences, driveways, and chimneys. Typically, credits involving areas for which the FTB does not have expertise are certified by another agency that has the relevant expertise. It is recommended that this bill be amended to include an appropriate certifying agency.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 389 (Wallis, 2025/2026), under the PITL, would have provided a maximum $400 tax credit each taxable year, to a qualified taxpayer with a primary residence in a high or very high fire hazard zone for certain expenses paid or incurred for taxable years beginning on or after January 1, 2025, and before January 1, 2030. AB 389 did not pass out of the Assembly Revenue and Taxation Committee.

SB 269 (Choi, et al., 2025/2026), similar to this SB 1084, would have for taxable years beginning on or after January 1, 2026, and before January 1, 2031, provided two credits under the PITL, (1) a credit to a qualified taxpayer for qualified costs paid or incurred for qualified home hardening on a qualified property, and (2) a credit to a qualified taxpayer for costs paid or incurred for qualified vegetation management on qualified property, collectively known as the Act. SB 269 did not pass out of the Senate Appropriations Committee.

ABX1-3 (Wallis, 2025/2026), 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. ABX1-3 "died at the desk" in the Assembly ten business days after introduction.

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 582 did not pass out of the Assembly Appropriations Committee by the constitutional deadline.

SB 952 (Dahle, et al., 2023/2024), under the PITL, similar to this bill, would have created two home fire safety tax credits for qualified home hardening and qualified vegetation management, collectively known as the Act. This bill did not pass out of the Senate Appropriations Committee by the constitutional deadline.

AB 324 (Choi, 2021/2022), under the PITL and the Corporation Tax Law, would have allowed a tax credit for costs paid or incurred to install an attic vent closure in a residential property. AB 324 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 SB 1084 as Amended April 23, 2026
Assumed Enactment after June 30, 2026

($ in Millions)

Fiscal Year	Revenue
2026-2027	-$8.7
2027-2028	-$21
2028-2029	-$28

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 wildfire risk data for California, it is estimated that approximately 1.2 million homes would be located in moderate to very high fire hazard severity zones. Of that amount, 56 percent or 700,000 homes would be in high to very high fire hazard severity zones. After accounting for homes used as a primary residence and the AGI limitation,

it is estimated that about 10 percent, or 130,000, homes located in the high or very high hazard zones would be owned by qualified taxpayers who could incur qualified expenses.

Of that amount, it is estimated that 35 percent, or 45,000 homeowners, would incur about $8,000 in qualified home hardening or vegetation management expenses. This results in approximately $360 million in qualified expenses in the 2027 taxable year. After applying the credit rate of 50 percent and the annual credit limitations by fire hazard severity zone, the amount of credit generated is estimated to be $56 million. Because the estimated demand for the credit exceeds the $50 million total aggregated credit allocation amount, it is assumed that the credit would be fully allocated, and any remaining credit requests would be denied. This results in $50 million in credit generated in the 2027 taxable year.

It is estimated that approximately 65 percent, or $33 million, of credit generated would be earned by taxpayers with sufficient tax liability to offset with the credit. Of that amount 45 percent, or $15 million, would be claimed in the year generated and the remaining credit would be used over the subsequent nine years or until exhausted.

Because the qualified taxpayer's property must qualify for the homeowner exemption under Section 218, any improvements made would not be claimed as a deduction but would instead be added to the basis of the property. As a result, the estimated revenue loss would be $15 million in the 2027 taxable year.

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

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Revenue and Taxation Committee Report, dated May 1, 2026

Support

Eastern Sierra Council of Governments
El Dorado County Fire Protection District
Mariposa County Sheriff's Office
Megafire Action
Town of Truckee

Opposition

California Teachers Association

ARGUMENTS

Senate Revenue and Taxation Committee Report, dated May 1, 2026

Proponents

None on file.

Opponents

None on file.

LEGISLATIVE CONTACT

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