



## Bill Analysis

Author: Dahle and Allen

Sponsor:

Bill Number: SB 1343

Related Bills: See Legislative  
History

Introduced: February 20, 2026

### SUBJECT

Rebuilding Residences Damaged by Natural Disaster Tax Credit

### SUMMARY

This bill would, under the Personal Income Tax Law (PITL) for taxable years beginning on or after January 1, 2027, and before January 1, 2032, allow a credit for amounts paid as sales tax reimbursement by a taxpayer or as sales tax on gross receipts paid by a nonprofit housing developer working on behalf of the taxpayer for the purchase of qualified tangible personal property (QTPP). This bill would also allow a credit for amounts paid in use tax for storage, use, or other consumption of QTPP by a taxpayer or by a nonprofit housing developer working on behalf of the taxpayer. The total amount of credit would be limited to \$10,000 for each natural disaster.

This analysis only addresses the provisions that would impact the Franchise Tax Board (FTB).

### 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 support taxpayers rebuilding after suffering from a natural disaster loss.

### ANALYSIS

This bill would, under the PITL for taxable years beginning on or after January 1, 2027, and before January 1, 2032, allow a tax credit for the amount of sales or use tax paid by a taxpayer, or by a nonprofit housing developer working on behalf of the taxpayer, on the purchase of, or storage, use or other consumption of, QTPP during a covered period.

The credit would be limited to \$10,000 for each natural disaster.

Any unused credit could be carried over until exhausted.

This bill would define the following terms:

“Natural disaster” means a major misfortune or calamity that is the subject of a state of emergency proclaimed by the Governor pursuant to Section 8625 of the Government Code.

“Covered period” means a period of time that began on the date the natural disaster that damaged the claimants’ primary residence occurred and the date that is three years from that date.

“Qualified tangible personal property” means any of the following:

- A major appliance.
- Residential furniture.
- Residential building supplies.

“Major appliance” means a water heater, dishwasher, washer, dryer, refrigerator, freezer, stove, range, oven, cooktop, microwave, vacuum, or fan that is used in the taxpayer’s primary residence to replace an appliance that was damaged or destroyed in a natural disaster, the sales price per item of which is not more than \$3,500.

“Residential furniture” means furniture commonly used in a residential dwelling, as determined by the FTB, that is used in the taxpayer’s primary residence to replace furniture that was damaged or destroyed in a natural disaster, the sales price per item of which is not more than \$3,500.

“Residential building supplies” means any of the following items if used in the taxpayer’s primary residence and reasonably determined by the FTB to be for the purpose of restoration, repair, replacement, or rebuilding due to a natural disaster, the sales price per item of which is not more than \$500:

- Cleaning and disinfecting materials.
- Construction tools and hardware.
- Roofing shingles, roofing paper, gutters, downspouts, vents, doors, windows, sheetrock, drywall, insulation, paint and paint materials, flooring, and other necessary building materials.

“Sales tax” and “use tax” mean a sales or use tax levied pursuant to any of the following:

- Part 1 (commencing with Section 6001), relating to sales and use tax law.
- Part 1.5 (commencing with Section 7200), relating to uniform local sales and use taxes.
- Part 1.6 (commencing with Section 7251), relating to transactions and use tax.
- Part 1.7 (commencing with 7280), relating to additional local taxes.

This bill includes Section 41 goals and objectives for the credit as well as reporting requirements.

This bill provides that the FTB may prescribe rules and regulations necessary to administer this section.

The credit 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, 2027, and before January 1, 2032.

#### *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). There is no comparable federal tax credit.

A disaster loss occurs when business or personal property is completely or partially destroyed as a result of a fire, storm, flood, earthquake, or other natural event in an area proclaimed to be a disaster by the President of the United States or, for state law purposes, by the Governor of 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 requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

### *Implementation Considerations*

There are numerous items needing clarity within the bill to ensure the program can be administered as intended and the bill produces the desired outcome. FTB staff is available to work with the author's office and can provide language to resolve these and other considerations that may be identified.

Some of these considerations include, but are not limited to:

It is common for a bill to define who the "qualified taxpayer" would be. The author may wish to add and define the term and clarify if the nonprofit housing developer working on behalf of the taxpayer is a also qualified taxpayer, or if the credit would be limited to the individual who suffered the natural disaster loss. Additionally, because the bill does not specify otherwise, two taxpayers filing a joint return would each be eligible for the credit. If this is contrary to the author's intent, the author may wish to amend the bill.

This bill also uses the undefined term "nonprofit housing developer." The absence of clarifying language could lead to taxpayer confusion and could complicate the administration of this bill. The author may want to amend the bill to clarify the term definition.

### *Technical Considerations*

For consistency of terminology, the following changes are recommended:

- In Section 17052.13(a), replace "For each taxable year..." with "For taxable years on..."
- In Section 17052.13(a), replace "...in an amount equal to the amount of tax reimbursement paid" with "...for amounts paid or incurred..."
- In Section 17052.13(b)(1), replace "claimant's" with "taxpayer's".
- In Section 17052.13(b)(1), replace "primary residence" with "principal residence."
- Remove Section 17052.13(d) as it is unnecessary.
- Throughout the bill, replace "taxpayer" with "qualified taxpayer".

The bill provisions specify a repeal date of December 1, 2031. However, the bill provisions would apply for calendar and fiscal years beginning before January 1, 2032. To retain the provisions "in law" until the day after the last day of the fiscal year beginning December 1, 2031, the author may wish to change the repeal date to December 1, 2032.

### *Policy Considerations*

This bill would allow a credit for amounts paid by the taxpayer in sales or use tax on the purchase or storage, use or other consumption of QTPP. However, the taxpayer may have been reimbursed by their homeowners insurance company for some or all of the purchases of replacement personal property described in this bill. The author may wish to amend the bill to clarify if the credit is still available when the taxpayer is reimbursed for their costs.

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.

The bill limits the amount of specified types of QTPP. However, the bill does not specify treatment if a taxpayer purchases QTPP at a price that exceeds the maximum amount specified. Because the bill does not specify, any QTPP that costs more than the amount specified would not qualify for the credit. If this is contrary to the author's intent, the author may wish to amend the bill.

The credit is limited to \$10,000 per natural disaster, which could potentially allow a taxpayer to receive more than \$10,000 each taxable year. If the intent is for the credit limitation to apply per taxable year, rather than per natural disaster, the bill should be amended.

### **LEGISLATIVE HISTORY**

AB 1765 (Quirk-Silva, et al., 2017/2018) would have under the PITL created a tax credit for taxpayers that sustained uncompensated losses as a result of a disaster. AB 1765 was held in the Assembly Appropriations Committee without further action.

### **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 1343 as Introduced February 20, 2026  
 Assumed Enactment after June 30, 2026

(\$ in Millions)

<b>Fiscal Year</b>	<b>Revenue</b>
2026-2027	-\$7.2
2027-2028	-\$19
2028-2029	-\$27

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 State Board of Equalization, California Department of Tax and Fee Administration, the California Governor’s Office of Emergency Services, CalFire, and other public data available, it is estimated 6,200 taxpayers would purchase, store, use, or consume qualified tangible personal property during the covered period as part of rebuilding after a natural disaster.

It is estimated taxpayers would pay sales and use tax ranging from \$1,000 to exceeding the \$10,000 cap. Assuming an average credit of \$7,800, the estimated revenue loss would be \$30 million in 2027.

It is estimated that 65 percent, or \$19 million, would be earned by taxpayers with sufficient tax liability to offset with the credit. Of that amount, 65 percent, or \$12 million, would be claimed in the year generated and the remaining credit would be used over the subsequent years or until exhausted.

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

The estimate is subject to change, as the number of affected taxpayers will vary depending on the frequency and severity of natural disasters.

**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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