



## Bill Analysis

Author: Dahle, et al.

Sponsor:

Bill Number: SB 1343

Related Bills: See Legislative  
History

Amended: April 23, 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 sales or use tax payments made for qualified tangible property, during the taxable year, not to exceed \$4,000.

### 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 added co-authors, modified defined terms, defined new terms, modified the credit amount, added a limitation to the credit amount based on adjusted gross income (AGI), added a carryover period and added filing status credit allocation language. In addition, the amendments provide that the credit must be in lieu of any other credit, that any other deduction allowed would be reduced by the credit amount allowed, and that the qualified taxpayer would be required to adjust the credit amount if they receive any specified payment for amounts taken into account in calculating the credit. Furthermore, the amendments modified the Section 41 reporting requirements and modified the repeal date.

These amendments resolved some of the technical considerations and all of the implementation and policy considerations discussed in the Franchise Tax Board's (FTB) analysis of the bill as introduced on February 20, 2026, and created additional implementation and technical considerations.

### 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 equal to the amount of qualified tax payments made during the taxable year. The credit would be limited to \$4,000 per taxable year, subject to an AGI limitation.

The total amount of credit allowed by this bill would also be limited to \$4,000 per any natural disaster. The maximum credit amount would be decreased by \$6 for every \$100 of AGI above either of the following:

- \$250,000 - for spouses filing a joint return, a head of household, or a surviving spouse.
- \$125,000 – for single individual, or a married filing separate.

The bill would define the following terms:

“Covered period” means a period of time that began on the date a natural disaster damaged or destroyed a qualified taxpayer's principal residence, major appliances, or residential furniture and ends on the date of which the earliest of the following occurs:

- Three years from the date damage or destruction to the taxpayer's principal residence, major appliances, or residential furniture ceases.
- Three years from the date the natural disaster is no longer proclaimed as an open state of emergency.
- December 31 of the last tax year for which this credit is authorized pursuant to subdivision (a).

“Major appliance” means an appliance primarily used for residential purposes purchased for use in the taxpayer's primary residence to replace an appliance that was damaged or destroyed in a natural disaster, including, but not limited to, any of the following normally used or sold for personal, family, household, or home office use:

- A refrigerator.
- A freezer.
- A range.
- A microwave oven.
- A washing machine.
- A clothes dryer.
- A dishwasher.
- A trash compactor.
- An ice maker.
- A dehumidifier.

- A residential portable furnace.
- A room air conditioner.

“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.

“Principal residence” means a dwelling or housing unit for which a homeowners’ exemption pursuant to Section 218 has been granted to the qualified taxpayer in the taxable year for which the credit allowed by this section is claimed.

“Qualified tangible personal property” means a major appliance or residential furniture with a sales price of three thousand five hundred dollars (\$3,500) or less, or, in the case of bundled purchases, three thousand five hundred dollars (\$3,500) or less per item.

“Qualified tax payment” means an unreimbursed tax payment paid or incurred by the qualified taxpayer in the taxable year for qualified tangible personal property during the covered period.

“Qualified taxpayer” means a taxpayer whose principal residence was damaged by a natural disaster and received a property reassessment pursuant to Section 170.

“Residential furniture” means furniture commonly used in a residential dwelling, including, but not limited to, a chair, sofa, loveseat, coffee table, end table, dining table, dining chair, bed frame, dresser, chest of drawers, bedside table, ottoman, lamp, or wall mirror, that is purchased for use in the taxpayer’s primary residence to replace furniture that was damaged or destroyed in a natural disaster.

“Tax payment” means either of the following:

- A sales tax reimbursement paid by the taxpayer to a retailer, as reimbursement for a tax imposed by Chapter 2 (commencing with Section 6051) of Part 1, Part 1.5 (commencing with Section 7200), Part 1.6 (commencing with Section 7251), or Part 1.7 (commencing with Section 7280).
- A use tax paid by the taxpayer pursuant to Chapter 3 (commencing with Section 6201) of Part 1, Part 1.5 (commencing with Section 7200), Part 1.6 (commencing with Section 7251), or Part 1.7 (commencing with Section 7280).

The unused credit could be carried over for six years until exhausted, whichever occurs first.

In the case of two taxpayers filing a joint return, the total amount of the credit that may be claimed per taxable year would not exceed \$4,000. If a taxpayer files a separate return for a taxable year in which a joint return could have been filed, only one of the taxpayers would be allowed the credit.

This credit would be taken in lieu of any other credit that the qualified taxpayer may otherwise claim with respect to amounts taken into account in calculating the credit allowed by this bill. In addition, the bill specifies that any deduction otherwise allowed for a qualified expenditure would be reduced by the amount of this allowed credit.

If the taxpayer receives insurance, grants, rebates, or any other reimbursement for an amount used to calculate the credit, the tax owed for the year the reimbursement was received must increase by the part of the credit that relates to the reimbursed amount. Any credit, deduction, or basis tied to that reimbursed amount would be adjusted.

For purposes of complying with Revenue and Taxation Code (RTC) section 41, this bill would require the FTB to submit a report to the Legislature on or before, June 30, 2029, and each year thereafter, on the number of taxpayers that claimed the credit and the aggregate credit amount claimed.

The credit would be repealed on December 1, 2037.

#### *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*

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 bill defines "major appliance" and "residential furniture" in part to read, "...purchased for use in the taxpayer's primary residence to replace..." an appliance or furniture, as applicable, "...that was damaged or destroyed in a natural disaster..." Because the bill does not define the term "primary residence," it is not clear if the author intends primary residence to have a different meaning than the defined term, "principal residence." If the author intends "primary residence" to have a different meaning than "principal residence" it is recommended the author define "primary residence." In the alternative, it is recommended to replace the term "primary residence" with the defined term "principal residence" if the intent is for these terms to have the same meaning.

### *Technical Considerations*

For consistency of terminology, the following changes are recommended:

- In Section 17052.13(c)(1), strike "not more than five", and insert "five" after "succeeding" and before "years".
- In Section 17052.13 (g)(2)(B), replace "claimed" with "allowed".
- In Section 17052.13 (g)(3), replace:
  - "...number of taxpayers that claimed the tax credit" with "...number of taxpayers that were allowed the tax credit"
  - "... the aggregate credit amount claimed" with "... the aggregate credit amount allowed".
- Throughout the bill, replace "taxpayer" with "qualified taxpayer".

The bill provisions specify a repeal date of December 1, 2037. However, the bill provisions would apply for calendar and fiscal years beginning before January 1, 2032. It is not necessary for an extended repeal date to account for the credit carryover period. The author may wish to change the repeal date to December 1, 2032.

### *Policy Considerations*

For purposes of RTC section 41, this bill would require the FTB to report on the number of California taxpayers who receive the credit. As written, the reporting requirement would exclude taxpayers who are part year residents or those who had to move out of state temporarily while their principal residence is being rebuilt, yet received the credit. If the author's intent is for the FTB to provide a complete report, the author may wish to replace "California taxpayers" in (g)(2)(A) with "qualified taxpayers".

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 Amended April 23, 2026  
Assumed Enactment after June 30, 2026

(\$ in Millions)

| Fiscal Year | Revenue |
|-------------|---------|
| 2026-2027   | -\$0.9  |
| 2027-2028   | -\$1.8  |
| 2028-2029   | -\$2.3  |

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 that 2,400 qualified taxpayers would make qualified tax payments for purchase of qualifying tangible personal property during the covered period in 2027.

It is estimated that qualified taxpayers would pay sales and use tax averaging \$1,500. This results in an estimated revenue loss of \$3.6 million in 2027.

It is estimated that 65 percent, or \$2.3 million, would be earned by qualified taxpayers with sufficient tax liability to offset with the credit. Of that amount, 65 percent, or \$1.5 million, would be claimed in the year generated and the remaining credit would be used over the subsequent six years.

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

Senate Committee on Appropriations Committee Report, dated May 1, 2026

*Support*

None on file.

*Opposition*

None on file.

ARGUMENTS

Senate Committee on Appropriations Committee Report, dated May 1, 2026

*Proponents*

None on file.

*Opponents*

None on file.

LEGISLATIVE CONTACT

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