



Bill Analysis

Author: Senate Committee on
Budget and Fiscal Review

Sponsor:

Related Bills: See Legislative
History

Bill Number: SB 195

Amended: August 28, 2026

SUBJECT

Extension of the Gross Income Exclusion for Wildfire Mitigation Program Payments

SUMMARY

This bill, under the Personal Income Tax Law (PITL) and the Corporation Tax Law (CTL), would extend the gross income exclusion for payments received from a California qualified wildfire loss mitigation payment. The bill would expand the definition of a “California qualified wildfire loss mitigation payment” to additionally include a wildfire mitigation grant program under the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. The extension would modify the ending operative date for the gross income exclusion from taxable years beginning before January 1, 2029, to taxable years beginning before January 1, 2031.

This is the Franchise Tax Board’s (FTB) first analysis of the bill and only addresses the provisions that would impact the FTB’s programs or operations.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The bill as introduced included intent language related to the Budget Act of 2026. The August 28, 2026, amendments added the provision discussed in this analysis.

REASON FOR THE BILL

The reason for this bill is to provide a gross income exclusion to taxpayers in high fire areas who receive payments for an activity that reduces wildfire risk from the California Wildfire Mitigation Financial Assistance Program or the wildfire mitigation grant program under the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.

ANALYSIS

This bill, under the PITL and the CTL, would extend the exclusion from gross income for any amount received by a qualified taxpayer as a California qualified wildfire loss mitigation payment for an additional two years. Specifically, the bill changes the ending operative date for this exclusion from taxable years beginning before January 1, 2029, to taxable years beginning before January 1, 2031.

This bill, for purposes of the PITL and CTL, would modify the definition for “California qualified wildfire loss mitigation payment” to mean any grant, rebate, direct assistance, or other financial assistance for wildfire mitigation, home hardening, structure hardening, vegetation management, defensible space, fuel modification activities, or community wildfire resilience received through either of the following:

- o The California Wildfire Mitigation Financial Assistance Program (commencing with Section 8654.2 of the Government Code (GOV)).
- o Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (pursuant to Section 91510 of the Public Resources Code).

This bill would modify Revenue and Taxation Code section 41 requirements, updating the goals, purpose and objectives, and would add a reporting requirement for the Office of Emergency Services (OES) to the Legislature by December 1, 2031, to the extent data is available, on the aggregate amount of funds distributed from the California Wildfire Mitigation Financial Assistance Program and the Home Hardening Program under the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, and the number of individuals or entities who accepted funds from this program who may be eligible to exclude the income.

This exclusion would be repealed on December 1, 2031.

Effective/Operative Date

This bill providing for appropriation related to the Budget Bill, would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2026. The bill would be specifically operative for taxable years beginning before January 1, 2031.

*Federal/State Law**Federal Law*

Federal and state laws provide that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded. Types of income currently excluded include amounts received as a gift or inheritance, certain compensation for injuries and sickness, educational assistance programs, foster care payments, interest received on certain state or federal obligations, and qualified scholarships.

Existing federal law, Internal Revenue Code (IRC) section 139, provides a general exclusion that gross income does not include any amount an individual receives as a qualified disaster relief payment. A qualified disaster relief payment means amounts paid to, or for the benefit of, an individual for several purposes, including to:

- Reimburse or pay reasonable and necessary personal, family, living, or funeral expenses the individual incurred because of a qualified disaster; or
- Reimburse or pay reasonable and necessary expenses the individual incurred for the repair or rehabilitation of a personal residence or repair or replacement of its contents, to the extent that the need for such repair, rehabilitation, or replacement is attributable to a qualified disaster.

For any federally declared disaster, an individual may exclude from income a valid disaster relief payment, which includes any amount the individual receives for purposes listed above.

The Federal Disaster Tax Relief Act of 2023 provides an exclusion from gross income for qualified wildfire relief payments received by or on behalf of an individual as compensation for losses, expenses, or damages (including compensation for additional living expenses, lost wages (other than compensation for lost wages paid by the employer which would have otherwise paid such wages), personal injury, death, or emotional distress) incurred as a result of a “qualified wildfire disaster.” A qualified wildfire disaster is defined as a federally declared disaster, declared after December 31, 2014, as a result of any forest or range fire. A federally declared disaster, as defined in IRC section 165(i)(5)(A), is any disaster the President of the United States determines assistance from the federal government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act is warranted. (The Federal Emergency Management Agency's website, www.fema.gov, provides the listing of federally declared disasters.) The gross income exclusion applies to qualified wildfire relief payments received during taxable years beginning after December 31, 2019, and

before January 1, 2026, but only to the extent the losses, expenses, or damages compensated by such payment are not compensated for by insurance or otherwise.

A qualified disaster includes any federally declared disaster, as defined in IRC section 165(i). A federally declared disaster is any disaster the President of the United States determines assistance from the federal government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act is warranted.

State Law

For taxable years beginning on or after January 1, 2024, and before January 1, 2029, existing state income tax law excludes from gross income any amount a qualified taxpayer receives as a California qualified wildfire loss mitigation payment. These payments are issued through the California Wildfire Mitigation Financial Assistance Program and are intended to support wildfire-mitigation activities for residential properties.

Under current law, a California qualified wildfire loss mitigation payment is any amount received through the California Wildfire Mitigation Financial Assistance Program, established under Article 16.5 of the GOV that is used to pay expenses or satisfy obligations related to wildfire loss mitigation for a residential property. A qualified taxpayer is defined as the owner of the structure for which the payment was made. Wildfire loss mitigation activities include activities that reduce wildfire risk to a residential structure or its contents or both.

This exclusion remains in effect until December 1, 2029, at which point it is repealed.

Implementation Considerations

None noted.

Technical 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.

It is recommended that the disclosure exemption language found in subparagraph (B), of paragraph (2) of subdivision (c) of this bill be relocated to Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2 of Division 2 of the RTC.

Policy Considerations

This bill would allow an exclusion for payments received for wildfire loss mitigation expenditures that may increase the basis of the property. Providing both an exclusion and allowing the expenditure amount to be added to the basis of the property would have the effect of providing a double benefit for the same item.

LEGISLATIVE HISTORY

SB 132 (Committee on Budget and Fiscal Review, Chapter 17, Statutes of 2025), under the PITL and CTL, among other provisions, provided an exclusion from gross income for amounts received from a settlement entity in connection with a wildfire in California for taxable years beginning on or after January 1, 2021, and before January 1, 2030.

SB 946 (McGuire, Chapter 987, Statutes of 2024), under the PITL and the CTL provided an exclusion from gross income for payments received from the California Wildfire Mitigation Financial Assistance Program.

PROGRAM BACKGROUND

The California Wildfire Mitigation Financial Assistance Program as part of the California Wildfire Mitigation Program was established in 2019 with the goal of both the California Governor's OES and the California Department of Forestry and Fire Protection to protect homes in high-risk wildfire areas through preventative measures.

Under the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, the Home Hardening Program is part of a statewide wildfire-mitigation grant fund run by OES. Its purpose is to finance upgrades and projects that make homes and communities more fire-resilient.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB anticipates minimal costs to implement this bill.

ECONOMIC IMPACT

Revenue Estimate

This bill would amend existing law to extend by two years the period in which a qualified taxpayer can exclude from gross income any California qualified wildfire loss mitigation payment received.

To determine the magnitude of the potential impact to the General Fund, the number of qualifying taxpayers, the amount of payments received by each taxpayer, and the amount of funding allocated to the assistance programs would need to be known. Since it is difficult to determine the number of payments and frequency of funding for these programs, the revenue impact to the General Fund is unknown.

However, it is assumed that for every \$100 million of payments received by qualified taxpayers, and applying an average tax rate of 3 percent, the estimated revenue loss would be approximately \$3 million.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Floor Analysis, dated August 31, 2026

Support

None on file.

Opposition

None on file.

ARGUMENTS

Senate Floor Analysis, dated August 31, 2026

Proponents

None on file.

Opponents

None on file.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov