



Bill Analysis

Author: Choi, et al.

Sponsor:

Bill Number: SB 269

Related Bills: See Legislative
History

Introduced February 3, 2025,
and Amended April 9, 2025

SUBJECT

Fire Safe Home Tax Credits Act

SUMMARY

This bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would provide, under the Personal Income Tax Law (PITL), a credit to a qualified taxpayer for qualified costs paid or incurred while performing qualified home hardening on a qualified property, and a credit to a qualified taxpayer for costs paid or incurred while performing 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 9, 2025, amendments removed a credit usage limitation and made various technical changes.

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

REASON FOR THE BILL

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

ANALYSIS

This bill would, under the PITL, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, establish the Act composed of 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 \$500 million per taxable year plus any unused credit amount from the preceding taxable year.

This bill would allow a credit for a qualified taxpayer who pays or incurs qualified costs while performing qualified home hardening and a credit for a qualified taxpayer who pays or incurs qualified costs of performing 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:

- \$2,500 per taxable year, if the qualified property is located in a moderate fire hazard severity zone.
- \$5,000 per taxable year, if the qualified property is located in a high fire hazard severity zone.
- \$10,000 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 \$1,000.

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.
- “Moderate fire hazard severity zone” means land classified by the State Fire Marshal pursuant to PRC section 4202 as within a moderate 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 (GOV) section 51178 that is not a state responsibility area.
- For purposes of the Qualified Home Hardening Credit “qualified costs” means any 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, 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 the Vegetation Management Credit “qualified costs” means any 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, 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.

- “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 of the California Building 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 moderate fire hazard severity zone, 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 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 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 by the qualified taxpayer 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.

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 the credit allowed by this section.

This bill would require a qualified taxpayer to obtain a tentative credit reservation 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.

The FTB would be allowed to prescribe rules, guidelines, or procedures necessary or appropriate to carry out the reservation and allocation of the credits allowed by the Act. The requirements of the Administrative Procedures Act, Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the GOV would not apply to any rule, guideline, or procedure so prescribed.

This bill would, for purposes of complying with RTC section 41, require the Legislative Analyst's Office (LAO) to prepare and provide a written report. The report would be submitted to the Senate Committee on Governance and Finance, the Assembly Committee on Revenue and Taxation, and the Assembly Committee on Local Government, and include the following:

- The number of taxpayers claiming either or both of the credits.
- The average credit amount claimed on a tax return.

The credits and provisions under this Act would remain in effect until December 1, 2031, 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, 2026, and before January 1, 2031.

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.

Under existing state law, 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. Legislation that would create an income exclusion, would not require detailed performance indicators and data collection requirement measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

FTB staff has identified the following implementation, technical, and policy considerations for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. FTB staff is available to work with the author's office to resolve these and other concerns that may be identified.

The bill uses undefined terms, e.g., "in-kind contributions" and "incentives" in the definition of "qualified costs". The absence of definitions could lead to taxpayer confusion. For clarity, the author may wish to amend the bill to define these terms.

The bill also specifies, under both credits, that individuals eligible to file a joint return may only claim one of each credit. However, the bill does not make the same limitation on two or more individuals ineligible to file a joint return that own the same property. Thus, those taxpayers that share ownership in a property but are ineligible to file a joint return may claim more than one credit on the same property. If this is contrary to the author's intent, the author may wish to amend the bill.

The bill has a Section 41 requirement for the LAO to provide a report to the Legislature. However, the bill does not have language explicitly allowing FTB to provide data to the LAO. Note that the FTB cannot provide confidential taxpayer information to another agency without express statutory authority to disclose the information.

Technical Considerations

This bill has the following language that the author may want to remove or replace:

- In Section 17052.13(a)(1) and 17052.14(a), replace, "while performing" with "for."
- Remove Section 17052.13(f)(5), "The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section." This language is unnecessary.
- In Section 17052.13(g)(3), replace, "Senate Committee on Governance and Finance" with "Senate Committee on Revenue and Taxation."

Policy Considerations

This bill defines “qualified vegetation management” to mean “any of the following activities...performed by the qualified taxpayer.” However, this is not a requirement for qualified home hardening. If this is not the author’s intent, the language could be amended to mirror the qualified home hardening language by including “performed or implemented for the primary purpose of reducing risk to structures from wildland fire.”

The bill limits the amount of credit that may be allocated by credit reservations to \$500 million dollars per taxable year plus the unused credit amount, if any, for the preceding taxable year. As this would only allow for the prior year’s unallocated amount, the author may wish to replace “preceding taxable year” with “preceding taxable years.”

LEGISLATIVE HISTORY

AB 389 (Wallis, 2025/2026), under the PITL, would provide 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 has been re-referred to the Assembly Revenue and Taxation 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 Fire Safe Home Tax Credits 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 to 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 269 Amended on April 9, 2025
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	-\$130
2026-2027	-\$110
2027-2028	-\$120

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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov