Date of Hearing: January 22, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
AB 1265 (Haney) – As Amended January 16, 2026

Policy Committee:	Housing and Community Development	Vote:	12 - 0
	Revenue and Taxation		5 - 0

Urgency: No   State Mandated Local Program: No   Reimbursable: No

SUMMARY:

This bill creates a new modified tax credit program for qualified rehabilitation expenditures for a certified historic structure, modeled after the existing state historic tax credit (HTC) allowable through the 2026 taxable year.

Specifically, this bill:

1) Provides, for taxable years beginning on or after January 1, 2027, and before January 1, 2031, a new HTC under the Personal Income Tax (PIT) Law and Corporation Tax (CT) Law equal to 20% of qualified rehabilitation expenditures for a certified historic structure. The credit amount is $0 unless a budget appropriation for the specified taxable years is provided for the new HTC program.

2) Requires the California Tax Credit Allocation Committee (CTCAC) and Office of Historic Preservation (OHP) to administer the new HTC program, modified from the existing HTC program as follows:

   a) Prohibits the maximum credit amount from exceeding $5 million per taxpayer.

   b) No longer allows a 5% credit uplift for specified priority projects.

   c) Eliminates the credit set aside for smaller projects.

3) Revises the requirement that the Legislative Analyst's Office (LAO) annually review the existing HTC program by modifying the program's goals and performance indicators and requiring the review be submitted to the Legislature. The LAO must also conduct a similar annual review for the new HTC program.

FISCAL EFFECT:

1) Cost pressures of approximately $50 million over five years to appropriate funds to allow the new HTC program to become operative (General Fund (GF)). The author plans to request a $50 million appropriation for this purpose in future budget years.

   The Franchise Tax Board (FTB) assumes that if the new HTC program is funded at $50 million, credit usage would begin in fiscal year (FY) 2027-28, as allocated credits may not be used until the structure is placed into service. FTB estimates GF revenue loss of approximately $1.1 million in fiscal year (FY) 2027-28 and $4.3 million in FY 2028-29, with GF revenue loss increasing each year thereafter.

2) Costs of an unknown amount, potentially in the low hundreds of thousands of dollars, across FTB, CTCAC, and OHP to administer the new HTC program (GF). This bill continues to allow CTCAC and OHP to charge a reasonable fee to recover program administration costs. CTCAC assumes that if the new HTC program is funded at $50 million, its administrative costs would be absorbable within the appropriation.

3) Costs of an unknown, but likely absorbable, amount to the LAO to conduct the annual review with CTCAC and OHP (GF). However, this committee sees a wide array of bills that require the LAO to measure different tax expenditures. Generally, a request to prepare an individual report would not generate significant new workload for the LAO. But, taken together, these proposals strain the ability of the LAO fulfill other existing or future legislative mandates and requests, as the LAO's budget is subject to the Legislature's constitutional spending cap.

COMMENTS:

1) **Purpose.** According to the author:

> AB 1265 extends the [HTC] for an additional five years to provide certainty for continued investment and updates the program to ensure the awarding process is more equitable. By strengthening and modernizing this incentive, the bill helps activate underused buildings, support economic growth, and ensure California's historic preservation efforts deliver broad and lasting benefits.

2) **Background.** ***Federal HTC Program.*** Existing federal law allows a federal HTC administered by the National Park Service in partnership with the OHP. Under the federal HTC program, over 42,200 projects to rehabilitate historic buildings have been undertaken since completion of the first project in 1977.

Existing State HTC Program. SB 451 (Atkins), Chapter 703, Statutes of 2019, authorized a state HTC under the PIT Law and CT Law equal to 20% of qualified rehabilitation expenditures for a certified historic structure appearing on the California Register of Historic Places. The credit amount increases to 25% if the structure meets certain criteria, such as including affordable housing. SB 451 capped the aggregate amount of allocated credits at $50 million annually, with $10 million in credits set aside for smaller projects: (a) $2 million for rehabilitation of a taxpayer's principal residence, and (b) $8 million for rehabilitation of a structure that is not a principal residence with expenditures under $1 million. SB 451 required CTCAC to coordinate with OHP to establish an application process and allocate credits on a first-come-first-served basis. OHP finalized program regulations at the end of 2024, with applications due in January 2025.

SB 451 set the credit amount at $0 unless a budget appropriation was made for the credit for the applicable taxable year. However, the Budget Act of 2021 included an allocation of $50 million for the HTC program, and CTCAC awarded the first round of credits at its April 8, 2025, meeting. Because the credits were available on a first-come-first-served basis, two projects exhausted the $40 million in funds not set aside for smaller projects. Of the funds set aside for smaller projects, nearly $9.7 million remained after the initial round of awards.

Thus, SB 132 (Committee on Budget and Fiscal Review), Chapter 17, Statutes of 2025, reallocated the unspent funds to applicants with larger projects including affordable housing.

New State HTC Program. With the existing HTC program set to end with the 2026 taxable year, this bill creates a new HTC program modified to reflect lessons learned from the existing program: (a) prohibit the maximum credit amount from exceeding $5 million per taxpayer, (b) no longer allow a 5% credit uplift for specified priority projects, and (c) eliminate the credit set aside for smaller projects. However, this bill retains the first-come-first-served credit allocation process. As noted by the Assembly Revenue and Taxation Committee's analysis of this bill:

> Critics of the first-come, first-served allocation process argue that submitting the application as soon as the portal opened should not be the dispositive factor in receiving the HTC. Instead, some have suggested that the CTCAC could create a process similar to the Low-Income Housing Tax Credit (LIHTC) program, which they also administer. The LIHTC application is extremely detailed, and the more generous credits are competitive, which is meant to incentivize developers to take actions that they otherwise would not.

This bill also retains the existing HTC program limitation that sets the credit amount at $0 unless a budget appropriation is made for the credit for the applicable taxable year. Thus, additional funding must be allocated in the state budget before a future project may receive a credit under the new HTC program.

3) **Support and Opposition.** This bill is co-sponsored by the American Institute of Architects California, which argues proposed program changes "directly support housing production, including affordable housing, by enabling reuse of existing buildings, shortening development timelines, and preserving neighborhood character." This bill is also supported by the California Preservation Foundation and local organizations.

   This bill is opposed by the California Teachers Association (CTA), which argues, "While we understand this bill is well intended, CTA does not support this approach, as it would reduce overall funding for education."

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