CONCURRENCE IN SENATE AMENDMENTS
AB 1265 (Haney)
As Amended June 25, 2026
Majority vote. Tax Levy

SUMMARY

Extends California's modified conformity to the federal Historic Tax Credit (HTC) by reauthorizing the HTC program for taxable years 2027 through 2031.

Senate Amendments

1) Revise the applicable tax years the credits shall be authorized for from 2027 through 2030 to instead be 2027 to 2031.

2) Define the following terms:

   a) "Housing unit" means one or more habitable rooms that are occupied or that are intended or designed to be occupied by one family with facilities for living, sleeping, cooking, and eating;

   b) "Northern California" means the Counties of Alameda, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Monterey, Napa, Trinity, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma;

   c) "Southern California" means the Counties of Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara, and Ventura; and,

   d) "Central California" means any county not included in Northern California or Southern California.

3) Require applicants to provide the Office of Historic Preservation (OHP) and the California Tax Credit Allocation Committee (CTCAC) specified information, including but not limited to the following:

   a) The location of the structure proposed for rehabilitation and demonstration of site control;

   b) Documentation showing the structure is listed on the California Register;

   c) A projection of the number of housing units created, preserved, or rehabilitated by the proposed rehabilitation;

   d) An enumeration of the qualified rehabilitation expenditures (QREs) associated with proposed rehabilitation;

   e) Evidence of a financing gap that necessitates the tax credit for completion of the rehabilitation project;

   f) Evidence the project shall commence no later than 180 calendar days after the award of the tax credit allocation; and,

   g) An attestation that the project has not already been completed prior to the submission of the application.

4) Specify that for purposes of allocating credits, instead of a first-come, first-served approach, applicants shall be ranked based on a scoring system that considers the QREs of each applicant and the number of new housing units developed by each applicant. The score of each applicant shall be expressed as a monetary value calculated as the sum of the following:

   a) The qualified rehabilitation costs of the applicant.

   b) The number of housing units created, preserved, or rehabilitated by the proposed rehabilitation multiplied by $600,000.

5) Direct the OHP to allocate, to the extent feasible, 40% of credits to Northern California, 40% of credits to Southern California, and 20% of credits to Central California.

6) Direct the OHP to reserve 20% of credits available for applicants with qualified rehabilitation costs of less than $2.5 million.

7) Direct the OHP to accept and evaluate applications and make allocations on specified timelines annually.

8) Provide that the aggregate amount of credits allowed shall not exceed the amount authorized by the Legislature in the annual Budget Act or another measure, plus any carryover of unallocated credits from prior years.

9) Direct the OHP, no later than June 1, 2028, and annually thereafter, to submit a report to the Legislature, stating the number of taxpayers allocated a credit in the last taxable year, and the total dollar value of credits allocated.

10) Modify the Section 41 findings and declarations by specifying that the performance indicators shall be the number of taxpayers allocated a credit and the total dollar value of credits allowed.

COMMENTS

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 the CTCAC to coordinate with the OHP to establish an application process and allocate credits on a first-come-first-served basis. The 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 the 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, including limiting the maximum credit amount to not exceed $5 million per taxpayer, eliminating the 5% credit uplift for specified priority projects, and modifying the credit set aside for smaller projects. Additionally, Senate amendments replace the first-come, first-served allocation process with a scoring system where the OHP and the CTCAC rank applicants based on their QREs and the number of new housing units developed.

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.

Arguments in Support
Writing in support of this bill, the California Preservation Foundation, a co-sponsor and part of a coalition of local historic preservation groups, notes, in part:

> California's historic buildings are powerful community assets—yet many remain vacant or underutilized because rehabilitation costs are prohibitively high. The HTC was created to change that. However, the initial launch highlighted structural barriers that limited access and prevented the program from delivering the broad statewide benefits it was designed to achieve. The amendments in AB 1265 directly address these challenges and set the program on a stronger, more equitable footing…. These improvements reflect a pragmatic, data-driven approach. The experience from the first application round—when two substantial Bay Area projects were allocated $40 million in tax credits —illustrate the urgent need for clearer caps and equitable access. AB 1265 incorporates these lessons and offers a framework that can benefit California's communities, large and small, urban and rural.

Arguments in Opposition
Writing in opposition to this bill, the California Teachers Association, notes, in part:

> According to the Department of Finance, the state provided over $91.5 billion in General Fund tax expenditures in 2024-25 (including income, sales and use, corporate and other taxes). This number continues to grow each year. This revenue would have otherwise gone to the General Fund, of which, approximately 39 percent would have gone toward Proposition 98 for K-14 education. Due to existing tax expenditures, approximately $35

billion is redirected away from schools and community colleges each year. While we understand these bills are well intended, CTA does not support this approach, as it would reduce overall funding for education. CTA believes Proposition 98 should be protected from reductions through the creation of new or expanding existing tax expenditures or cuts to tax rates.

FISCAL COMMENTS

According to the Senate Committee on Appropriations:

1) The Franchise Tax Board (FTB) estimates that this bill would result in General Fund revenue losses of $1.6 million in 2027-28 and $5.9 million in 2028-09. These estimates assume the Legislature annually authorizes credit allocations and that taxpayers may claim credits only after a rehabilitated building is placed in service. As a result, FTB projects credit usage would begin in 2028 and increase in subsequent years, resulting in correspondingly higher General Fund revenue losses. FTB's administrative costs would be minor and absorbable.

2) The OHP indicates that it would incur unknown but potentially significant General Fund costs to implement the provisions of the bill, primarily resulting from the additional workload associated with administering two rounds of applications each year. Administrative costs to the CTCAC would be minor and absorbable. This bill continues to allow the CTCAC and the OHP to charge a reasonable fee to recover program administration costs.

3) The bill would result in potentially absorbable costs to the LAO to conduct the required reviews as specified (General Fund). While preparing any single report would likely result in minor additional workload, the cumulative effect of such reporting requirements would reduce the LAO's capacity to fulfill other existing and future legislative mandates and requests, particularly because the LAO's budget is constrained by the Legislature's constitutional spending cap.

VOTES:

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0
YES: Haney, Patterson, Ávila Farías, Caloza, Gallagher, Garcia, Kalra, Lee, Quirk-Silva, Ta, Wicks, Wilson

ASM REVENUE AND TAXATION: 5-0-2
YES: Gipson, Ta, Carrillo, McKinnor, Quirk-Silva
ABS, ABST OR NV: Bains, DeMaio

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Stefani, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache, Ta, Tangipa

ASSEMBLY FLOOR: 73-0-7
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Rivas
ABS, ABST OR NV: Arambula, Flora, Muratsuchi, Papan, Celeste Rodriguez, Ta, Zbur

UPDATED

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