

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1606 (Nguyen) – As Amended April 29, 2026

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: Yes

Reimbursable: No

**SUMMARY:**

This bill allows a tax credit for “qualified cleanup expenses” directly related to a business’s one-time removal and disposal of unauthorized encampments and illegal dumping.

Specifically, this bill:

- 1) Allows, under the Personal Income Tax and Corporation Tax Laws, for taxable years beginning on or after January 1, 2027, and before January 1, 2032, a credit to a qualified taxpayer for 30% of the qualified cleanup expenses paid or incurred during the taxable year, limited to \$20,000 per taxable year.
- 2) Defines a “qualified taxpayer” as a business entity with gross revenue of \$5 million or less during the taxable year that owns or leases real property used for commercial purposes in the state impacted by unauthorized encampments, illegal dumping, or abandoned property.
- 3) Requires a qualified taxpayer to provide the Franchise Tax Board (FTB), upon request, with certain documentation of the cleanup and certify eligibility for the credit under penalty of perjury.
- 4) Authorizes the FTB to adopt emergency regulations to implement these provisions.
- 5) Declares the goals and performance indicators for the new tax expenditure and requires the FTB to annually submit a report with related credit information to the Legislature.

**FISCAL EFFECT:**

- 1) General Fund (GF) costs of approximately \$1.5 million in fiscal year (FY) 2026-27, \$3.6 million in FY 2027-28, and \$4 million in FY 2028-29.

By reducing GF revenue, this bill also likely decreases Proposition 98 GF spending by approximately 40% of the revenue loss (the exact amount depends on the operative test of the annual Proposition 98 guarantee).

- 2) Costs of an unknown amount to the FTB to administer and provide oversight of the credit, adopt emergency regulations if needed, and report credit information to the Legislature.

The Legislative Analyst’s Office recently warned of GF structural deficits of around \$35 billion per year in FY 2027-28 and ongoing.

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

Lately, I've been hearing directly from small business owners and property owners in Little Saigon, along Stockton Boulevard, and across my district who are struggling to keep up with the growing costs of cleaning up unauthorized encampments, vandalism, and illegal dumping on their properties...I introduced AB 1606 to provide real relief. A tax credit that helps them recover these expenses and continue contributing to the vibrancy and economic stability of our communities.

2) **Homelessness Funding.** In response to the growing population of people experiencing homelessness, the state has allocated funds directly to local governments to address the issue. For example, the Homeless Housing, Assistance and Prevention (HHAP) program has provided funds for temporary shelter, permanent housing, and other services, beginning with \$650 million in the Budget Act of 2019, growing to \$1 billion in the Budget Act of 2024. Most recently, the Budget Act of 2025 included \$500 million for another round of HHAP funding. This bill provides a tax credit for cleanup expenses directly related to a small business's one-time removal and disposal of unauthorized encampments and illegal dumping.3) **Support and Opposition.** This bill is supported by business groups, with the California Chamber of Commerce arguing this bill "supports businesses that take responsibility for restoring their properties after illegal dumping or unwanted encampments and would allow businesses to install preventative measures to ensure the property remains accessible and inviting to customers."

This bill is opposed by labor organizations and social justice groups, with the National Alliance to End Homelessness arguing, "The measure would inevitably draw funds away from critical services in the state budget that fund proven solutions to homelessness, and could incur costs in the tens of millions with little in the way of guardrails."

4) **Related Legislation.** AB 1435 (Nguyen) is similar to this bill, but allows a 100% credit amount capped at \$20,000 for a business of any size. AB 1435 was held on the Assembly Revenue and Taxation Committee's suspense file.

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