

Date of Hearing: May 13, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1620 (Sanchez) – As Amended April 29, 2026

Policy Committee: Revenue and Taxation

Vote: 7 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill allows a tax deduction equal to the costs paid or incurred by a taxpayer for a homeowners' insurance policy.

Specifically, this bill:

- 1) Allows, under the Personal Income Tax (PIT) Law, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, a deduction in computing income for the amount paid or incurred by a qualified taxpayer meeting certain income limits during the taxable year for a premium on a homeowners' insurance policy on the taxpayer's primary residence.
- 2) Declares the goals and performance indicators for the new tax expenditure and requires the Franchise Tax Board (FTB) to submit an annual report with related data to the Legislature.

FISCAL EFFECT:

- 1) General Fund (GF) revenue loss of approximately \$110 million in fiscal year (FY) 2026-27, \$70 million in FY 2027-28, and \$70 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) Likely absorbable costs to the FTB to administer the new deduction and report deduction 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:

California is facing an insurance crisis, as many insurers are leaving the state and insurance premiums are becoming unaffordable. Especially after the LA fires in January 2025, many new regulations

have been introduced, but none are having much impact on relieving the burden on California's homeowners and rates continue to rise.

- 2) **Homeowners' Insurance.** As climate-related risks have escalated, home insurance rates have also risen. In 2017 and 2018, California experienced two of the most destructive wildfire seasons in state history, resulting in California insurers paying a record of \$15.4 billion in losses in 2017 and \$13.6 billion in 2018. As a result, the Department of Insurance approved 71 rate increase requests from 50 different companies in 2019. This bill provides a PIT deduction for a premium payment for a homeowners' insurance policy on the taxpayer's primary residence. As noted in the Assembly Revenue and Taxation Committee's analysis of this bill:

This bill currently does not limit the deduction, meaning a taxpayer can deduct the total amount of premiums paid or incurred during the year for homeowner's insurance. As described above, itemized deductions disproportionately benefit higher income taxpayers. Given the high cost of homeownership in California, homeowners typically have access to more financial resources than renters.

- 3) **Support and Opposition.** This bill is supported by business and real estate groups, with the California Realtors Association arguing, "With fewer than 20% of Californians able to afford the median priced home at \$823,180, any increase in non-fixed homeownership costs like insurance, risks pushing those on the cusp of affordability out of their homes."

This bill is opposed by education and labor groups, with the California Teachers Association (CTA) arguing that while the policy may be 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."

- 4) **Prior Legislation.** AB 1867 (Sanchez), of the 2023-2024 Legislative Session, was similar to this bill, except AB 1867 would have applied to a taxpayer without any income limit. AB 1867 was held on the Assembly Revenue and Taxation Committee's suspense file.

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