
THIRD READING

Bill No: AB 723
Author: Pellerin (D)
Amended: 7/2/25 in Senate
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 8-3, 7/7/25
AYES: Ashby, Archuleta, Arreguín, Grayson, Menjivar, Smallwood-Cuevas,
Umberg, Weber Pierson
NOES: Choi, Niello, Strickland

SENATE JUDICIARY COMMITTEE: 11-2, 7/15/25
AYES: Umberg, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Wahab,
Weber Pierson, Wiener
NOES: Niello, Valladares

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/29/25
AYES: Caballero, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 66-2, 6/3/25 - See last page for vote

SUBJECT: Real estate: digitally altered images: disclosure

SOURCE: Author

DIGEST: This bill requires a licensed real estate broker or salesperson, or person acting on their behalf, who digitally alters an image used in promotion for the sale of real property to include a conspicuously located disclosure that the image has been altered. This bill also requires an unaltered version of the image or a link to the original image to be included in the posting.

ANALYSIS:

Existing law:

- 1) Establishes the Department of Real Estate (DRE) to administer the Real Estate Law. (Business and Professions Code (BPC) § 10000 et seq.)
- 2) Defines “real estate broker” as a person licensed pursuant to BPC section 10130 et seq. (BPC § 10015)
- 3) Defines “real estate salesperson” as a natural person licensed as a salesperson and who, for compensation or in expectation of compensation, is retained by a real estate broker to conduct licensed real estate activities. (BPC § 10016)
- 4) Defines “responsible broker” as the real estate broker responsible for exercise of control and supervision of real estate salespersons, as specified. (BPC § 10015.1)
- 5) Provides that for any real property offered for sale or lease, any advertisement concerning any land or subdivision containing a written statement that is false or fraudulent, is a public offense punishable by a fine not exceeding \$1,000, or by imprisonment in a county jail not exceeding one year. (BPC § 10140)
- 6) Authorizes the Real Estate Commissioner to investigate the actions of any person engaged in the business or acting in the capacity of a real estate licensee and suspend or revoke a license at any time for specified acts that include:
 - a) Making any substantial misrepresentation.
 - b) Making any false promises of a character likely to influence, persuade, or induce.
 - c) Continued and flagrant course of misrepresentation or making of false promises through licensees.
 - d) Any other conduct, whether of the same or of a different character than specified in this section, which constitutes fraud or dishonest dealing.
 - e) Violating any section, division, or article of law which provides that a violation of that section, division, or article of law by a licensed person is a violation of that person’s licensing law, if it occurs within the scope of that person’s duties as a licensee. (BPC § 10176(a), (b), (c), (i), and (m))

- 7) Defines “artificial intelligence” as an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments. (Government Code § 11547.64(a))

This bill:

- 1) Requires a real estate broker or salesperson, or a person acting on their behalf, who includes a digitally altered image in an advertisement to include a reasonably conspicuous disclosure that the image has been altered.
- 2) Requires the real estate broker or salesperson, or a person acting on their behalf, when posting to a website over which they have control, to include an unaltered version of the picture or a link to the original image.
- 3) Defines “digitally altered image” as a still-photo image, created by or at the behest of the real estate broker or salesperson, or person acting on their behalf, that has been altered through the use of photo editing software or artificial intelligence to add, remove, or change elements of the real property in the image, including, but not limited to, furniture, appliances, flooring, and walls.
- 4) Specifies that editing techniques such as adjusting lighting, sharpening, white balance, color correction, angle, straightening, cropping, exposure, or other common photo editing adjustments that do not change the condition of the real property are excluded from the alterations that require compliance with the provisions of this bill.

Background

The Real Estate Law establishes as causes for discipline when any person acting as a real estate broker or salesperson makes false or misleading statements in advertising. For example, it is a violation to knowingly authorize, direct or aid in the publication, advertisement, distribution or circularization of any false statement or representation concerning any land or subdivision (BPC § 10140). There are many other specific instances where false or misleading advertising is prohibited by the Real Estate Law, however, none specifically address the content of images used in an advertisement for the sale of real property.

Real estate salespeople and property owners have been staging sale properties for decades. Furniture and décor are temporarily moved into an empty property and arranged in visually pleasing ways to give buyers an idea of the home’s potential.

If the sellers are still living in the property, a home staging service can suggest ways for the owner to declutter and depersonalize the space in preparation for photos and open houses or even swap out some of the owner's belongings with more current décor and furniture. According to Redfin.com, traditional staging can average \$500 to \$600 per room, depending on several factors, which are typically included in the listing package, but property owners often pay for home staging.

Alternatively, digital staging is a useful and economical way to portray a real estate listing in its best light. Digital staging can insert or change elements of a real property including furniture, décor, wall color, and bathroom or kitchen elements to highlight the home's possibilities. It can also remove elements from images including out-of-date furniture and décor, as well as personal belongings. Virtual staging can become misleading when it is used to substantially alter the condition of the property by improving unappealing views from windows that cannot be changed, removing unsightly features, repairing damage, updating floors and cabinetry, adding non-existent landscaping, and other alterations to the image.

As editing tools and artificial intelligence improve and become more user friendly and widely used, the difference between an altered image can be difficult, if not impossible, to distinguish from an unedited image. Best Practices as Described by Industry. Article 12 of the National Association of Realtors' (Association) Code of Ethics and Standard of Practice, Effective June 5, 2025, states, "REALTORS® shall be honest and truthful in their real estate communications and shall present a true picture in their advertising, marketing, and other representations. REALTORS® shall ensure that their status as real estate professionals is readily apparent in their advertising, marketing, and other representations..."

To accomplish honest and truthful communications, Association members' duties to the public are described in Standards of Practice. Standard of Practice 12-8 states, "The obligation to present a true picture in representations to the public includes information presented, provided, or displayed on REALTORS®' websites." Further, Standard of Practice 12-10 states, "REALTORS®' obligation to present a true picture in their advertising and representations to the public includes Internet content, images, and the URLs and domain names they use, and prohibits REALTORS® from...misleading consumers, including use of misleading images."

Similarly, the California Association of Realtors (CAR) reminds their members in a CAR Legal Tool presentation posted to their website, "Staging," that an advantage to virtual staging is that a buyer cannot ask for items in the picture to be

part of the sale. Additionally, the document offers virtual staging cautions, stating, “The property itself should never be altered in a way that could mislead the buyer. If there is an alteration, a clear and explicit warning must be included. Ex: “Here is what the yard could look like with all brush and debris removed.”

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee, DRE notes one-time costs to promulgate regulations, update training materials, and provide guidance to its licensees on what constitutes a digitally altered image, and ongoing increased administrative and enforcement costs to address complaints. DRE estimates costs to address this additional workload to be \$297,000 in the first year, \$285,000 in the second year, and \$247,000 ongoing (Real Estate Fund).

SUPPORT: (Verified 8/29/25)

None received

OPPOSITION: (Verified 8/29/25)

California Association of Realtors

ARGUMENTS IN OPPOSITION: The California Association of Realtors opposed this bill unless amended, writing, “The bill’s mandate that licensees display original, unedited images alongside altered ones is particularly problematic. Even routine, good-faith edits—such as decluttering, adding minimal décor or correcting lens distortion—would trigger disclosure, creating unnecessary risk of discipline for standard industry practices that do not mislead consumers.”

ASSEMBLY FLOOR: 66-2, 6/3/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Fong, Gabriel, Garcia, Gipson, Mark González, Haney, Harabedian, Hart, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Rivas

NOES: Ellis, Hoover

NO VOTE RECORDED: Bains, Castillo, Chen, Flora, Gallagher, Jeff Gonzalez, Hadwick, Lackey, Ramos, Ta, Zbur

Prepared by: Yeaphana La Marr / B., P. & E.D. /
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