

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Peace Analyst: LuAnna Hass Bill Number: SB 14

Related Bills: See Legislative History Telephone: 845-7478 Amended Date: January 31, 2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Homeowners and Renters Assistance Appropriation

SUMMARY

This bill would appropriate an additional \$40 million for the Homeowners and Renters Assistance (HRA) program.

This bill also would appropriate funds for various contingencies and emergencies. These proposed appropriations do not affect the department and are not discussed in this analysis.

SUMMARY OF AMENDMENT

The January 31, 2001, amendment added the language discussed in this analysis.

The department did not analyze this bill in its prior version.

PURPOSE OF THE BILL

The intent of this bill is to acquire additional funds to pay incoming HRA claims.

EFFECTIVE/OPERATIVE DATE

As an urgency statute, this bill would be effective immediately.

POSITION

Pending.

ANALYSIS

STATE LAW

Existing state law authorizes the Franchise Tax Board (FTB) to administer and enforce the personal income tax and the corporation franchise and income tax laws. State law also authorizes FTB to administer several non-tax programs, one of which is the HRA program.

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA _____ X PENDING

Department Director

Date

Gerald H. Goldberg

02/14/01

For HRA claimants, existing state law provides partial reimbursement of the previous fiscal year's property taxes on a personal residence paid directly by a homeowner and indirectly by a renter. Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. A renter is deemed to have paid \$250 in property tax each year. The percentage on which the reimbursement amount is based varies inversely with the applicant's income level and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount (\$33,993 for calendar year 2000). Total household income consists of adjusted gross income (as computed for tax purposes) increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed \$61,806. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from July 1st through October 15th, inclusive. However, FTB may accept claims through June 30th of the year following the year for which assistance is claimed.

SB 1664 (Stats. 2000, Ch. 60) provided a one-time increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals for the 2000 calendar year. This increase raised the maximum homeowners assistance from \$326.40 to \$816 and the maximum renters assistance credit from \$240 to \$600.

THIS BILL

This bill would appropriate an additional \$40 million for the HRA program.

IMPLEMENTATION CONSIDERATIONS

The original estimates of the funds needed to pay the one-time 150% payment increase were insufficient to pay the unexpected increase in claims that have been filed. Implementing this bill would provide the department the additional funds needed to pay HRA claims.

LEGISLATIVE HISTORY

SB 1664 (Karnette, Stats. 2000, Ch. 60) provided a one-time 150% increase for claims filed in the 2000 taxable year and changed the filing dates to submit claims. AB 1636 (Mazzoni, Stats. 1999, Ch. 928) provided that the term "residential dwelling" be expanded to include houseboats and floating homes. SB 1464 (Brulte, 1997/98) proposed increasing the income limits for the homeowners and renters assistance program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in the 1998 Budget Bill, AB 2797 (Machado, Stats. 1998, Ch. 322).

PROGRAM BACKGROUND

The program currently referred to as HRA began in 1968, initially providing relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters. The amount of assistance paid to a renter is based on an amount deemed to be the amount of property tax indirectly paid the renter. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

LEGISLATIVE STAFF CONTACT

LuAnna Hass
Franchise Tax Board
845-7478

Brian Putler
Franchise Tax Board
845-6333