

# ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: McClintock Analyst: Darrine Distefano Bill Number: SB 48  
Related Bills: See Legislative History Telephone: 845-6458 Introduced Date: 12-13-2000  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Renter's Credit/Increases Credit to \$266 & Deletes Adjusted Gross Income Limitation

## SUMMARY

This bill would change the renters' credit beginning in 2001 by raising the amount of the credit from \$60 for an individual (\$120 for married filing joint) to \$266. This bill also would, delete the cap, so that all taxpayers regardless of income can claim the credit.

This analysis will not address the bill's provisions regarding the property tax exemption as it does not impact the department's programs or operations.

## EFFECTIVE DATE

As a tax levy, this bill is effective upon enactment and operative for taxable years beginning on or after January 1, 2001.

## LEGISLATIVE HISTORY

AB 760 (Stats. 1993, Ch. 62), AB 2389 (Stats. 1994, Ch. 144), SB 1794 (Stats. 1996, Ch. 192), and AB 1592 (Stats. 1997, Ch. 292) all suspended the Renter's Credit; AB 2797 (Stats. 1998, Ch. 322) reinstated the Renter's Credit as nonrefundable beginning January 1, 1998; SB 94 (Stats. 1999, Ch. 931) deleted an obsolete provision within the Renter's Credit.

## SPECIFIC FINDINGS

**Current state law** allows qualifying renters a nonrefundable credit of \$60 for taxpayers using the filing status of single or married filing separate and \$120 for married filing joint, head of household and surviving spouses. The amount of the credit is not related to the amount of rent paid. The credit is limited by adjusted gross income (AGI), so that taxpayers using the filing status of single or married filing separate with income over \$26,599 or married filing joint, heads of household and surviving spouses with income over \$53,198 cannot claim the credit.

The refundable renter's credit was suspended for the 1993 through 1997 tax years, but was reinstated as a nonrefundable credit effective January 1, 1998, for 1998 and later taxable years.

Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
\_\_\_\_\_ N      \_\_\_\_\_ OUA      \_\_\_\_\_ X PENDING

Department Director

Date

Gerald H. Goldberg

02/13/01

**Current state law** defines a "qualified renter" as an individual who: (1) is a California resident and (2) rented and occupied California premises constituting his or her principal place of residence for at least 50% of the taxable year. The term "qualified renter" **does not** include an individual:

- (1) who for more than 50% of the taxable year rented and occupied premises that were exempt from property taxes (subject to certain exceptions);
- (2) whose principal place of residence for more than 50% of the taxable year is with any other person who claimed that individual as a dependent for income tax purposes; or
- (3) who has been granted or whose spouse has been allowed the homeowners' property tax exemption during the taxable year, as specified.

**Under current state tax law** a "resident" is statutorily defined as: (1) every individual who is in this state for other than a temporary or transitory purpose and (2) every individual domiciled in this state who is outside the state for a temporary or transitory purpose.

Under **current state law**, any qualified renter who is a nonresident for a portion of the taxable year is allowed 1/12 of the renter's credit for each full month that the individual resided in the state for the taxable year.

**This bill** would increase the amount of renter's credit to \$266 for calendar year 2001, regardless of filing status. It would delete the cap for all filing statuses. Beginning in 2002, FTB would be required annually to index the revised \$266 credit amount for inflation.

#### Implementation Considerations

Implementation of this bill would occur during the department's normal annual system update.

#### Technical Considerations

The attached amendment would clarify a cross-reference within the bill.

### FISCAL IMPACT

#### Departmental Costs

This bill is not expected to impact the department's costs.

#### Tax Revenue Estimate

This bill is estimated to result in revenue losses under the Personal Income Tax Law as shown in the following table:

Fiscal Year Cash Flow Enactment Assumed After June 30, 2001 \$ Millions			
	2001-02	2002-03	2003-04
Renter's Credit	-\$618	-\$609	-\$630

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

#### Tax Revenue Discussion

The revenue impact for this provision will be determined by new and additional credit claims due to the increased credit amount and removal of the AGI cap that can be applied against available tax liabilities.

This estimate was developed based on departmental data and prior estimates for changing the renter's credit and adjusted by recent Consumer Price Index projections from the Department of Finance. This estimate takes into account current law credits claimed.

#### OTHER STATE

In addition to California, only Connecticut, Maryland, Minnesota, and Utah have a renter's credit. Connecticut allows a partial refund of utilities and rent paid for taxpayers 65 years or older or for taxpayers under 65 who are permanently disabled. The three other states have a maximum amount of credit that may be claimed depending on the total household income.

#### BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SB 48  
As Introduced December 13, 2000

AMENDMENT 1

On page 6, line 11, after "paragraph (2)" insert:  
of this subdivision