REVISED ANALYSIS

Franchise Tax Board

Author:	Smyth	Analyst:	Angela Raygoza	Bill Number:	AB 351
Related Bills:	See Legislative History	Telephone:	845-7814	Original Analysis Date:	February 14, 2007
		Attorney:	Doug Powers	Sponsor:	

SUBJECT: Renters' Credit & Homeowners' Property Tax Exemption/Increase Amounts For Seniors Beginning On Or After January 1, 2008

X REVENUE ESTIMATE CHANGED.

_____ FURTHER CONCERNS IDENTIFIED.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 14, 2007, STILL APPLIES.

_____ OTHER – See comments below.

SUMMARY OF BILL

For individuals 62 years or older, this bill would increase the amounts for both the homeowners' property tax exemption and the renters' credit.

SUMMARY OF REVISION

The revenue estimate contained in the department's analysis of the bill as introduced February 14, 2007, has been revised due to a change in the marginal tax rate that was used. The remainder of the department's analysis remains the same.

POSITION

Pending.

Board Position:			Legislative Director	Date
_____ S	_____ NA	_____ NP		
_____ SA	_____ O	_____ NAR	Brian Putler	3/20/07
_____ N	_____ OUA	X PENDING		

ECONOMIC IMPACT

Original Revenue Estimate

Estimated Revenue Impact of AB 351 Effective with the Lien Date for the 2008-09 Fiscal Year Enactment Assumed After June 30, 2007 ($ in Millions)				
	2007-08	2008-09	2009-10	2010-11
Homeowners	$0	+$8	+$13	+$13
Renters	No impact	-$0.9	-$0.9	-$0.9
Total	$0	+$7	+$12	+$12

Revised Revenue Estimate

The revised figures in the table below are emphasized in bold font for ease of reading. The revision is necessary to use the correct marginal tax rate, which is 4% rather than 7%, for taxpayer's aged 62 and over.

REVISED Estimated Revenue Impact of AB 351 Effective with the Lien Date for the 2008-09 Fiscal Year Enactment Assumed After June 30, 2007 ($ in Millions)				
	2007-08	2008-09	2009-10	2010-11
Homeowners	$0	**+$4**	**+$8**	**+$7**
Renters	No impact	-$0.9	-$0.9	-$0.9
Total	$0	**+$3**	**+$7**	**+$6**

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

Revenue Discussion

Renters' Credit – The revenue impact for this bill was calculated using the department's personal income tax model. The impact of this provision would be determined by additional credit claims due to the increased credit amount. It is projected that for the 2007 tax year there will be 39,000 renters claiming the increased amount of renters' credit. The difference in renter's credit as provided under current law and as proposed by this bill is $15 for Single and $31 for Married Filing Joint.

Homeowners' Exemption – The income tax impact of this provision would result from smaller property tax deductions reported by taxpayers who itemize on their personal income tax returns. This analysis assumes that the first due date after enactment of the bill would be November, 2008.

Based on current tax return data, it is estimated that 821,000 senior taxpayers aged 62 and older, filing taxable returns will itemize their home property taxes for the 2008 tax year. The Board of Equalization estimates the average property tax rate as 1.098%. Applying this tax rate to the increased exemption amount of $20,000 that this bill would provide would generate an additional property tax savings of $220 for each taxpayer aged 62 or older ($20,000 x 1.098% = $220). The decrease in itemized deductions for homeowners would be approximately $180 million (821,000 taxpayers claiming the exemption x $220). After applying a marginal tax rate of 4%, the total income tax increase of this provision would be approximately $7 million ($180 million x 4%).

The revenue estimates presented above were calculated by decreasing property tax deductions by $220 per taxpayer in the department's personal income tax model. The fiscal year estimates are based on the assumption that 55% of 2008/09 property tax payments will be made in 2008, reducing the impact to $4 million.

Angela Raygoza
Franchise Tax Board
(916) 845-7814
angela.raygoza@ftb.ca.gov

Brian Putler
Franchise Tax Board
(916) 845-6333
brian.putler@ftb.ca.gov