

SUMMARY ANALYSIS OF AMENDED BILL

Author: Cannella & Lackey Analyst: Funmi Obatolu Bill Number: SB 1103
Related Bills: See Prior Telephone: 845-5845 Amended Date April 27, 2016
Analysis Attorney: Bruce Langston Sponsor: _____

SUBJECT: Renter’s Credit/Increase Credit/Franchise Tax Board Annually Adjust Adjusted Gross Income for Inflation

SUMMARY

This bill would modify the Renter’s Credit under the Personal Income Tax Law.

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The April 27, 2016 amendments added a coauthor and modified the operative date and credit provisions. Except for “The Effective/Operative Date”, “This Bill,” and “Economic Impact,” sections, the remainder of the department’s analysis of the bill as introduced on February 17, 2016, still applies. The “Fiscal Impact” section have been restated for convenience.

REASON FOR THE BILL

The reason for this bill is to increase the renter's credit in response to inflation and expand the benefit of the tax credit to more California renters.

EFFECTIVE/OPERATIVE DATE

As a tax levy, this bill would be effective immediately upon enactment and specifically operative for taxable years beginning on or after January 1, 2016.

THIS BILL

For taxable years beginning on or after January 1, 2016, this bill would increase the renter's credit as follows:

- From \$120 to \$200 for married taxpayers filling jointly, heads of household, and surviving spouses with an Annual Gross Income (AGI) of \$50,000¹ or less; and

¹ The \$50,000 is the 1998 amounts that is indexed annually. The indexed amount for 2015 was \$76, 518. The amounts for 2016 will be announced in August.

- From \$60 to \$100 for other individuals (taxpayers filing single or married filing separately) with an AGI of \$25,000² or less.

FISCAL IMPACT

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

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1103 As Amended April 27, 2016 Assumed Enactment After June 30, 2016 (\$ in Millions)		
2016-17	2017-18	2018-19
-\$60	-\$60	-\$65

Revenue Discussion

Using department renter's credit data, the amount of credit taxpayers currently claim was recalculated using the proposed credit amounts, and then this amount was adjusted to reflect changes in the economy over time, resulting in an estimated \$60 million revenue loss in 2016. The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the estimates shown in the above table. The bill would continue to annually index the AGI limits based upon the California's Consumer Price Index provided by the Department of Industrial Relations.

LEGISLATIVE STAFF CONTACT

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² The \$25,000 is the 1998 amount that is indexed annually. The indexed amount for 2015 was \$38,259. The amounts for 2016 will be announced in August.