

CALIFORNIA FRANCHISE TAX BOARD

Legal Ruling No. 380

January 13, 1975

RENTER CREDIT: TAXABILITY OF REFUND

Syllabus:

Effective with taxable years beginning after December 31, 1972, Section 17053.5 of the Revenue and Taxation Code grants to qualified renters a credit against personal income taxes otherwise payable and a refund in the amount of the renter credit not applied as an offset against the taxes. A qualified renter is eligible to receive the minimum refund amount regardless of the amount of adjusted gross income reported.

A refund pursuant to Section 17053.5 is an integral part of the renter credit rather than a distinct benefit apart from the credit. As demonstrated by the treatment afforded other California income tax credit amounts, the exclusion of the renter credit refund from gross income is implicit in the tax credit concept.

Construing the renter credit refund as a form of the renter credit is consistent with the long-standing judicial practice of construing relief or remedial tax provisions, such as Section 17053.5, in favor of the intended beneficiaries. Such a construction is also in line with the various rulings by the Internal Revenue Service that disbursements by a public agency in the interest of the general welfare, which are not for services rendered, are not includible in gross income.

Therefore, the amount of the renter credit refunded to the taxpayer is excludible from gross income for purposes of the California Personal Income Tax Law.