Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author:	Lackey, et al.	Analyst:	Funmi Obatolu	Bill Number:	AB 2694
Related Bills:	See Legislative History	Telephone:	845-5845	Amended Date	May 12, 2016
		Attorney:	Bruce Langston	Sponsor:	

SUBJECT: Renter's Credit/Increase Credit

SUMMARY

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

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The May 12, 2016, amendments modified the amount of the credit, removed the Annual Gross Income (AGI) thresholds, added a sunset date, and created an implementation concern. Except for the "Effective/Operative Date," "This Bill," "Implementation Concerns," and "Economic Impact," sections, the remainder of the department's analysis of the bill as amended on April 6, 2016, still applies. The "Fiscal Impact" section has been restated for convenience and the "Support/Opposition" section has been updated to reflect current information.

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, and before January 1, 2020.

THIS BILL

For taxable years beginning on or after January 1, 2016, and before January 1, 2020, this bill would:

- Increase the amount of the Renter's Credit from $120 to $140 for married couples filing jointly, head of household, or qualified widow or widower, and from $60 to $70 for individual taxpayers filing single or married filing separately.
- Eliminate the AGI limitations.

Current state law's credit provisions would be reinstated for taxable years beginning on or after January 1, 2020.

IMPLEMENTATION CONSIDERATIONS

This bill would temporarily eliminate the AGI thresholds for 2016-2019, but reinstate the AGI thresholds in 2020. It is unclear whether the indexed AGI amounts for 2020 would take into account Consumer Price Index increases for tax years 2016-2019. It is recommended that the bill be amended to clarify how the indexed AGI amounts for 2020 would be computed.

FISCAL IMPACT

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

ECONOMIC IMPACT

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 2694 As Amended May 12, 2016 Assumed Enactment After June 30, 2016 ($ in Millions)		
2016-17	2017-18	2018-19
- $190.0	- $200.0	- $210.0

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill.

Revenue Discussion

Using department Renter's Credit data, the amount of credit for taxpayers currently claiming the credit was recalculated using the proposed credit amounts, and then reduced by the amount currently claimed. Next, the amount available to taxpayers in the temporarily eliminated AGI ranges was calculated. The amount of credit each taxpayer could use would be limited by their current tax liability. As a result, the revenue loss from the increase in the available Renter's Credit and the temporary elimination of the AGI limitations is estimated to be $175 million for 2013 ($15 million in additional credit claimed by taxpayers who currently claim the renter's credit and $160 million claimed by taxpayers in the temporarily eliminated AGI ranges). The estimate was then adjusted to reflect changes in the economy over time, resulting in an estimated $190 million revenue loss in 2016. The tax year estimates are converted to fiscal year estimates, and rounded to arrive at the estimates shown in the above table.

SUPPORT/OPPOSITION[1]

Support: California Apartment Association; California Rural Legal Assistance Foundation; Center on Law and Poverty.

Opposition: California Tax Reform Association.

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[1] As stated in the Assembly Revenue and Tax Committee's analysis dated May 5, 2016.