

Author: Lackey, et al. Analyst: Funmi Obatolu Bill Number: AB 181  
Related Bills: See Prior Telephone: 845-5845 Amended Date April 24, 2017  
Analysis Attorney: Bruce Langston Sponsor: \_\_\_\_\_

**SUBJECT:** Renter's Credit/Increase Credit/FTB 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 24, 2017, amendments recast the provision that would increase the renter's credit under specified conditions as discussed below. As a result, the amendments resolved the technical consideration discussed in the department's analysis of the bill as introduced January 18, 2017, and created additional technical and implementation considerations.

As a result of the amendments, the "Effective/Operative Date," "This Bill," "Implementation Considerations," "Technical Considerations," and "Economic Impact" sections have been revised. The remainder of the department's analysis of the bill as introduced on January 18, 2017, still applies. The "Fiscal Impact" section has been restated for convenience. 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, 2017. The increase to the credit would be specifically operative for taxable years beginning on or after January 1, 2017, and before January 1, 2022 contingent on a specific appropriation of funds to the Franchise Tax Board (FTB) for its costs to administer the increased credit.

## **THIS BILL**

For taxable years beginning on or after January 1, 2017, and before January 1, 2022, this bill would increase the amount of Renter's Credit as follows:

- From \$120 to \$240 for spouses filing jointly, head of household, or qualified widow or widower with an AGI of \$100,000 or less; and
- From \$60 to \$120 for taxpayers filing single or married filing separately with an adjusted gross income (AGI) of \$50,000 or less.

The increased Renter's Credit amount would be allowed only if any budget measure specifically appropriated funds to the FTB for its costs to administer the increased credit.

The FTB would be required to annually adjust the modified Renter's Credit AGI limitation amounts by the change in the Consumer Price Index (CPI) for each next following taxable year. In addition, the AGI limitation amounts for married couples filing joint returns, heads of household, and surviving spouses would be twice the AGI limitation amount for other individuals.

For taxable years in which the increased AGI limitation is inoperative, the FTB would be required to adjust the original AGI limitation amounts as if they had been applied for each preceding taxable year and the increased AGI limitation had never been operative.

### **IMPLEMENTATION CONSIDERATIONS**

Department staff has identified the following implementation consideration for purposes of a high-level discussion; additional concerns may be identified as the bill moves through the legislative process. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

It is unclear whether the current AGI limitation would be adjusted annually even when the increased AGI limitation is inoperative.

### **TECHNICAL CONSIDERATIONS**

For clarity, the phrase "any budget measure" should be replaced with the phrase "the annual Budget Act".

Subdivision (a)(1)(B) should be amended where the date "January 1, 2022" appears as it should be "January 1, 2022," for accuracy.

Subdivision (j)(3)(C) needs to be amended by striking out "(d)" and inserting "(a)" for correct referencing.

### **FISCAL IMPACT**

The department's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified and an appropriation will be requested, if necessary.

### **ECONOMIC IMPACT**

#### **Revenue Estimate**

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 181* As Amended April 24, 2017 Assumed Enactment After June 30, 2017 (\$ in Millions)		
2017-18	2018-19	2019-20
- \$210	- \$220	- \$230

\*Estimates assumes a specific appropriation of funds to the FTB would be enacted in 2017 for its costs to administer the increased credit.

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 expanded AGI ranges was calculated. In the expanded AGI ranges, the estimate assumes that the share of returns filed claiming the Renter's Credit would be similar to those currently claiming the credit. The amount of additional 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 is estimated to be \$190 million in 2014. The estimate was then adjusted to reflect changes in the economy over time, resulting in an estimated \$210 million revenue loss in 2017.

The tax year estimates are converted to fiscal year estimates, and then rounded to arrive at the amounts shown in the above table.

### **SUPPORT/OPPOSITION<sup>1</sup>:**

Support: California Apartment Association, California Rural Legal Assistance Foundation, City of East Palo Alto, LeadingAge California, League of California Cities, San Diego County Apartment Association, Western Center on Law and Poverty.

Opposition: None provided.

### **LEGISLATIVE STAFF CONTACT**

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<sup>1</sup> Assembly Committee on Revenue and Taxation Analysis dated April 14, 2017.