



## Summary Analysis of Amended Bill

Author: Glazer, et al.

Sponsor:

Bill Number: SB 1182

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Amended: April 10, 2018

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Related Bills: See Prior Analysis

**Subject:** Renter's Credit/Increase Credit Beginning On or After January 1, 2018

### Summary

This bill would, contingent upon an appropriation, increase the amount of the Renter's Credit under the Personal Income Tax Law.

**Recommendation – No position.**

### Summary of Amendments

The April 10, 2018, amendments added a coauthor, modified eligibility for the increased Renter's Credit by adding the defined term "qualified renter," and modified the appropriation language. The amendments resolved two of the implementation considerations discussed in the department's analysis of the bill as introduced February 14, 2018, and three additional implementation considerations were identified.

The "Effective/Operative Date," "This Bill," "Implementation Considerations," and "Economic Impact" sections have been revised. The remainder of the department's analysis of the bill as introduced on February 14, 2018, still applies. The "Fiscal Impact" and "Support/Opposition" sections are restated for convenience.

### 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, 2018, contingent upon the appropriation of moneys.

### This Bill

For taxable years beginning on or after January 1, 2018, this bill would, contingent upon appropriation by the Legislature, increase the Renter's Credit that would otherwise be allowed to a qualified renter:

- From \$120 to \$240 for spouses filing joint returns, heads of household, and surviving spouses; and
- From \$60 to \$120 for other individual taxpayers.

## Implementation Considerations

The department has identified the following implementation concerns. Department staff is available to work with the author's office to resolve these and other concerns that may be identified.

It is unclear for which tax year the increased Renter's Credit would apply following an appropriation that would be included in the state budget. The budget is generally signed in June and is prepared on a fiscal year (July 1 – June 30) basis. For clarity and ease of administration, it is recommended that the bill be amended to specify that the increased Renter's Credit would apply to the taxable year that begins on or after January 1 of the taxable year following the annual Budget bill.

It is unclear if the increased Renter's Credit continues to be adjusted for inflation if it is not authorized in one or more annual Budget Acts. The author may wish to amend the bill clarify that the increased Renter's Credit must be recomputed for each taxable year after January 1, 2019, using the computation under section (j).

If this bill is enacted in late September or October of 2018, the department would have developed the forms and instructions for the 2018 taxable year. Thus, the department may incur additional costs to develop alternative forms and instructions in the short timeframe necessary to ensure they are available for taxpayers to comply with the reporting requirement.

It is unclear if the increased Renter's Credit as provided in this bill would be in addition to or in lieu of the existing Renter's Credit. For clarity, it is recommended to amend the bill.

## Fiscal Impact

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

## Economic Impact

### Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 1182 as Amended April 10, 2018  
For Taxable Years Beginning On or After January 1, 2018  
Assumed Enactment after June 30, 2018

(\$ in Millions)

| Fiscal Year | Revenue* |
|-------------|----------|
| 2018-2019   | - \$100  |
| 2019-2020   | - \$100  |
| 2020-2021   | - \$100  |

\* Estimate assumes a specific appropriation of funds would be enacted in 2018 for the increased credit.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

#### Revenue Discussion

Based on department Renter's Credit data and the Franchise Tax Board's Personal Income Tax micro-simulation model, the amount of the Renter's Credit for taxpayers currently claiming the credit was recalculated using the proposed credit amounts, and then reduced by the amount currently claimed. 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 \$94 million in 2015. The estimate is then adjusted to reflect changes in the economy over time, resulting in an estimated revenue loss of \$100 million in taxable year 2018.

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

#### Support/Opposition

Support: None provided.

Opposition: None provided.

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