



Summary Analysis of Amended Bill

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Sponsor:

Bill Number: SB 1182

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Amended: April 26, 2018, and
May 1, 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 increase the amount of the Renter's Credit under the Personal Income Tax Law, and allow for the Governor to suspend the increase.

Recommendation – No position.

Summary of Amendments

The April 26, 2018, and May 1, 2018, amendments modified the allowable Renter's Credit amount, added provisions that would allow the increased credit to be suspended, removed the contingent appropriation language, and made technical corrections. The amendments resolved all the implementation considerations discussed in the department's analysis of the bill as amended April 10, 2018, and raised several new implementation and technical considerations.

As a result of the April 26, 2018, amendments, 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 amended April 10, 2018, still applies. The "Fiscal Impact" section is restated for convenience.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and operative for taxable years beginning on or after January 1, 2018.

This Bill

This bill would, for taxable years beginning on or after January 1, 2018, increase the allowable Renter's Credit as described below and, in the case of an economic emergency in the state, allow the Governor to suspend the increase by proclamation filed with the Secretary of State until the end of the economic emergency.

For qualified renters with no dependents, the Renter's Credit would be, unless suspended by Governor's Proclamation, increased as follows:

- For spouses filing joint returns, heads of household, and surviving spouses with adjusted gross income of \$50,000 or less, as adjusted for inflation would be increased:
 - For taxable years beginning on or after January 1, 2018, but before January 1, 2019, from \$120 to \$137.20.
 - For taxable years beginning on or after January 1, 2019, but before January 1, 2020, from \$137.20 to \$157.14.
 - For taxable years beginning on or after January 1, 2020, but before January 1, 2021, from \$157.14 to \$177.19.
 - For taxable years beginning on or after January 1, 2021, but before January 1, 2022, from \$177.49 to \$198.24.
 - For taxable years beginning on or after January 1, 2022, but before January 1, 2023, from \$198.24 to \$219.40.
 - For taxable years beginning on or after January 1, 2023, the credit amount would be indexed for inflation and rounded to the nearest dollar.
- For other individual taxpayers with adjusted gross income of \$25,000 or less, as adjusted for inflation, the amount of the credit would be increased:
 - For taxable years beginning on or after January 1, 2018, but before January 1, 2019, from \$60 to \$89.20.
 - For taxable years beginning on or after January 1, 2019, but before January 1, 2020, from \$89.20 to \$120.18.
 - For taxable years beginning on or after January 1, 2020, but before January 1, 2021, from \$120.18 to \$151.79.
 - For taxable years beginning on or after January 1, 2021, but before January 1, 2022, from \$151.79 to \$184.02.
 - For taxable years beginning on or after January 1, 2022, but before January 1, 2023, from \$184.02 to \$216.90.
 - For taxable years beginning on or after January 1, 2023, the credit amount would be indexed for inflation and rounded to the nearest dollar.

For qualified renters with dependents, the Renter's Credit would be, unless suspended by Governor's Proclamation, increased as follows:

- For spouses filing joint returns, heads of household, and surviving spouses with adjusted gross income of \$50,000 or less, as adjusted for inflation, and other individual taxpayers, with adjusted gross income of \$25,000 or less, as adjusted for inflation the amount of the credit would be increased:
 - For taxable years beginning on or after January 1, 2018, but before January 1, 2019, the Renter's Credit amount is \$178.40.
 - For taxable years beginning on or after January 1, 2019, but before January 1, 2020, the Renter's Credit amount is \$240.37.
 - For taxable years beginning on or after January 1, 2020, but before January 1, 2021, the Renter's Credit amount is \$303.58.

- For taxable years beginning on or after January 1, 2021, but before January 1, 2022, the Renter's Credit amount is \$368.05.
- For taxable years beginning on or after January 1, 2022, but before January 1, 2023, the Renter's Credit amount is \$433.81.
- For taxable years beginning on or after January 1, 2023, the credit amount would be indexed for inflation and rounded to the nearest dollar.

Upon proclamation by the Governor, as specified, that an economic emergency exists in the state that requires the Renter's Credit to be reduced, the amount of Renter's Credit would be:

- \$120 for spouses filing joint returns, heads of household, and surviving spouses, subject to an adjusted gross income of \$50,000, as adjusted for inflation, or less.
- \$60 for other individual taxpayers subject to an adjusted gross income of \$25,000, as adjusted for inflation, or less.

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.

The bill lacks the administrative details necessary to administer the Renter's Credit during an economic emergency and the subsequent suspension of the increased Renter's Credit. The bill is silent as to:

- How would taxpayers and the department know to what taxable years a Governor's proclamation applies? For example, if a proclamation is issued mid-year would the suspension begin with the current taxable year? The first taxable year that begins after the date of the proclamation?
- How would taxpayers and the department determine when the suspension under a Governor's proclamation ends and the taxable year that the return to the increased credit amount would initially apply?

It is unclear whether the reduced Renter's Credit amount allowed under a Governor's proclamation would be adjusted for inflation or remain at the specified amount.

It is unclear whether the inflation adjustment for the increased Renter's Credit would continue during the time a Governor's proclamation is in place or would be suspended during that time.

For clarity and ease of administration, it is recommended that the bill be amended.

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 May 1, 2018
For Taxable Years Beginning On or After January 1, 2018
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$44.0
2019-2020	- \$60.0
2020-2021	- \$75.0
2021-2022	- \$90.0
2022-2023	- \$110.0

*This estimate assumes the governor has not declared an economic emergency. The governor may suspend the increase in the credit in the event of an economic emergency in the state.

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 by filing status and number of dependents, and then reduced by the amount taxpayers may claim under current law. 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 \$43 million in 2015. The estimate is then adjusted to reflect changes in the economy over time, resulting in an estimated revenue loss of \$44 million in taxable year 2018.

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