



Summary Analysis of Amended Bill

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Sponsor:

Bill Number: SB 1182

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Amended: May 25, 2018

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Related Bills: See Legislative
History

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

Summary

This bill would, subject to appropriation in the annual Budget bill and unless suspended by the Governor, increase the amount of the Renter's Credit under the Personal Income Tax Law.

Recommendation – No position.

Summary of Amendments

The May 25, 2018, amendments set the Renter's Credit amount at zero unless otherwise specified in an annual appropriations bill, clarified when the credit may be suspended by the Governor, specified items that must be included in the Governor's proclamation suspending the credit, and clarified the determination of the credit amount subsequent to a suspension of the credit. The amendments resolved all the implementation considerations discussed in the department's analysis of the bill as amended April 26, 2018, and May 1, 2018. Except for the "Effective/Operative Date," "This Bill," and "Implementation Considerations" sections, the remainder of the department's analysis of the bill as amended April 26, 2018, and May 1, 2018, still applies. The "Fiscal Impact" and "Economic Impact" sections are restated for convenience.

Effective/Operative Date

As a tax levy, this bill would be effective immediately upon enactment and, specifically operative for each taxable year beginning on or after January 1, 2020, and before January 1, 2025. The deduction amount for each year would be \$0 unless a differing amount for a taxable year is specified in any bill providing for appropriations related to the Budget Bill.

This Bill

This bill would, for taxable years beginning on or after January 1, 2018, unless suspended by Governor's Proclamation, and contingent upon appropriation, increase the allowable Renter's Credit as described below, set the Renter's Credit amount to zero unless otherwise specified in a bill providing for appropriations related to the Budget bill and, in the case of an economic emergency in the State, allows 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, and contingent upon appropriation, 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 \$177.19 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, and contingent upon appropriation, 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 that an economic emergency exists in the State that requires the Renter's Credit to be reduced, the proclamation will:

- Specify the taxable year to which the suspension applies,
- Expire on the first day after the end of the taxable year to which the proclamation applies,
- Allow additional proclamations to be issued.

The amount of Renter's Credit would be the credit amounts for the taxable year immediately preceding the taxable year in which the suspension of the credit applies.

If a proclamation is issued for any taxable year beginning on or after January 1, 2018, but before January 1, 2023, upon expiration of the proclamation the Renter's Credit amounts would resume as if the proclamation was never issued.

For taxable years beginning on or after January 1, 2023, the Renter's Credit amount would not be indexed for any taxable year in which the credit is suspended or the credit amounts are zero dollars.

Technical Considerations

The language on page 8 line 10 is unnecessary and should be deleted.

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 25, 2018
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	*Revenue
2018-2019	- \$44
2019-2020	- \$60
2020-2021	- \$75
2021-2022	- \$90
2022-2023	- \$110

*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

Assuming that there is an annual appropriation for the Renter's Credit, and 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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