



Analysis of Original Bill

Author: Anderson

Sponsor:

Bill Number: SB 1212

Analyst: Janet Jennings

Phone: (916) 845-3495

Introduced: February 15, 2018

Attorney: Bruce Langston

Related Bills: See Legislative
History

Subject: Renter Credit/Increase Credit Beginning January 1, 2019

Summary

This bill would increase the amount of the Renter's Credit under the Personal Income Tax Law.

Recommendation – No position.

Reason for the Bill

The reason for this bill is to provide financial relief for low- and middle-income families.

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, 2019.

Federal/State Law

Federal law lacks a credit comparable to the state's Renter's Credit.

Current state law allows a nonrefundable credit for qualified renters in the following amounts for tax year 2017:

- \$60 for single or married filing separately with an adjusted gross income (AGI) of \$40,078 or less, and
- \$120 for married filing jointly, head of household, or qualified widow or widower with an AGI of \$80,156 or less.

Current state law requires the AGI limits to be adjusted annually for inflation.

This Bill

This bill would, for taxable years beginning on or after January 1, 2019, modify the Renter's Credit by increasing the credit amount and reducing the AGI limitation as follows:

- \$250 for single or married filing separately with an adjusted gross income (AGI) of \$25,000 or less, and
- \$500 for married filing jointly, head of household, or qualified widow or widower with an AGI of \$50,000 or less.

Consistent with current law, the Franchise Tax Board (FTB) would be required to adjust the bill's AGI limitations annually for inflation.

Implementation Considerations

Implementing this bill would require some changes to existing tax forms and instructions and information systems, which could be accomplished during the normal annual update.

Legislative History

AB 181 (Lackey, et al., 2017/2018) would have modified the Renter's Credit. AB 181 failed to pass out of the Assembly Appropriations Committee.

AB 1100 (Chen, et al., 2017/2018) would increase the amount of the homeowners' property tax exemption and modify the Renter's Credit. AB 1100 is currently in the Assembly Appropriations Committee.

AB 2833 (Santiago, 2017/2018) would increase the Renter's Credit amounts when median rent amounts are high and make the credit refundable. AB 2833 is currently in the Assembly Revenue and Taxation Committee.

SB 1182 (Anderson, 2017/2018) would, contingent upon an appropriation, increase the amount of the Renter's Credit. SB 1182 has been referred to the Senate Governance and Finance Committee

AB 476 (Chang, 2015/2016) would have increased the amount of homeowners' property tax exemption and increased the Renter's Credit. AB 476 failed to pass out of the Assembly Revenue and Taxation Committee.

AB 2694 (Lackey, et al., 2015/2016) would have increased the Renter's Credit and temporarily eliminated the AGI thresholds. AB 2694 failed to pass out of the Assembly Appropriations Committee.

SB 1103 (Cannella, 2015/2016) would have increased the Renter's Credit. SB 1103 failed to pass out of the Senate Appropriations Committee

Other States' Information

The states surveyed include *Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

Michigan allows renters or lessees of homesteads to claim a credit based on 20 percent of the gross rent paid. A person who rents or leases a homestead, subject to a service charge instead of property taxes, can claim a credit based on 10 percent of the gross rent paid. Only the renter or lessee can claim a credit on property that is rented or leased as a homestead. The maximum credit is \$1,200.

New York allows a real property tax credit for residents who have household gross income of \$18,000 or less and pay either real property taxes or rent for their residences. If all members of the household are under age 65 the maximum credit is \$75. If at least one member of the household is age 65 or older, the maximum credit is \$375.

Illinois, Massachusetts, and Minnesota do not have a comparable credit.

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 SB 1212 as Introduced February 15, 2018
For Taxable Years Beginning On or After January 1, 2019
Assumed Enactment after June 30, 2018

(\$ in Millions)

Fiscal Year	Revenue
2018-2019	- \$0
2019-2020	- \$290
2020-2021	- \$300

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 data from the FTB's Personal Income Tax micro-simulation model, the amount of the Renter's Credit that taxpayers currently claim was recalculated using the proposed credit amounts, annually increasing the credits based on inflation, and then reducing 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 \$ 240 million in 2015. The estimate was then adjusted to reflect changes in the economy over time, resulting in an estimated revenue loss of \$290 million in 2019, and \$300 million in 2020.

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.

Arguments

Proponents: Some may argue that increasing the Renter's Credit would provide assistance to individuals that could enhance their financial security and boost the state's economy.

Opponents: Some may argue that increasing the Renter's Credit may discourage homeownership and encourage landlords to increase rents.

Legislative Staff Contact

Janet Jennings
Legislative Analyst, FTB
(916) 845-3495
janet.jennings@ftb.ca.gov

Jame Eiserman
Revenue Manager, FTB
(916) 845-7484
jame.eiserman@ftb.ca.gov

Diane Deatherage
Legislative Director, FTB
(916) 845-6333
diane.deatherage@ftb.ca.gov