



Analysis of Amended Bill

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Bill Number: AB 399

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Amended March 21, 2019

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Related Bills: See Legislative
History

Subject: Renter's Credit Increase

Summary

This bill would, under the Personal Income Tax Law (PITL), increase the income limits and amounts of the Renter's Credit for qualified renters if an appropriation is made.

Recommendation – No position.

Summary of Amendments

The March 21, 2019, amendments removed the provision related to the Hazardous Substances Tax Law, and replaced it with the provisions discussed in this analysis. This is the department's first analysis of the bill.

Reason for the Bill

The reason for the bill is to provide financial relief for low- and middle-income renters by increasing the Renter's Credit.

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, 2019. The increase to the credit would be specifically operative for taxable years beginning on or after January 1, 2019, and before January 1, 2024, contingent on a specific appropriation of funds to the Franchise Tax Board (FTB) for its costs to administer the increased credit.

State Law

Current state law allows a nonrefundable Renter's Credit for qualified renters in the following amounts for tax year 2018:

- \$120 for married filing jointly, head of household, or qualified widow or widower with an adjusted gross income (AGI) of \$83,282 or less, and
- \$60 for single or married filing separately with an AGI of \$41,641 or less.

Current state law requires the AGI limits to be adjusted annually for inflation. Current law lacks a provision for an annual adjustment to the credit amount.

This Bill

For taxable years beginning on or after January 1, 2019, and before January 1, 2024, this bill would under the PITL, 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 AGI of \$50,000 or less.

The increased Renter's Credit amounts 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 increased Renter's Credit AGI limitation amounts by the change in the Consumer Price Index (CPI) for the 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

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.

Technical Considerations

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

Subdivision (j)(3)(C) needs to be amended by referencing subparagraph (A) and (B) of paragraph (1) of subdivision (a), instead of referencing subparagraph (B) of paragraph (1) of subdivision (d).

Subdivision (j)(3)(D)(i), page 5, line 32, needs to be amended to revise “amount” to “amounts.”

Legislative History

SB 248 (Glazer, et al., 2019/2020) would increase the Renter's Credit amounts to \$220 for certain taxpayers with no dependents and \$434 for certain taxpayers with one or more dependents, and make the credit refundable. SB 248 is currently held in the Assembly Appropriations Committee.

AB 181 (Lackey, et al., 2017/2018) would have increased the amounts of the Renter's Credit. AB 181 failed to pass out of the Assembly by the constitutional deadline.

AB 1100 (Chen, et al., 2017/2018) would have increased the amount of the homeowners' property tax exemption and modified the Renter's Credit. AB 1100 failed to pass out of the Assembly by the constitutional deadline.

AB 1582 (Bonta, 2017/2018) would have modified the AGI limitation for purposes of determining the Renter's Credit. AB 1582 failed to pass out of the Assembly by the constitutional deadline.

AB 2833 (Santiago, 2017/2018) would have temporarily increased the Renter's Credit based on median rent amounts. AB 2833 failed passage out of the Assembly by the constitutional deadline.

SB 1182 (Glazer, et al., 2017/2018) would have, contingent upon an appropriation, increase the amount of the Renter's Credit. SB 1182 failed to pass by the constitutional deadline.

SB 1212 (Anderson, 2017/2018) would have increased the amount of the Renter's Credit. SB 1212 failed to pass out of the Senate by the constitutional deadline.

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 by the constitutional deadline.

AB 2694 (Lackey, et al., 2015/2016) would have increased the Renter's Credit and temporarily eliminated the AGI thresholds for 2016-2019. AB 2694 failed to pass out of the Assembly by the constitutional deadline.

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

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.

Massachusetts allows a refundable credit for qualified owners or renters that are 65 years old or older and meet income thresholds. The credit is based on actual real estate taxes or rent paid and is limited to \$1,100 for tax year 2018. The credit limitation is adjusted annually based on the cost of living and the cost of housing.

Michigan allows owners of a homestead with taxable value of \$135,000 or less and renters of a homestead, and some veterans and blind people, a property tax credit based on property taxes levied and filing status. Taxpayers with total household resources of more than \$60,000 do not qualify, and the credit is reduced for taxpayers with total household resources of more than \$51,000. The maximum credit is \$1,500 for 2018.

New York allows a refundable real property tax credit for residents who have household gross income of \$18,000 or less and pay either real property taxes on homes with property valued under \$85,000, or rent not exceeding \$450. 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. An additional enhanced credit is available for tax years 2014 through 2019 for homeowners and renters residing in New York City with household gross income of less than \$200,000.

Illinois 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.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of SB 248 as Amended March 21, 2019
Assumed Enactment after June 30, 2019

(\$ in Millions)

Fiscal Year	Revenue
2019-2020	-\$230
2020-2021	-\$240
2021-2022	-\$250

This estimates assumes a specific appropriation of funds to the FTB would be enacted for the costs associated with this proposal.

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

Using FTB 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 returns 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 \$200 million in 2016. The estimate was then adjusted to reflect changes in the economy over time, resulting in an estimated \$230 million revenue loss in the 2019 taxable year.

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

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