STATE OF CALIFORNIA
Franchise Tax Board

Analysis of Original Bill

Author: Nazarian	Sponsor:	Bill Number: AB 492
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Subject: Homeowners' and Renters' Assistance Program Eligibility Expansion

Summary

Under the Revenue and Taxation Code (R&TC), this bill would expand eligibility for the Homeowners and Renters Property Tax Assistance (HRA) program.

Recommendation – No position.

Reason for the Bill

The reason for this bill is to further mitigate the current housing affordability crisis.

Effective/Operative Date

This bill would become effective and operative January 1, 2020.

Program Background

The Senior Citizens Homeowners and Renters Property Tax Assistance Law program provided a direct grant to qualifying seniors and disabled individuals who owned or rented a residence. The program was established in 1967 to provide direct property tax relief to seniors living on a fixed income. It was later expanded to include renters who met the income requirement, and to homeowners who were blind or disabled, regardless of their age. State funding for the Assistance program was eliminated from the state budget as of the 2007-2008 fiscal year.

State Law

State law authorizes the Franchise Tax Board (FTB) to administer several non-tax programs, including the HRA program.

Subject to funding in the annual budget, HRA claimants, defined as individuals who are 62 years of age or older, or blind, or disabled, may be eligible for a partial reimbursement of the previous fiscal year's property taxes on a personal residence paid either directly by a homeowner, or indirectly by a renter.

Relief for homeowners and renters is based on a percentage of the amount of property tax paid in a given year. For purposes of the homeowner assistance calculation, the maximum homeowner's property value is $34,000. The percentage on which the reimbursement amount is based varies inversely with the claimants' income level and ranges from 6 percent to 139 percent.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount. Total household income consists of adjusted gross income, as computed for tax purposes, increased by income that is nontaxable for California tax purposes. Also, the gross household income cannot exceed a maximum amount, as adjusted for inflation. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion. The claimant's total household income limit and gross household income limit applicable for 2007 claims (the last year the program was funded) was $42,770 and $77,762 respectively.

This Bill

Under the R&TC, this bill would rename the Homeowners and Renters Property Tax Assistance Law as the Gonsalves-Deukmejian-Petris Property Tax Assistance Law and would expand eligibility for assistance by modifying the definition of "claimant" and resetting the household income amounts used to determine the percentage used to determine the assistance amount.

This bill would modify the definition of claimant by eliminating the minimum age for assistance (62 as of the specified date for the claim year) as well as the requirement that a claimant be blind or disabled, as specified.

For claims with respect to the 2020 calendar year, the limit on gross household income for eligibility would be reset at $30,000, and the total household income range for purposes of determining the percentage of relief would be reset to allow the maximum relief for total household income less than or equal to $7,500 and eliminate relief for total household income in excess of $30,000. Similar to current law, both the gross household income and total household income amounts would be indexed annually for inflation beginning with the 2021 calendar year.

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 is silent on funding the administration of and payments of claims under the Homeowners and Renters Assistance program. Absent appropriations reinstating funding for the department's administrative costs and to pay claims, the program would remain suspended.

Legislative History

SB 825 (Committee on Governance & Finance, Chapter 607, Statutes of 2013) among other things, suspended the FTB's obligation to prepare a notice regarding the Homeowner and Renter Assistance (Assistance) and Property Tax Postponement (Postponement) programs, until these programs receive funding.

AB 1781 (Laird, Chapter 268, Statutes of 2008) eliminated funding for the Homeowners and Renters Assistance program by line-item veto.

Other States' Information

The states surveyed include *Florida, 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, Michigan and Minnesota offer Rental Assistance programs, however none offer Homeowners Assistance Programs.

Fiscal Impact

The department's costs to implement this bill have yet to be determined, but are expected to be significant. As the bill moves through the legislative process, costs will be identified, and an appropriation will be requested.

Economic Impact

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 492 as introduced on February 12, 2019.
Assumed Enactment after June 30, 2019

($ in Millions)

Fiscal Year	**Revenue**
2019-2020	-$400
2020-2021	-$900
2021-2022	-$1,000

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 Personal Income Tax data from the FTB, it was determined for tax year 2020 that nearly 6.6 million individuals would be income eligible to claim the assistance this bill would allow. Based on data from the U.S Census Bureau, 70 percent of those eligible, or approximately 4.4 million are renters of their current residences. Because the income limitation applies to total household income, the population is then reduced by 20 percent, or to 5.3 million, to account for multi-family residences. It is assumed that in the first year, only 75 percent, or approximately 4 million individuals would apply for this assistance. This population was multiplied by the corresponding statutory property tax assistance based on their income level for a total general fund loss of $850 million in 2020.

The calendar year estimates are converted to fiscal year estimates and rounded to arrive at the amounts reflected in the above table.

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