



Bill Analysis

Author: Glazer, et al.

Sponsor:

Bill Number: SB 843

Related Bills: See Legislative
History

Amended: August 15, 2022

SUBJECT

Renters' Credit

SUMMARY

This bill would, under the Personal Income Tax Law, add a reporting requirement for the Franchise Tax Board (FTB).

RECOMMENDATION

No position.

SUMMARY OF AMENDMENTS

The August 15, 2022, amendments removed the increased credit amounts for the Renters' Credit, appropriations provisions, refund provisions, credit indexing provisions, and modified the Revenue and Taxation Code section 41 provisions.

REASON FOR THE BILL

The reason for this bill is to study the current Renters' Credit to provide additional data on who receives the credit, and in what amount in order for the Legislature to better assess the relief the Renters' Credit provides and how the Legislature can respond in the future.

ANALYSIS

This bill would require the FTB to prepare and provide a written report using information from the taxable year beginning on or after January 1, 2021, and before January 1, 2022, on the following:

- The number of taxpayers claiming the credit.
- The average credit amount on tax returns claiming the credit.

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This bill would require this report to be provided, as specified, by April 1, 2023.

The Section 41 reporting requirements would be treated as an exception to the disclosure provisions under the RTC. This bill also makes several nonsubstantive technical edits to the Renters' Credit.

Effective/Operative Date

This bill would be effective and operative January 1, 2023.

Federal/State Law

Federal Law

In federal law, there is no provision comparable to the California Renters' Credit.

State Law

Current state law allows qualifying renters who meet certain adjusted gross income limitations a nonrefundable credit of \$60 or \$120, based on filing status. The amount of the credit is unrelated to the amount of rent paid.

A "qualified renter" is defined as an individual who:

- Is a California resident for all or part of the tax year, and
- Rented and occupied California premises constituting his or her principal place of residence for at least 50 percent of the taxable year.

The definition of "qualified renter" does not include individuals:

1. Who, for more than 50 percent of the taxable year, rented and occupied premises that with certain exceptions were exempt from property taxes.
2. Whose principal place of residence, for more than 50 percent of the taxable year, is with any other person who claimed that individual as a dependent for income tax purposes.
3. Who have been granted or whose spouse has granted the homeowner's property tax exemption during the taxable year, as specified.

Any qualified renter who is a nonresident for a portion of the taxable year is allowed 1/12 of the Renters' Credit for each full month that the individual resided in the state for the taxable year, once the requirement of renting in California for more than 50 percent of the taxable year has been met.

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A "resident" is defined as every individual:

1. Who is in this state for a purpose other than a temporary or transitory purpose, or
2. Is domiciled in this state but is outside the state for a temporary or transitory purpose.

Current state law allows qualified renters a nonrefundable Renters' Credit as follows for tax year 2021:

- \$120 for married filing jointly, head of household, or qualified widow or widower with an Annual Gross Income (AGI) of \$87,066 or less, and
- \$60 for single or married filing separately with an AGI of \$43,533 or less.

The credit amounts are fixed and the AGI limits are adjusted annually for inflation.

Implementation Considerations

Because of the automatic extension that allows a timely filed return to be filed as late as October 15th, and the processing time for returns filed later than the April 15th original due date, the required report may contain data for returns processed to date as opposed to all timely filed returns for the taxable year. If this is not the author's intent it is recommended that the due date be changed to May 31, 2023.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 399 (Brough, 2019/2020) would have, contingent upon an appropriation, increased the amounts of the Renters' Credit. AB 399 did not pass by the constitutional deadline.

SB 248 (Glazer, et al., 2019/2020) would have increased the Renters' 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 did not pass by the constitutional deadline.

AB 181 (Lackey, et al., 2017/2018) would have increased the amounts of the Renters' Credit. AB 181 did not pass out of the Assembly by the constitutional deadline.

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PROGRAM BACKGROUND

None noted.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill, as amended on August 15, 2022, would not impact state income or franchise tax revenue.

LEGAL IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None on file.

ARGUMENTS

None on file.

LEGISLATIVE CONTACT

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