



STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Committee on Budget Sponsor:

Bill Number: AB 130

Related Bills: See Legislative
History

Amended: June 24, 2025, and
June 27, 2025

SUBJECT

Renter's Tax Credit

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), for taxable years beginning on or after January 1, 2026, contingent upon an annual appropriation in the annual Budget Act, increase the Renter's Credit, and add Revenue and Taxation Code (RTC) section 41 reporting requirements.

This analysis only addresses the provisions that would impact the Franchise Tax Board (FTB).

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The bill as introduced included intent language related to the Budget Act of 2025. The June 24, 2025, amendments added the provision discussed in this analysis. The June 27, 2025, amendments made several changes to provisions of the bill that do not impact the FTB.

This is the FTB's first analysis of the bill.

REASON FOR THE BILL

The reason for this bill is to address housing affordability in California.

ANALYSIS

This bill would, for taxable years beginning on or after January 1, 2026, in which an appropriation is specified annually in any bill providing for appropriations related to a budget bill, increase the Renter's Credit to the following:

- \$250 for qualified renters with filing status of married filing jointly, head of household, or surviving spouse, with adjusted gross income of less than \$50,000, before application of the annual adjustments for inflation, and who have no dependents.
- \$500 for qualified renters with filing status of married filing jointly, head of household, or surviving spouse, with adjusted gross income of less than \$50,000, before application of the annual adjustments for inflation, and who has one or more dependents.
- \$250 for qualified renters with filing status of single or married filing separately, with adjusted gross income of less than \$25,000, before application of the adjustments for inflation, and who has no dependents.
- \$500 for qualified renters with filing status of single or married filing separately, with adjusted gross income of less than \$25,000, before application of the adjustments for inflation, and who has one or more dependents.

This bill would require the current Renter's Credit amounts to remain unchanged unless specified in a bill providing for appropriations related to the Budget Act.

This bill would, for purposes of complying with RTC section 41, require the FTB to provide a written report, for years in which the increased Renter's Credit described above is operative. The report would be provided to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, and the Senate and Assembly Committees on Revenue and Taxation. The report would be due on July 1, two years following any taxable year that the increased Renter's Tax Credit was operative.

The report would be required to include the following:

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

Effective/Operative Date

This bill, providing for an appropriation relating to the Budget Bill, would be effective immediately upon enactment. The increased Renter's Tax Credit would be specifically operative for taxable years beginning on or after January 1, 2026, subject to an annual appropriation related to a Budget Act.

*Federal/State Law**Federal Law*

No comparable provision in federal law.

State Law

Current state law allows qualifying renters that meet certain adjusted gross income (AGI) 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% of the taxable year.

The definition of “qualified renter” does not include individuals:

- Who, for more than 50% of the taxable year, rented and occupied premises that with certain exceptions were exempt from property taxes.
- Whose principal place of residence, for more than 50% of the taxable year, is with any other person who claimed that individual as a dependent for income tax purposes.
- 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 Renter’s 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% of the taxable year has been met.

A “resident” is defined as every individual:

- Who is in this state for an “other than” temporary or transitory purpose, or
- Is domiciled in this state but is outside the state for a temporary or transitory purpose.

Current state law allows qualified renters a nonrefundable Renter’s Credit as follows for tax year 2024:

- \$120 for married filing jointly, head of household, or surviving spouse with an AGI of \$104,842 or less, and
- \$60 for single or married filing separately with an AGI of \$52,421 or less.

The credit amounts are not adjusted for inflation, while the AGI limits are annually adjusted.

Under RTC section 41, legislation that would create a new tax expenditure, which includes a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, and performance measures to allow the Legislature to evaluate the effectiveness of the tax benefit.

Implementation Considerations

None noted.

Technical Considerations

None noted.

Policy Considerations

The FTB has identified the following policy consideration and is available to work with the author's office to resolve these and other considerations that may be identified.

This bill would require annual appropriations by the Legislature to allow the increased credit amounts. This could lead to taxpayer uncertainty and confusion.

LEGISLATIVE HISTORY

AB 838 (Ta, 2025/2026) under the PITL would have, for taxable years beginning on or after January 1 of the taxable year that includes the date on which an appropriation is first made in any bill providing for appropriations related to the Budget Act, and the four succeeding taxable years, increased the amount of the Renter's Credit, made annual inflation adjustments to the amount of the credit and the AGI requirement, allowed the credit to be refundable, and would have added RTC section 41 reporting requirements. AB 838 did not pass out of the Assembly by the constitutional deadline.

SB 681 (Wahab, et al., 2025/2026) similar to this bill, would under the PITL for taxable years beginning on or after January 1, 2026, and before January 1, 2031, contingent upon an appropriation in the annual Budget Act, increase the Renter's Credit, allow the credit to be refundable and add RTC section 41 reporting requirements. SB 681 is currently in the Assembly Housing and Community Development Committee.

SB 566 (Grove, 2025/2026), among other things, under the PITL, would have increased the Renter's Credit for qualified renters to \$550 for spouses filing joint returns, heads of household, and surviving spouses, as specified, if their AGI is \$50,000 or less, as adjusted for inflation, and to an amount equal to \$275 for other individuals, as specified, if their AGI is \$25,000 or less, as adjusted for inflation for taxable years beginning on and after January 1, 2026. SB 566 did not pass out of the Senate by the constitutional deadline.

AB 59 (Gallagher, et al., 2023/2024), under the PITL, upon appropriation, would have increased the amount of the Renter's Credit, made annual inflation adjustments to the amount of the credit, and allowed the credit to be refundable. AB 59 did not pass out of the Assembly by the constitutional deadline.

SB 843 (Glazer, et al., 2021/2022) would have, under the PITL, increased the amount of the Renter's Credit available to qualified renters, subject to an appropriation in the annual Budget Act, and allowed the credit to be refundable. SB 843 did not pass out of the Assembly by the constitutional deadline.

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

SB 248 (Glazer, et al., 2019/2020) would have, under the PITL, increased 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 did not pass out of the Assembly by the constitutional deadline.

PROGRAM BACKGROUND

Since 1973 California has provided some form of the Renter's Credit. The credit started as a refundable credit allowed to qualified individuals except for a suspension period between 1993 through 1997. Qualified taxpayers could claim the credit on their California income tax return while qualified renters, who were not required to file an income tax return, could file a Form 540A to claim a Renter's Credit refund.

The credit is \$60 for single and married filing separate/Registered Domestic Partner (RDP) renters; and \$120 for renters that are married filing joint/RDPs, head of household, or a surviving spouse. Since 1992, the AGI limitation amounts have been adjusted annually for inflation.

In 1998, the Renter's Credit was reinstated as a nonrefundable credit with certain AGI limits, and the AGI amounts continue to be adjusted for inflation annually. For the 2024 taxable year, the AGI limits were \$52,421 for single and married filing separate/RDP renters; and \$104,842 for renters that are married filing joint/RDPs, head of household, or a surviving spouse.

Information about the Renter's Credit is also available on the FTB website, Nonrefundable Renter's Credit.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB anticipates minimal costs to implement this bill.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 130 as Amended June 27, 2025
Assumed Enactment after June 30, 2025

(\$ in Millions)

Fiscal Year	Revenue
2025-2026	\$0
2026-2027	-\$500
2027-2028	-\$550

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

This estimate assumes that the share of returns filed claiming the Renter's Credit in future years would remain similar to those currently claiming the credit.

Using FTB Renter's Credit data, the amount of Renter's Credit that taxpayers currently claim was recalculated using the proposed credit amounts, \$250 for taxpayers without dependents and \$500 for taxpayers with dependent, and was applied by filing status and AGI limitation. The credit estimate is then reduced by the amount of credit currently allowed and then grown for changes in the economy over time. This results in an estimated revenue loss of \$500 million in the 2026 taxable year.

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

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

None on file.

ARGUMENTS

None on file.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov