STATE OF CALIFORNIA
Franchise Tax Board

Bill Analysis

Author: Ward	Sponsor:	Bill Number: AB 474
	Related Bills: See Legislative History	Introduced February 6, 2025, Amended March 19, 2025, and April 1, 2025

SUBJECT

Nonprofit Home-Sharing Program Income Exclusion

SUMMARY

This bill would, under the Personal Income Tax Law (PITL), exclude from gross income any amount received by a lower income household from a tenant while participating as a landlord in a nonprofit home-sharing program for taxable years beginning on or after January 1, 2026, and before January 1, 2031. This bill would also amend provisions of the Government Code (GOV) relating to discrimination rules, and provisions under the Welfare and Institutions Code (WIC), relating to the determination of eligibility or benefit amounts for public social services.

RECOMMENDATION

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

SUMMARY OF AMENDMENTS

The March 19, 2025, amendments added the applicable taxable years for the gross income exclusion, added information pursuant to Revenue and Taxation Code (RTC) section 41, and made other technical changes.

The April 1, 2025, amendments removed the Civil Code amendments, changed the term “home sharing” to “home-sharing,” and renumbered the bill sections.

This is the Franchise Tax Board’s (FTB) first analysis of the bill and only addresses the provisions that would impact the FTB.

REASON FOR THE BILL

The reason for the bill is to incentivize participation in nonprofit home-sharing programs.

ANALYSIS

This bill, under the PITL, would provide an exclusion from gross income for any payment received by a lower income household from a tenant while participating as a landlord in a nonprofit home-sharing program.

For the purposes of the exclusion, the following definitions would apply:

- "Nonprofit home-sharing program" means, as defined in WIC section 10007, a program that meets all of the following:
  - Is administered by a nonprofit organization or governmental entity.
  - Provides a lease agreement service that helps to match a person or household, who has one or more unoccupied bedrooms in their owner-occupied home, one or more unoccupied bedrooms in their rental unit of which they are the primary tenant, or up to two separate vacant units on an owner-occupied property with one or more unrelated tenants.
  - Provides services, including but not limited to, case management, intake, introductions, background checks, and third-party mediations at no cost to the participants.
  - Executes lease agreements as a result of a match, described above, for a term of no less than 30 days.
  - Provides ongoing support to mitigate conflict and promote housing stability for both participating tenants and landlords.
- "Lower income household" means, as defined in Health and Safety Code section 50079.5, a household earning at 80 percent or less of area median income, adjusted annually for geographic areas and family size.

For purposes of complying with Section 41, the goal, purpose, and objective of the exclusion is to increase participation in nonprofit home-sharing programs among Californians. The performance indicators would include self-reports from nonprofit home-sharing program participants as to whether the gross income exclusion incentivized participation in the nonprofit home-sharing program, increases in non-profit home-sharing program participation over time, and increases in the amount of gross income excluded.

This bill would require the Legislative Analyst's Office (LAO) to submit a report to the Assembly Committee on Revenue and Taxation, and the Senate Committee on Governance and Finance, no later than May 1, 2030, a report evaluating the effectiveness of the gross income exclusion allowed by this section in achieving the specific goals, purposes, and objectives. The LAO is authorized to request and receive all information provided to the FTB relating to the gross income exclusion.

The exclusion would be repealed by its own terms on January 1, 2031.

Effective/Operative Date

This bill would be effective 1, 2026. The gross income exclusion would be specifically operative for taxable years beginning on or after January 1, 2026, and before January 1, 2031.

Federal/State Law

Federal Law

Internal Revenue Code (IRC) section 61 provides that gross income includes all income from whatever source derived, including compensation for services, business income, gains from property, interest, dividends, rents, and royalties, unless specifically excluded.

In addition, federal law provides that certain types of income are excluded from gross income, such as amounts received as a gift, certain compensation for injuries and sickness, qualified scholarships, educational assistance programs, foster care payments, and interest received on certain state or federal obligations. Existing federal law disallows a deduction for any expense that is allocable to one or more classes of income wholly exempt from federal income tax.

State Law

California conforms, under the PITL, to IRC section 61, as to the definition of gross income. California also conforms, in part, to some of the federal statutory exclusions from income. Furthermore, California conforms to federal law that disallows a deduction for any expense that is allocable to income that is wholly exempt from tax.

State tax law also provides that information collected on income tax returns is considered confidential and, unless specifically available for other uses, must be used only to administer the income tax laws. FTB may disclose taxpayer information only in limited circumstances and only to specific agencies as authorized by law. Improper disclosure of federal tax information is punishable as a felony, and improper disclosure of state tax information is punishable as a misdemeanor.

Under existing state law, legislation that would create a new tax expenditure, which includes a credit, deduction, exemption, or any other tax benefit as provided for by the state, is required to include specific goals, purposes, objectives, detailed performance indicators and data collection requirement measures to allow the Legislature to evaluate the effectiveness of the tax benefit. Legislation that would create an income exclusion, would not require detailed performance indicators and data collection requirement measures if the Legislature determines there is no available data to collect and report.

Implementation Considerations

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

A bill that authorizes a gross income exclusion is exempt from including information about detailed performance indicators and data collection requirements if the Legislature determines there is no available data to collect and report. This bill would require detailed performance indicators and data collection requirements. The FTB's data on exclusions is usually incomplete because they are currently captured on the California Form 4197, which is not required to be attached to a tax return. This often results in a report with incomplete exclusion related data. The author may wish to amend the bill to include a determination that there is no available data to collect and report.

The bill would allow the LAO to request and receive all information provided to FTB related to the gross income exclusion. If information is not required to be provided to FTB, the FTB would have limited data to provide. In addition, this bill does not provide authorization for FTB to share information with the LAO.

Technical Considerations

None noted.

Policy Considerations

None noted.

LEGISLATIVE HISTORY

SB 33 (Cortese and Quirk-Silva, 2025/2026), under the PITL, would require that gross income does not include any amount received as an award pursuant to the California Success, opportunity, and Academic Resilience (SOAR) Guaranteed Income Program. This bill has been referred to the Senate Human Service Committee.

SB 91 (Senate Committee on Budget and Fiscal Review, Chapter 2, Statutes of 2021) allows, under the PITL, a gross income exclusion for certain rental assistance received under the State Rental Assistance Program and the federal Consolidated Appropriations Act, 2021 (Public Law 116-260).

SB 333 (Cortese, et al., 2023/2024), would have, under the WIC, established the California SOAR Guaranteed Income Program for public school pupils and, under the PITL, would have provided an exclusion from gross income for any amount received as an award pursuant to the California SOAR Guaranteed Income Program. SB 333 did not advance out of the Assembly Appropriations Committee by the constitutional deadline.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue loss:

Estimated Revenue Impact of AB 474 as Amended April 1, 2025
Assumed Enactment after June 30, 2025

($ in Millions)

Fiscal Year	Revenue
2025-2026	-$11
2026-2027	-$21
2027-2028	-$23

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 Census Bureau, it is estimated that there would be about 1 million qualified lower income households in 2026. Of these, it is estimated that about 10 percent, or 100,000, would participate in a non-profit home sharing program and would result in about 130,000 unoccupied rooms or units made available for rent. Research indicates that the average monthly rent for a room would be approximately $750, resulting in approximately $1.1 billion in annual rental payments excluded from the gross income of lower income households. Applying an average tax rate of 1.7 percent results in an estimated revenue loss of approximately $20 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

To be determined.

ARGUMENTS

To be determined.

LEGISLATIVE CONTACT

FTBLegislativeServices@ftb.ca.gov