

ASSEMBLY BILL

No. 476

**Introduced by Assembly Member Chang
(Principal coauthor: Assembly Member Harper)**

(Principal coauthor: Senator Vidak)

**(Coauthors: Assembly Members Achadjian, Travis Allen, Brough,
Chávez, Grove, Jones, Kim, Lackey, Mayes, Melendez, Olsen,
Patterson, Steinorth, Wagner, Waldron, and Wilk)**

(Coauthors: Senators Morrell and Nguyen)

February 23, 2015

An act to amend Sections 218 and 17053.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 476, as introduced, Chang. Taxation: homeowners' exemption and renters' credit.

Existing property tax law provides, pursuant to the authority of a specified provision of the California Constitution, for a homeowners' exemption in the amount of \$7,000 of the full value of a "dwelling," as defined, and authorizes the Legislature to increase this exemption.

This bill, beginning with the lien date for the 2016–17 fiscal year, would increase the homeowners' exemption from \$7,000 to \$25,000 of the full value of a dwelling. This bill would also require, for the 2017–18 fiscal year and for each fiscal year thereafter, the county assessor to adjust the amount of the homeowners' exemption by the percentage change in the House Price Index for California for the first 3 quarters of the prior calendar year, as specified.

The California Constitution requires the Legislature, whenever it increases the homeowners' property tax exemption, to provide a

comparable increase in benefits to qualified renters. The Personal Income Tax Law authorizes various credits against the taxes imposed by that law, including a credit for qualified renters in the amount of \$120 for married couples filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$50,000 or less, and in the amount of \$60 for other individuals if adjusted gross income is \$25,000 or less. Existing law requires the Franchise Tax Board to annually adjust for inflation these adjusted gross income amounts.

This bill would, for taxable years beginning on and after January 1, 2016, increase this credit for a qualified renter to \$428 for married couples filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$50,000 or less, as adjusted for inflation, and to an amount equal to \$214 for other individuals if adjusted gross income is \$25,000 or less, as adjusted for inflation. The bill would also require, for taxable years beginning on or after January 1, 2017, the Franchise Tax Board to annually adjust for inflation, based upon the California Consumer Price Index, the amount of these credits. The bill would also make technical, nonsubstantive changes to the renters' credit.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 218 of the Revenue and Taxation Code
- 2 is amended to read:
- 3 218. (a) The homeowners' property tax exemption is in the
- 4 amount of the assessed value of the dwelling specified in this
- 5 section, as authorized by subdivision (k) of Section 3 of Article
- 6 XIII of the California Constitution. That exemption shall be in the
- 7 amount of seven thousand dollars (\$7,000) of the full value of the
- 8 dwelling. is in the following amounts:
- 9 (1) Seven thousand dollars (\$7,000) of the full value of the
- 10 dwelling through the 2015–16 fiscal year.

1 (2) (A) *Beginning with the lien date for the 2016–17 fiscal year,*
2 *twenty-five thousand dollars (\$25,000) of the full value of the*
3 *dwelling.*

4 (B) *Beginning with the lien date for the 2017–18 fiscal year and*
5 *for each fiscal year thereafter, the assessor shall adjust the*
6 *exemption amount of the prior fiscal year by the percentage*
7 *change, rounded to the nearest one-thousandth of 1 percent, in*
8 *the House Price Index for California for the first three quarters*
9 *of the prior calendar year, as determined by the federal Housing*
10 *Finance Agency.*

11 (b) (1) The exemption does not extend to property that is rented,
12 vacant, under construction on the lien date, or that is a vacation or
13 secondary home of the owner or owners, nor does it apply to
14 property on which an owner receives the veteran’s exemption.

15 (2) Notwithstanding paragraph (1), if a person receiving the
16 exemption is not occupying the dwelling on the lien date because
17 the dwelling was damaged in a misfortune or calamity, the person
18 shall be deemed to occupy that same dwelling as his or her
19 principal place of residence on the lien date, provided the person’s
20 absence from the dwelling is temporary and the person intends to
21 return to the dwelling when possible to do so. Except as provided
22 in paragraph (3), when a dwelling has been totally destroyed, and
23 thus no dwelling exists on the lien date, the exemption provided
24 by this section shall not be applicable until the structure has been
25 replaced and is occupied as a dwelling.

26 (3) A dwelling that was totally destroyed in a disaster for which
27 the Governor proclaimed a state of emergency, that qualified for
28 the exemption provided by this section prior to the commencement
29 date of the disaster and that has not changed ownership since the
30 commencement date of the disaster, shall be deemed occupied by
31 the person receiving the exemption on the lien date provided the
32 person intends to reconstruct a dwelling on the property and occupy
33 the dwelling as his or her principal place of residence when it is
34 possible to do so.

35 (c) For purposes of this section, all of the following apply:

36 (1) “Owner” includes a person purchasing the dwelling under
37 a contract of sale or who holds shares or membership in a
38 cooperative housing corporation, which holding is a requisite to
39 the exclusive right of occupancy of a dwelling.

(2) (A) “Dwelling” means a building, structure, or other shelter constituting a place of abode, whether real property or personal property, and any land on which it may be situated. A two-dwelling unit shall be considered as two separate single-family dwellings.

(B) “Dwelling” includes the following:

(i) A single-family dwelling occupied by an owner thereof as his or her principal place of residence on the lien date.

(ii) A multiple-dwelling unit occupied by an owner thereof on the lien date as his or her principal place of residence.

(iii) A condominium occupied by an owner thereof as his or her principal place of residence on the lien date.

(iv) Premises occupied by the owner of shares or a membership interest in a cooperative housing corporation, as defined in subdivision (i) of Section 61, as his or her principal place of residence on the lien date. Each exemption allowed pursuant to this subdivision shall be deducted from the total assessed valuation of the cooperative housing corporation. The exemption shall be taken into account in apportioning property taxes among owners of share or membership interests in the cooperative housing corporations so as to benefit those owners who qualify for the exemption.

(d) The exemption provided for in subdivision (k) of Section 3 of Article XIII of the California Constitution shall first be applied to the building, structure, or other shelter and the excess, if any, shall be applied to any land on which it may be located.

SEC. 2. Section 17053.5 of the Revenue and Taxation Code is amended to read:

17053.5. (a) (1) For a qualified renter, there shall be allowed a credit against his or her “net tax,” as defined in Section 17039. The amount of the credit shall be as follows:

(A) (i) For married couples filing joint returns, heads of household, and surviving spouses, as defined in Section 17046, the credit shall be equal to one hundred twenty dollars (\$120) if adjusted gross income is fifty thousand dollars (\$50,000) or less.

(ii) *For taxable years beginning on or after January 1, 2016, the credit shall be equal to four hundred twenty-eight dollars (\$428) for taxpayers described in clause (i). For taxable years beginning on or after January 1, 2017, the Franchise Tax Board shall adjust the amount of the credit as provided by subdivision (j).*

1 (B) (i) For other individuals, the credit shall be equal to sixty
2 dollars (\$60) if adjusted gross income is twenty-five thousand
3 dollars (\$25,000) or less.

4 (ii) *For taxable years beginning on or after January 1, 2016,*
5 *the credit shall be equal to two hundred fourteen dollars (\$214)*
6 *for taxpayers described in clause (i). For taxable years beginning*
7 *on or after January 1, 2017, the Franchise Tax Board shall adjust*
8 *the amount of the credit as provided by subdivision (j).*

9 (2) Except as provided in subdivision (b), a husband and wife
10 shall receive but one credit under this section. If the husband and
11 wife file separate returns, the credit may be taken by either or
12 equally divided between them, except as follows:

13 (A) If one spouse was a resident for the entire taxable year and
14 the other spouse was a nonresident for part or all of the taxable
15 year, the resident spouse shall be allowed one-half the credit
16 allowed to married persons and the nonresident spouse shall be
17 permitted one-half the credit allowed to married persons, prorated
18 as provided in subdivision (e).

19 (B) If both spouses were nonresidents for part of the taxable
20 year, the credit allowed to married persons shall be divided equally
21 between them subject to the proration provided in subdivision (e).

22 (b) For a husband and wife, if each spouse maintained a separate
23 place of residence and resided in this state during the entire taxable
24 year, each spouse will be allowed one-half the full credit allowed
25 to married persons provided in subdivision (a).

26 (c) For purposes of this section, a “qualified renter” means an
27 individual who satisfies both of the following:

28 (1) Was a resident of this state, as defined in Section 17014.

29 (2) Rented and occupied premises in this state which constituted
30 his or her principal place of residence during at least 50 percent
31 of the taxable year.

32 (d) “Qualified renter” does not include any of the following:

33 (1) An individual who for more than 50 percent of the taxable
34 year rented and occupied premises that were exempt from property
35 taxes, except that an individual, otherwise qualified, is deemed a
36 qualified renter if he or she or his or her landlord pays possessory
37 interest taxes, or the owner of those premises makes payments in
38 lieu of property taxes that are substantially equivalent to property
39 taxes paid on properties of comparable market value.

1 (2) An individual whose principal place of residence for more
2 than 50 percent of the taxable year is with ~~another~~ *any other* person
3 who claimed that individual as a dependent for income tax
4 purposes.

5 (3) An individual who has been granted or whose spouse has
6 been granted the homeowners' property tax exemption during the
7 taxable year. This paragraph does not apply to an individual whose
8 spouse has been granted the homeowners' property tax exemption
9 if each spouse maintained a separate residence for the entire taxable
10 year.

11 (e) An otherwise qualified renter who is a nonresident for any
12 portion of the taxable year shall claim the credits set forth in
13 subdivision (a) at the rate of one-twelfth of those credits for each
14 full month that individual resided within this state during the
15 taxable year.

16 (f) A person claiming the credit provided in this section shall,
17 as part of that claim, and under penalty of perjury, furnish that
18 information as the Franchise Tax Board prescribes on a form
19 supplied by the board.

20 (g) The credit provided in this section shall be claimed on returns
21 in the form as the Franchise Tax Board may from time to time
22 prescribe.

23 (h) For purposes of this section, "premises" means a house or
24 a dwelling unit used to provide living accommodations in a
25 building or structure and the land incidental thereto, but does not
26 include land only, unless the dwelling unit is a mobilehome. The
27 credit is not allowed for any taxable year for the rental of land
28 upon which a mobilehome is located if the mobilehome has been
29 granted a homeowners' exemption under Section 218 in that year.

30 (i) This section shall become operative on January 1, 1998, and
31 applies to any taxable year beginning on or after January 1, 1998.

32 (j) For each taxable year beginning on or after January 1, 1999,
33 the Franchise Tax Board shall recompute the adjusted gross income
34 amounts set forth in subdivision (a). ~~The computation~~ *For each*
35 *taxable year beginning on or after January 1, 2017, the Franchise*
36 *Tax Board shall also recompute the amount of the credit set forth*
37 *in subdivision (a). These computations* shall be made as follows:

38 (1) The Department of Industrial Relations shall transmit
39 annually to the Franchise Tax Board the percentage change in the
40 California Consumer Price Index for all items from June of the

1 prior calendar year to June of the current year, no later than August
2 1 of the current calendar year.

3 (2) The Franchise Tax Board shall compute an inflation
4 adjustment factor by adding 100 percent to ~~the~~ *that* portion of the
5 percentage change figure ~~which is~~ furnished pursuant to paragraph
6 (1) and dividing the result by 100.

7 (3) The Franchise Tax Board shall multiply the ~~amount in~~
8 ~~subparagraph (B) of amounts in~~ paragraph (1) of subdivision ~~(d)~~
9 ~~(a)~~ for the preceding taxable year by the inflation adjustment factor
10 determined in paragraph (2), and round off the resulting products
11 to the nearest one dollar (\$1).

12 (4) In computing the amounts pursuant to this subdivision, the
13 amounts provided in subparagraph (A) of paragraph (1) of
14 subdivision (a) shall be twice the amount provided in subparagraph
15 (B) of paragraph (1) of subdivision (a).

16 SEC. 3. Notwithstanding Section 2229 of the Revenue and
17 Taxation Code, no appropriation is made by this act and the state
18 shall not reimburse any local agency for any property tax revenues
19 lost by it pursuant to this act.

20 SEC. 4. This act provides for a tax levy within the meaning of
21 Article IV of the Constitution and shall go into immediate effect.