

AMENDED IN ASSEMBLY MARCH 25, 2015

AMENDED IN ASSEMBLY MARCH 19, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

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, Gallagher, Grove, Jones, Kim, Lackey, Linder, Mayes, Melendez, Olsen, Patterson, Steinorth, Waldron, and Wilk)

(Coauthors: Senators Morrell, Nguyen, and Nielsen)

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 amended, 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.~~

The California Constitution requires the Legislature, in each fiscal year, to reimburse local governments for the revenue losses incurred by those governments in that fiscal year as a result of the homeowners' property tax exemption.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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 pursuant to subdivision (k) of Section 3 of
6 Article XIII of the Constitution. That exemption is in the following
7 amounts:

8 (1) Seven thousand dollars (\$7,000) of the full value of the
9 dwelling through the 2015–16 fiscal year.

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

13 (B) Beginning with the lien date for the 2017–18 fiscal year and
14 for each fiscal year thereafter, the assessor shall adjust the
15 exemption amount of the prior fiscal year by the percentage change,
16 rounded to the nearest one-thousandth of 1 percent, in the House
17 Price Index for California for the first three quarters of the prior
18 calendar year, as determined by the federal Housing Finance
19 Agency.

20 (b) (1) The exemption does not extend to property that is rented,
21 vacant, under construction on the lien date, or that is a vacation or
22 secondary home of the owner or owners, nor does it apply to
23 property on which an owner receives the veteran's exemption.

24 (2) Notwithstanding paragraph (1), if a person receiving the
25 exemption is not occupying the dwelling on the lien date because
26 the dwelling was damaged in a misfortune or calamity, the person
27 shall be deemed to occupy that same dwelling as his or her
28 principal place of residence on the lien date, provided the person's
29 absence from the dwelling is temporary and the person intends to
30 return to the dwelling when possible to do so. Except as provided
31 in paragraph (3), when a dwelling has been totally destroyed, and
32 thus no dwelling exists on the lien date, the exemption provided
33 by this section shall not be applicable until the structure has been
34 replaced and is occupied as a dwelling.

35 (3) A dwelling that was totally destroyed in a disaster for which
36 the Governor proclaimed a state of emergency, that qualified for
37 the exemption provided by this section prior to the commencement
38 date of the disaster and that has not changed ownership since the

1 commencement date of the disaster, shall be deemed occupied by
2 the person receiving the exemption on the lien date provided the
3 person intends to reconstruct a dwelling on the property and occupy
4 the dwelling as his or her principal place of residence when it is
5 possible to do so.

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

7 (1) "Owner" includes a person purchasing the dwelling under
8 a contract of sale or who holds shares or membership in a
9 cooperative housing corporation, which holding is a requisite to
10 the exclusive right of occupancy of a dwelling.

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

15 (B) "Dwelling" includes the following:

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

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

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

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

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

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

38 17053.5. (a) (1) For a qualified renter, there shall be allowed
39 a credit against his or her "net tax," as defined in Section 17039.
40 The amount of the credit shall be as follows:

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

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

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

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

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

22 (A) If one spouse was a resident for the entire taxable year and
23 the other spouse was a nonresident for part or all of the taxable
24 year, the resident spouse shall be allowed one-half the credit
25 allowed to married persons and the nonresident spouse shall be
26 permitted one-half the credit allowed to married persons, prorated
27 as provided in subdivision (e).

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

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

35 (c) For purposes of this section, a "qualified renter" means an
36 individual who satisfies both of the following:

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

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

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

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

9 (2) An individual whose principal place of residence for more
10 than 50 percent of the taxable year is with any other person who
11 claimed that individual as a dependent for income tax purposes.

12 (3) An individual who has been granted or whose spouse has
13 been granted the homeowners’ property tax exemption during the
14 taxable year. This paragraph does not apply to an individual whose
15 spouse has been granted the homeowners’ property tax exemption
16 if each spouse maintained a separate residence for the entire taxable
17 year.

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

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

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

30 (h) For purposes of this section, “premises” means a house or
31 a dwelling unit used to provide living accommodations in a
32 building or structure and the land incidental thereto, but does not
33 include land only, unless the dwelling unit is a mobilehome. The
34 credit is not allowed for any taxable year for the rental of land
35 upon which a mobilehome is located if the mobilehome has been
36 granted a homeowners’ exemption under Section 218 in that year.

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

39 (j) For each taxable year beginning on or after January 1, 1999,
40 the Franchise Tax Board shall recompute the adjusted gross income

1 amounts set forth in subdivision (a). For each taxable year
2 beginning on or after January 1, 2017, the Franchise Tax Board
3 shall also recompute the amount of the credit set forth in
4 subdivision (a). These computations shall be made as follows:

5 (1) The Department of Industrial Relations shall transmit
6 annually to the Franchise Tax Board the percentage change in the
7 California Consumer Price Index for all items from June of the
8 prior calendar year to June of the current year, no later than August
9 1 of the current calendar year.

10 (2) The Franchise Tax Board shall compute an inflation
11 adjustment factor by adding 100 percent to that portion of the
12 percentage change figure furnished pursuant to paragraph (1) and
13 dividing the result by 100.

14 (3) The Franchise Tax Board shall multiply the amounts in
15 paragraph (1) of subdivision (a) for the preceding taxable year by
16 the inflation adjustment factor determined in paragraph (2), and
17 round off the resulting products to the nearest one dollar (\$1).

18 (4) In computing the amounts pursuant to this subdivision, the
19 amounts provided in subparagraph (A) of paragraph (1) of
20 subdivision (a) shall be twice the amount provided in subparagraph
21 (B) of paragraph (1) of subdivision (a).

22 ~~SEC. 3. Notwithstanding Section 2229 of the Revenue and~~
23 ~~Taxation Code, no appropriation is made by this act and the state~~
24 ~~shall not reimburse any local agency for any property tax revenues~~
25 ~~lost by it pursuant to this act.~~

26 *SEC. 3. If the Commission on State Mandates determines that*
27 *this act contains costs mandated by the state, reimbursement to*
28 *local agencies and school districts for those costs shall be made*
29 *pursuant to Part 7 (commencing with Section 17500) of Division*
30 *4 of Title 2 of the Government Code.*

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