


CLA MEMORANDUM

DATE: August 12, 2019

TO: Honorable Members Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst Assignment No. 19-06-0664

SUBJECT: Resolution (Ryu/Harris-Dawson) to Support Legislation to Expand California's Renter's Credit

CLA RECOMMENDATION:

Adopt the attached revised resolution to include in the 2019-2020 State Legislative Program SUPPORT of SB 248 (Glazer), which would increase the credit amount from \$60 to \$220 for qualified renters without dependents and from \$120 to \$434 for qualified renters with dependents, and require the Franchise Tax Board to annually recomputed for inflation the credit amount for taxable years on or after January 1, 2021, and before January 1, 2025.

SUMMARY:

Resolution (Ryu/Harris-Dawson) states that approximately 721,000 Angelenos are severely rent-burdened, spending more than 50 percent of their income on housing, and the median rent in Los Angeles County has increased 32 percent while the median renter's income has fallen 3 percent.

While homeowners in California receive more than \$4 billion in tax relief through mortgage deductions, California's renter's credit has not seen an increase since 1979. Over the course of the past 40 years, rents in California have nearly tripled, and the share of households in the City of Los Angeles being occupied by renters has grown to over 64 percent. Steadily growing rates of rentership in Los Angeles can be largely attributed to several factors, including a declining housing stock, widespread student debt, and real estate values increasing at a pace faster than job and wage growth. Resolution indicates that rising real estate values and rates of rentership have contributed to a 16 percent increase in homelessness in the City of Los Angeles over the course of the past year.

As a result, Resolution recommends that the City include in its 2019-2020 State Legislative Program sponsorship and/or support for legislative or administrative action to expand California's Renter's Credit to allow a refundable tax credit for individuals who pay rent for a principal residence that exceeds 30 percent of the individual's gross income for the taxable year.

BACKGROUND:

The State of California presently offers a Renter's Tax Credit that is valued at \$60 for individuals with an adjusted gross income of \$25,000 or less and \$120 for joint filers with an adjusted gross income of \$50,000 or less. The renter's credit has not been increased according to rises in

inflation since the year 1979, while California homeowners receive more than \$4 billion in tax relief through mortgage deductions.

State Senators Steve Glazer (D-Orinda) and Lorena Gonzalez (D-San Diego) introduced SB 248, the Renters Tax Credit Bill, in February of 2019. SB 248 (Glazer) would increase the credit amount for a qualified renter to \$220 and \$434, and income limits to \$41,641 and \$83,282, respectively. The new credit values and income limits under SB 248 (Glazer) reflect rises in inflation since they were last increased in the year 1979. Further, the bill requires that the credit be indexed to inflation annually to ensure that its benefit for renters is sustained long-term. SB 248 (Glazer) restructures California's renter's credit to no longer differentiate between single and joint filers, but rather renters with and without dependents, in order to make the credit more beneficial to single mothers, fathers, and families.

The objectives of SB 248 (Glazer) are to compensate low- and middle-income renters for the increasing rates of rent throughout California, restructure the credit to reflect the disproportionate burden of high rents on single-parent families, and stimulate consumer spending and economic growth by providing more disposable income to reinvest in the economy. According to the author of SB 248, the bill is projected to provide immediate financial relief to 2.4 million low- and middle-income renters in California.

Although the annual tax credit is relatively small in proportion to the total amount most tenants pay in rents each year, the proposed legislation provides some much needed financial assistance for the City's most rent burdened tenants – many of whom may be just a few hundred dollars away from an eviction notice.

In as much as SB 248 (Glazer) is pending legislation that accomplishes the objectives of Resolution (Ryu/Harris-Dawson), it is recommended that the City Council adopt a revised Resolution to support SB 248 (Glazer).

DEPARTMENTS CONTACTED:

Housing and Community Investment Department

BILL STATUS

02/11/19	Introduced. Read first time. To Com. on RLS. for assignment. To print.
02/21/19	Referred to Com. on GOV. & F.
03/18/19	From committee with author's amendments. Read second time and amended. Re-referred to Com. on GOV. & F.
04/04/19	Set for hearing May 1.
04/24/19	From committee with author's amendments. Read second time and amended. Re-referred to Com. on GOV. & F.
05/01/19	From committee: Do pass and re-refer to Com. on APPR. (Ayes 6. Noes 0. Page 902.) (May 1). Re-referred to Com. on APPR.
05/03/19	Set for hearing May 13.
05/13/19	May 13 hearing: Placed on APPR. suspense file.
05/14/19	Set for hearing May 16.
05/20/19	From committee: Do pass as amended. (Ayes 6. Noes 0. Page 1093.) (May 16).
05/21/19	Read second time and amended. Ordered to third reading.

06/24/19 June 24 hearing: Heard for testimony only.
06/27/19 From committee with author's amendments. Read second time and amended. Re-referred to Com. on REV. & TAX.
07/09/19 From committee: Do pass and re-refer to Com. on APPR. (Ayes 8. Noes 1.) (July 8). Re-referred to Com. on APPR.



Anna Enger
Analyst

Attachment: Revised Resolution

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, Approximately 721,000 Angelenos are severely rent-burdened, spending more than 50 percent of their income on housing, and the median rent in Los Angeles County has increased 32 percent while the median renter's income has fallen 3 percent; and

WHEREAS, Share of households in the City of Los Angeles being occupied by renters has grown to over 64 percent since the last renter's credit increase in California, and rising real estate values have contributed to a 16 percent increase in homelessness in the City of Los Angeles over the course of the past year; and

WHEREAS, The State of California presently offers a Renter's Tax Credit that is valued at \$60 for individuals with an adjusted gross income of \$25,000 or less and \$120 for joint filers with an adjusted gross income of \$50,000 or less; and

WHEREAS, SB 248 (Glazer), introduced in February 2019, would increase the Renter's Tax Credit from \$60 to \$220 for taxpayers with no dependents and from \$120 to \$434 for taxpayers with one or more dependents, and would increase the adjusted gross income limit to \$41,641 and \$83,282, respectively; and

WHEREAS, New Renter's Credit Tax values and income limits under SB 248 (Glazer) reflect rises in inflation since they were last increased in the year 1979, and the bill requires that the credit be indexed to inflation annually to ensure that its benefit for renters is sustained long-term; and

WHEREAS, SB 248 (Glazer) restructures California's renter's credit to no longer differentiate between single and joint filers, but rather renters with and without dependents, in order to make the credit more beneficial to single mothers, fathers, and families; and

WHEREAS, SB 248 (Glazer) is projected to provide immediate financial relief to 2.4 low- and middle-income renters in California;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SUPPORT for SB 248 (Glazer) to increase the credit amount from \$60 to \$220 for qualified renters without dependents and from \$120 to \$434 for qualified renters with dependents, and require the Franchise Tax Board to annually recomputed for inflation the credit amount for taxable years on or after January 1, 2021, and before January 1, 2025.