

**REPORT OF THE  
CHIEF LEGISLATIVE ANALYST**

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DATE: April 10, 2018

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations and  
Neighborhoods Committee

FROM: Sharon M. Tso *SSA*  
Chief Legislative Analyst

Council File No: 17-0002-S136  
Assignment No: 18-02-0122

SUBJECT: Resolution (Koretz-Harris-Dawson) to SUPPORT tenant relocation assistance

CLA RECOMMENDATION: Adopt Resolution (Koretz-Harris-Dawson) to include in the City's 2017-18 Federal Legislative Program, SUPPORT or SPONSORSHIP of legislation that would amend the Internal Revenue Code to include a tax exemption for any housing tenant receiving relocation assistance as a result of a lawful eviction or voluntary lease buyout.

SUMMARY

Resolution (Koretz-Harris-Dawson), introduced December 8, 2017, urges support for legislation that would amend the Internal Revenue Code to include a tax exemption for any housing tenant receiving relocation assistance as a result of a lawful eviction or relocation undertaken for any reason, including a voluntary lease buyout. According to the Resolution, the number of units taken off the Los Angeles rental housing market via the Ellis Act over the last three years has risen steadily and caused hundreds of tenants to be displaced. The Resolution also notes that under the City's Rent Stabilization Ordinance (RSO), tenants evicted from RSO units are eligible to receive relocation assistance. Furthermore, the Resolution states that under current federal tax codes, only moving expenses associated with a narrow range of work-related purposes are tax deductible, while no other types of general relocation assistance qualify. Lastly, the Resolution states that allowing evicted tenants to become eligible to receive a federal tax exemption would be of considerable benefit to those displaced. The Resolution therefore request that the City support a program or legislation that would allow any housing tenant receiving relocation assistance to receive a tax exemption.

BACKGROUND

The Council has frequently discussed methods to preserve existing housing while also developing strategies to assist dislocated tenants. Currently, the City's relocation assistance rates range from roughly \$8,000 to \$20,000. In addition to tax liability, seniors who have taxable incomes inflated by relocation payments may face increases in their Medicare premiums.

Current law offers tax deductions for job-related moving expenses and evictions from federally-funded housing. According to public records, there are thousands of City residents who lose their homes as developers utilize laws such as the Ellis Act to displace them; tenants may be thrust into a hostile rental market that has become too expensive for them to find new housing. The tax

exemption would provide financial support to residents who are displaced through no fault of their own. Support of the Resolution is therefore consistent with the City's previous efforts to halt evictions and ease the transition for dislocated tenants.



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Henry Flatt  
Analyst

Attachment: 1. Resolution (Koretz-Harris-Dawson)

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 have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, in the last three years, the number of units taken off the Los Angeles rental housing market via Ellis Act evictions has risen steadily, involving hundreds of units in 2015; and

WHEREAS, under the City's Rent Stabilization Ordinance the tenants evicted from Rent Stabilized units are to receive relocation assistance to help them pay for moving costs and find new housing; and

WHEREAS, there are also certain circumstances in which tenants evicted from non-Rent Stabilized units also are eligible to receive relocation assistance; and

WHEREAS, under federal tax codes, only moving expenses associated with a narrow range of work-related purposes and relocation assistance related to evictions from federally-funded housing are tax deductible, while no other types of general relocation assistance qualify; and

WHEREAS, depending upon a dislocated tenant's tax bracket, federal taxes alone can reduce the buying power of the relocation assistance by up to approximately one-third and, in conjunction with state taxes, render it considerably less helpful in Los Angeles' low-vacancy, high-cost rental market; and

WHEREAS, making evicted tenants receiving relocation assistance eligible for a federal tax exemption would be of considerable benefit to those whose housing situation is disrupted by such a life-changing event; and

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 2017-2018 Federal Legislative Program SPONSORSHIP and/or SUPPORT of legislation that would amend the federal Internal Revenue Code to include a tax exemption for any housing tenant receiving relocation assistance as a result of a lawful eviction or relocation undertaken for any reason, including a voluntary lease buyout.

PRESENTED BY: Paul Koretz  
PAUL KORETZ, Councilmember, Fifth District

SECONDED BY: \_\_\_\_\_

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