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AB-838 Taxation: renter's credit. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 838

Introduced by Assembly Member Ta

February 19, 2025

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

LEGISLATIVE COUNSEL'S DIGEST

AB 838, as introduced, Ta. Taxation: renter's credit.

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 spouses filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$50,000, as adjusted, or less, and in the amount of \$60 for other individuals if adjusted gross income is \$25,000, as adjusted, or less. Existing law requires the Franchise Tax Board to annually adjust for inflation these adjusted gross income amounts. For 2024, the adjusted gross income limit is \$52,421 and \$104,842, respectively.

Existing law establishes the continuously appropriated Tax Relief and Refund Account in the General Fund and provides that payments required to be made to taxpayers or other persons from the Personal Income Tax Fund are to be paid from that account.

This bill, for taxable years beginning on or after January 1 of the taxable year that includes the date on which funding is first authorized for purposes of this bill and for the succeeding 4 taxable years, and only when specified in a bill relating to the Budget Act, would extend the above-described renter's credit to spouses filing joint returns, heads of household, and surviving spouses if adjusted gross income is \$150,000, as adjusted, or less, and for other individuals if adjusted gross income is \$75,000, as adjusted, or less. The bill would also increase the credit amount for those years to \$2,000 for spouses filing joint returns, heads of households, and surviving spouses and \$1,000 for other individuals. In the event the increased credit amount is not specified in a bill relating to the Budget Act, the existing credit amounts and adjusted gross income limits, as described above, would be the credit amounts and adjusted gross income limits for that taxable year. The bill would require the Franchise Tax Board to annually recompute the credit amount and the increased adjusted gross income limits for inflation for taxable years following the first year in which the increased credit is operative, except as provided.

The bill, for credits allowable for taxable years in which the above-described increased credit is operative, would provide that the credit amount in excess of the qualified renter's liability would be refundable and paid from the Tax Relief and Refund Account to the qualified renter upon appropriation by the Legislature.

Existing law requires any bill authorizing a new tax credit to contain, among other things, specific goals, purposes, and objectives that the tax credit will achieve, detailed performance indicators, and data collection requirements.

The bill would provide findings and declarations relating to the goals, purposes, and objectives of this credit.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. 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 the ~~renter's~~ "net tax," as defined in Section 17039. The amount of the credit shall be as follows:

(A) For spouses 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. the following:~~

(i) For taxable years for which clause (ii) does not apply, one hundred twenty dollars (\$120) if adjusted gross income is fifty thousand dollars (\$50,000) or less.

(ii) Except as otherwise provided in subdivision (I), for taxable years beginning on or after January 1 of the taxable year that includes the date on which an appropriation is first made in any bill relating to the Budget Act for this purpose, and for the succeeding four taxable years, two thousand dollars (\$2,000), if adjusted gross income is one hundred fifty thousand dollars (\$150,000) or less.

(iii) For taxable years beginning on or after the date one year after the date specified in clause (ii), and for the succeeding three taxable years, the credit amount in clause (ii) shall be the amount recomputed pursuant to subdivision (k), except as otherwise provided in subdivision (I).

(B) For other individuals, the credit shall be equal to the following:

~~(B)~~

(i) For ~~other individuals, the credit shall be equal to~~ taxable years for which clause (ii) does not apply, sixty dollars (\$60) if adjusted gross income is twenty-five thousand dollars (\$25,000) or less.

(ii) Except as otherwise provided in subdivision (I), for taxable years beginning on or after January 1 of the taxable year that includes the date on which an appropriation is first made in any bill relating to the Budget Act for this purpose, and for the succeeding four taxable years, one thousand dollars (\$1,000) if adjusted gross income is seventy-five thousand dollars (\$75,000) or less.

(iii) For taxable years beginning on or after the date one year after the date specified in clause (ii), and for the succeeding three taxable years, the credit amount in clause (ii) shall be the amount recomputed pursuant to subdivision (k), except as otherwise provided in subdivision (I).

(2) Except as provided in subdivision (b), spouses shall receive ~~but only~~ one credit under this section. If the spouses file separate returns, the credit may be taken by either or equally divided between them, except as follows:

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

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

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

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

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

(2) Rented and occupied premises in this state ~~which~~ *that* constituted the individual's principal place of residence during at least 50 percent of the taxable year.

(d) "Qualified renter" does not include any of the following:

(1) An individual who for more than 50 percent of the taxable year rented and occupied premises that were exempt from property taxes, except that an individual, otherwise qualified, is deemed a qualified renter if ~~the individual~~ *they* or ~~the individual's~~ *their* landlord pays possessory interest taxes, or the owner of those premises makes payments in lieu of property taxes that are substantially equivalent to property taxes paid on properties of comparable market value.

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

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

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

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

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

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

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

(j) *(1)* For each taxable year beginning on or after January 1, 1999, the Franchise Tax Board shall recompute the adjusted gross income amounts set forth in *clause (i) of subparagraphs (A) and (B) of paragraph (1) of* subdivision (a). The computation shall be made as follows:

~~(1)~~

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

~~(2)~~

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

~~(3)~~

(C) The Franchise Tax Board shall multiply the *adjusted gross income* amount in subparagraph (B) of paragraph (1) of subdivision (a) for the preceding taxable year by the inflation adjustment factor determined in paragraph (2), and round off the resulting products to the nearest one dollar (\$1).

~~(4)~~

(D) In computing the *adjusted gross income* amounts pursuant to this subdivision, the *adjusted gross income* amounts provided in subparagraph (A) of paragraph (1) of subdivision (a) shall be twice the amount provided in subparagraph (B) of

paragraph (1) of subdivision (a).

(2) (A) For each taxable year beginning on or after the date one year after an appropriation is first made in a bill relating to the Budget Act for the purpose of the expanded credit provided in clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a), and for the succeeding three taxable years, the Franchise Tax Board shall recompute the adjusted gross income amounts set forth in clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a). The computation shall be made in the same manner as described in paragraph (1).

(B) This paragraph shall not apply during a taxable year in which clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) does not apply pursuant to subdivision (l).

(k) (1) For each taxable year beginning on or after the date one year after an appropriation is first made in a bill relating to the Budget Act for the purpose of the expanded credit provided in clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a), and for the succeeding three taxable years, the Franchise Tax Board shall recompute the credit amount for the immediately preceding taxable year under clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a). The computation shall be made as follows:

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

(B) The Franchise Tax Board shall compute an inflation adjustment factor by adding 100 percent to the portion of the percentage change figure that is furnished pursuant to subparagraph (A) and dividing the result by 100.

(C) The Franchise Tax Board shall multiply the credit amount for the immediately preceding taxable year under clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) by the inflation adjustment factor determined in subparagraph (B) and round off the resulting products to the nearest one dollar (\$1).

(2) This subdivision shall not apply during a taxable year in which clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) does not apply pursuant to subdivision (l).

(l) Unless otherwise specified in any bill providing for appropriations related to the Budget Act, clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) shall not apply, and the credit amounts set forth in clause (i) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) shall be the credit amounts for a qualified renter for the taxable year instead.

(m) For taxable years in which the expanded credit amounts in clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) apply, notwithstanding Section 19611, if the amount allowable as a credit under this section exceeds the tax liability computed under this part for the taxable year, the excess shall be credited against other amounts due, if any, and the balance, if any, shall be paid from the Tax Relief and Refund Account and refunded to the qualified renter upon appropriation by the Legislature.

(n) For the purposes of complying with Section 41, the Legislature finds and declares as follows:

(1) The specific goal, purpose, and objective of the act adding this subdivision is to expand availability of the existing renter's credit to compensate low- and middle-income renters for the increasing rates of rent throughout the State of California.

(2) To measure whether the credit achieves its intended purpose, for those taxable years for which the amount of credit under clause (ii) of subparagraphs (A) and (B) of paragraph (1) of subdivision (a) applies, the Franchise Tax Board shall prepare a written report on the following:

(A) The number of taxpayers claiming the credit.

(B) The average credit amount on tax returns claiming the credit.

(3) The Franchise Tax Board shall provide the written report prepared pursuant to paragraph (2) to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, the Senate and Assembly Committees on Appropriations, the Senate Committee on Governance and Finance, and the Assembly Committee on Revenue and Taxation. The report shall be submitted in compliance with Section 9795 of the Government Code, and no later than May 1 of the year following the year relevant to the report.

(4) The disclosure requirements of this subdivision shall be treated as an exception to Section 19542.

SEC. 2. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.