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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ashley Johansson
Initiative Coordinator
Attorney General's Office
P.O. Box 994255
1300 I Street
Sacramento, CA 95814

Re: California Homeowners and Renters Tax Relief Act of 2016

Dear Ms. Johansson:

By this letter, I respectfully request the Attorney General to prepare a title and summary of the chief purpose and points of the California Homeowners and Renters Tax Relief Act of 2016, a copy of which is attached. I have also included with this letter the required signed statement pursuant to California Elections Code sections 9001 and 9608, and a check in the amount of $200. My address as a registered to vote is shown on Attachment 'A' to this letter.

Any correspondence regarding this initiative should be directed to me at Howard Jarvis Taxpayers Association, 921 Eleventh Street, Suite 1201, Sacramento, CA 95814 (916.444.9950).

Thank you for your cooperation.

Sincerely,

Jon Coupal, President
Howard Jarvis Taxpayers Association

CALIFORNIA HOMEOWNERS AND RENTERS TAX RELIEF ACT OF 2016

SECTION I. TITLE.

This Measure shall be known as the "California Homeowners and Renters Tax Relief Act of 2016."

SECTION 2. PURPOSE AND INTENT.

A. Housing affordability is a critical issue for the State of California and its economy. Nationally, over half of all Americans can afford a home, but only about one-third of Californians can afford to realize the American dream of owning their own home. It is time to make homeownership more affordable in California by recognizing the economic realities of the new century and the New Economy.

B. The homeowners' property tax exemption of $7,000 has not been increased since 1972 when the median priced home sold for $28,660. Currently, an average home is selling for nearly ten (10) times that amount, and yet the homeowners' exemption remains unchanged at $7,000. An increase in the homeowners' property tax exemption is long overdue.

C. California homeowners have been subjected to a massive increase in levies and fees on their property beyond the basic *ad valorem* tax including, but not limited to, billions in parcel taxes, fees for services previously funded by property taxes, bond charges and other indebtedness taxes.

D. Increasing the homeowners' property tax exemption from $7,000 to $32,000 will save every homeowner in California more than $250 per year. This will help make housing more affordable, help to mitigate the heavy and disproportionate financial burden placed on homeowners from property tax increases to repay local bonds, and help to provide some relief from excessive utility fee and charge increases.

E. Under this Act, all renters will receive tax relief comparable to that provided to homeowners by an increase in the renters' tax credit. This will provide tax relief to renters, who also face housing affordability problems, as well as to help provide some relief from excessive utility fee and charge increases.

F. This Act will benefit all Californians, but especially those who are senior citizens, first time homebuyers and those who are on fixed incomes.

SECTION 3. Article 13, Section 3, subdivision (k) of the California Constitution is amended to read:

(k) *(1)* ~~$7,000~~ *$32,000* of the full value of a dwelling, as defined by the Legislature, when occupied by an owner as his principal residence, unless the dwelling is receiving another real property exemption. *The exemption shall be adjusted annually thereafter to reflect cost of living increases as determined by changes in the California Consumer Price Index.* ~~The Legislature may increase this exemption and may deny it if the owner received state or local aid to pay taxes either in whole or in part, and either directly or indirectly, on the dwelling.~~ *The Legislature is hereby empowered to increase the exemption above the amount of $32,000 or the amount adjusted for inflation.* ~~No increase in this exemption above the amount of $7,000 shall be effective for any fiscal year unless the Legislature increases the rate of state taxes in an amount sufficient to provide the subventions required by Section 25.~~ *Provisions of this subdivision amended by the "California Homeowners and Renters Tax Relief Act of 2016" shall become operative on January 1, 2017.*

~~If the Legislature increases the homeowners' property tax exemption, it shall provide increases in benefits to qualified renters, as defined by law, comparable to the average increase in benefits to homeowners, as calculated by the Legislature.~~

(2) If the homeowners' property tax exemption is increased by the Legislature above the amount of $32,000 or the inflation adjusted amount, an increase in benefits to qualified renters, as defined by law, comparable to the average increase in benefits to homeowners, as calculated pursuant to law, shall be provided.

(3) In accordance with Section 25 of this Article, and to protect funding for public education and public safety, the Legislature shall provide, in the same fiscal year, reimbursements to each local government for revenue lost as a result of this subdivision. To further protect funding for public education, the required reimbursements shall be made through annual State general fund appropriations other than those appropriations guaranteed to be applied by the State for the support of school districts and community college districts under Section 8 of Article XVI. The required reimbursements shall not be construed to have, and shall be implemented by the Legislature so as not to have, a net fiscal impact upon the moneys otherwise required to be applied by the State for the support of school districts and community college districts under Section 8 of Article XVI.

(4) Notwithstanding any other provision of law, the supplemental credit provided to renters shall not be classified as a revenue program resulting in a reduction in General Fund revenues, including for purposes of Section 8 of Article XVI, but rather shall be funded through annual State general fund appropriations other than those appropriations guaranteed to be applied by the State for the support of school districts and community college districts under Section 8 of Article XVI. The purpose and intent of this paragraph is to protect, and not adversely impact, the constitutionally guaranteed funding level for public education by returning to the manner in which the renters' credit was funded when it was originally established. As used in this paragraph, "supplemental credit" means that component of tax relief provided to renters under the "California Homeowners and Renters Tax Relief Act of 2016." The Legislature shall pass all laws necessary to carry out the purpose and intent of this paragraph and paragraph (3) of this subdivision.

SECTION 4. Section 218.4 of the Revenue and Taxation Code is hereby added to read:

218.4. (a) Notwithstanding Section 218, the homeowners' property tax exemption shall be in the amount of thirty-two thousand dollars ($32,000) of the full value of the dwelling. The Legislature may amend this section to increase the exemption amount. The exemption shall be adjusted annually pursuant to subdivision (b) to reflect changes in the California Consumer Price Index. This section shall become operative on January 1, 2017.

(b) Starting in 2017, and each year thereafter, the State Board of Equalization shall recalculate, for the current year, the amount of the exemption applied under this section. That computation shall be made as follows:

(1) The California Department of Industrial Relations shall transmit annually to the State Board of Equalization the percentage change, rounded up to the nearest one-tenth of one percent, in the California Consumer Price Index for all items from June of the prior calendar year to June of the current calendar year, no later than August 1 of the current calendar year.

(2) The State Board of Equalization shall compute an inflation adjustment factor by adding 100 percent to the percentage change figure that is furnished pursuant to paragraph (1) and then dividing the result by 100. The inflation adjustment factor shall be expressed to three decimal places.

(3) The State Board of Equalization shall multiply the exemption amount under this section for the preceding year by the inflation adjustment factor determined in paragraph (2), and round up the resulting product to the nearest one hundred dollars ($100). The State Board of Equalization shall, by August 15 of the current calendar year, notify each county assessor in writing of the adjusted exemption amount for the current year. The adjusted exemption amount shall then be used for the current year.

SECTION 5. 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*, which shall consist of two components,* shall be as follows:

(A) For married couples filing joint returns, heads of household, and surviving spouses (as defined in Section 17046) the *base* credit shall be equal to one hundred twenty dollars ($120) if adjusted gross income is fifty thousand dollars ($50,000) or less*, plus a supplemental credit of two hundred fifty dollars ($250) without regard to adjusted gross income.*

(B) For other individuals, the *base* credit shall be equal to sixty dollars ($60) if adjusted gross income is twenty-five thousand dollars ($25,000) or less*, plus a supplemental credit of one hundred twenty-five dollars ($125) without regard to adjusted gross income.*

(C) The amount of the supplemental credit shall be adjusted each taxable year pursuant to subdivision (j) of this section to reflect changes in the California Consumer Price Index.

(2) Except as provided in subdivision (b), either spouse shall receive but one credit under this section. If the husband and wife 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 a married couple, 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:

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

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

(d) The term "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 he or she or his or her 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 any other person who claimed such 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) Any 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) Every 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 the purposes of this section, the term "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. *Provisions of this section relating to the supplemental credit shall apply to any taxable year beginning on or after January 1, 2017.*

(j) 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 subdivision (a). *For each taxable year beginning on or after January 1, 2017, the Franchise Tax Board shall also recompute the amount of the supplemental credit set forth in subdivision (a).* ~~That computation~~ *The computations* shall be made as follows:

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

(3) The Franchise Tax Board shall multiply the amount in subparagraph (B) of paragraph (1) of subdivision ~~(d)~~ *(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) In computing the amounts pursuant to this subdivision, the 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).

(5) The Franchise Tax Board shall multiply the amount of the supplemental credit under this section for the preceding taxable year by the inflation adjustment factor determined in paragraph (2), and round up the resulting product to the nearest one dollar ($1). The adjusted supplemental credit amount shall then be used for the current taxable year.

(k) As used in this section, "supplemental credit" means that component of tax relief provided to renters under the "California Homeowners and Renters Tax Relief Act of 2016."

(l) The Legislature may amend this section to increase the amount of the credit.

SEC. 6. LIBERAL CONSTRUCTION. The provisions of this act shall be liberally construed and implemented to effectuate its purposes of providing an increase in the homeowners exemption and an increase in the renters' credit.

SEC. 7. SEVERABILITY. If any provision of this Act, or part thereof, or the application of any provision of this Act, or part thereof, to any person or circumstances, is for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and shall not affect the remaining provisions or applications of this Act to other persons or circumstances, and to this end the provisions of this Act are severable.