

CHAPTER 6F

RENTERS' CREDIT

HIGHLIGHTS

- Type of Relief The renters' credit is a nonrefundable personal income tax credit intended to provide partial relief from the property tax.
- Eligibility Any person who rented and occupied a California premises as a principal residence for at least 50% of the taxable year.
- Availability The credit was reinstated effective January 1, 1998 for the 1998 and all future tax years.
- Amount of Credit \$60 (single and married filing separately), \$120 (married filing jointly, head of household, and surviving spouse).*
- Cost**

2006-07	\$ 97 million
2007-08	\$101 million
2008-09	\$102 million

*The credit is phased out above specified adjusted gross incomes

**Costs are initially estimated and revised as data becomes available

Source: Franchise Tax Board

1. DESCRIPTION OF CREDIT

Under California law, qualified renters are allowed a nonrefundable personal income tax credit. The credit is a flat amount and is not related to the amount of rent paid. The renters' credit was suspended for the 1993 through 1997 tax years but was reinstated effective January 1, 1998 for the 1998 and all future tax years. In 2008, a \$120 credit is available to married taxpayers filing jointly, heads of household, and surviving spouses with adjusted gross incomes of \$69,872 or less. A \$60 credit is available to single taxpayers and married taxpayers filing separately with adjusted gross incomes of \$34,936 or less. These phase-out amounts are indexed annually for inflation.

2. ELIGIBILITY

A "qualified renter" is an individual who:

- Is a California resident; and

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- Rented and occupied California premises constituting his or her principal place of residence for at least 50% of the taxable year. Persons residing in mobilehomes qualify if the land on which their mobilehome sits is rented.

Any otherwise qualified renter who is a nonresident for a portion of the taxable year is allowed 1/12 of the renters' credit for each full month that the individual resides in the state during the taxable year.

A "qualified renter" does not include individuals:

- Who for more than 50% of the taxable year rented and occupied premises that were exempt from property taxes;
- Whose principal place of residence for more than 50% of the taxable year was with any other person who claimed that individual as a dependent for income tax purposes; or
- Who has been allowed or whose spouse has been allowed the homeowners' property tax exemption during the taxable year.

The Revenue and Taxation Code defines a resident as:

- Every individual who is in this state for other than a temporary or transitory purpose; and
- Every individual domiciled in this state who is outside the state for a temporary or transitory purpose.

3. APPLICATION PROCEDURE

All California personal income tax booklets include a Nonrefundable Renter's Credit Qualification record. By answering the questions on the qualification record, taxpayers can determine if they qualify to claim the nonrefundable renter's credit.

A separate application is not required. Those who qualify may claim the credit on their tax returns.

4. COST

The state cost of the renters' credit was \$101 million in fiscal year (FY) 2007-08, and is estimated to be \$102 million in FY 2008-09.

5. CODE

Revenue and Taxation Code Section 17053.5