

Taxation and Government Finance Committee
C.A.R. Meeting – Fall 2024
Wednesday, September 25

STATE UPDATES AND REPORTS

A. PROPERTY TAX

1. ACA 10/AB 2813 (Aguiar-Curry) Amendments to ACA 1 (2023) - C.A.R. removed its opposition to ACA 1 based on amendments to the measure contained in ACA 10 and AB 2813.

ACA 1, as amended, seeks to lower the vote requirement for specified housing and public infrastructure bonds from the current constitutionally required two-thirds to fifty-five percent for those bonds which fund housing and public infrastructure projects. In the original ACA 1, C.A.R. did not oppose the provision to reduce the threshold for housing bonds as C.A.R. had an existing position of neutrality on a reduction of voting thresholds for housing bonds. C.A.R. did oppose the provision to reduce the threshold for infrastructure because there was such a wide range of potential infrastructure projects that could be funded, potentially burdening homeowners for projects that are not directly connected to housing. Furthermore, ACA 1 as originally passed also amended existing constitutional provisions put into place by Proposition 13 by lowering vote thresholds on special taxes.

The amendments to ACA 1 that allowed C.A.R. to remove its opposition include a removal of the language that amended Proposition 13; as a result, there will be not changes to the voter threshold for special taxes (such as parcels taxes). The amendments also include a clear definition for public infrastructure and strengthening of the prohibition against the use of bond funds to acquire single family 1-4 homes.

Position: Watch

Status: Signed into law by the Governor (the measure will only take effect if Proposition 5 is approved by voters on the November 2024 general election ballot)

2. ACA 13 (Ward) Vote Thresholds - ACA 13 would make it much more difficult to limit taxation in California by requiring initiatives that raise the vote threshold for state and local taxes to be approved by the same threshold. If an initiative proposed to raise the vote threshold for a particular type of tax to a super majority, it too would have to be approved by a super majority before its provisions could be applied. Originally set to appear on the November 2024 ballot, the measure was later a part of legislation (AB 440) moving certain ballot initiatives to a future date. As a result, ACA 13 will now appear on the November 2026 ballot.

Position: Oppose

Status: Deferred to the November 2026 general election ballot

3. SB 726 (Archuleta) Property Tax Exemption: Disabled Veterans - Existing law allows a homeowner to submit a claim with an assessor if they qualify for a disabled veterans' exemption

to receive tax relief on their principal place of residence. For a ten-year period beginning January 1, 2024, SB 726 sought to create a new disabled veterans' exemption in lieu of the existing exemption by proposing to increase the amount of the existing exemption to \$863,790. C.A.R. supported SB 726, which allowed for an exemption from taxation on that part of the full value of the principal place of residence that does not exceed \$863,790 for a veteran who is 100% disabled or their spouse.

Position: Support

Status: Died in the Assembly Revenue and Taxation Committee

4. SCA 6 (Archuleta) Property Tax Exemptions - This bill sought to allow a property owner to receive the homeowners' exemption in addition to the veterans' exemption or the disabled veterans' exemption. C.A.R. supported SCA 6, which sought to make homeownership more affordable by allowing for the coupling of qualifying property tax exemptions to homeowners.

Position: Support

Status: Died on the Assembly Desk

5. AB 1865 (Patterson) Homeownership Savings Account - Beginning January 1, 2024, this bill would have allowed prospective homebuyers to create a Homeownership Savings Account. This account would have excluded from a person's gross income any income earned on the monies contributed to a homeownership savings account up to \$20,000 for those filing a joint, head of household, or surviving spouse return and \$10,000 for all other taxpayers. C.A.R. supported this measure as it sought to provide a cost effective way to help reduce financial barriers to new home buyers, while facilitating the ability of more of the state's middle-class families to enjoy the security of home ownership.

Position: Support

Status: Died in the Assembly Appropriations Committee

6. AB 1879 (Gipson) Electronic Signatures - This measure authorizes County Assessor offices to accept electronic signatures in lieu of "wet signatures." In this ever-evolving technological landscape, this is a common-sense measure that responds to the changing times and simply provides more flexibility to taxpayers who may find it easier to submit their tax forms with an electronic signature instead of a wet-signature.

Position: Support

Status: Pending on the Governor's Desk

7. AB 2564 (Boerner) Property Tax Postponement: Senior Citizens and Disabled Citizens Property Tax Postponement Fund - Existing law establishes the Property Tax Postponement Program (Program), which allows the state controller to pay property taxes to county tax collectors on behalf of individuals over the age of 62 or disabled persons with an annual household income of \$39,000 or less. A reintroduction of AB 265 (Boerner, 2023), this bill provides a permanent source of funding to ensure the viability of the Program. C.A.R. supports

the need to ensure that this Program continues to operate as it offers individuals on fixed incomes, low-income seniors, and disabled persons assistance with paying their property taxes, which allows them to continue to stay in their homes.

Position: Support

Status: Pending on the Governor's Desk

8. AB 3134 (Chen) Property Tax Refunds - Existing law authorizes a refund of taxes or assessments, without a claim being filed for a refund, to the assessee of that property if specified conditions are met, including that there has been no transfer of the property during or since the fiscal year for which the taxes subject to refund were levied and the amount of the refund is less than \$5,000. This bill, among other provisions, increases this amount from less than \$5,000 to less than \$10,000. C.A.R. supports AB 3134 as it will help provide timely refunds to property owners and bring relief to our state's veterans.

Position: Support

Status: Pending on the Governor's Desk

B. GOVERNMENT FINANCE

1. SB 946 (McGuire) Personal Income Tax Law: Corporation Tax Law: Exclusions: Wildfire Mitigation Payments - This measure seeks to exclude, for taxable years beginning on or after January 1, 2024 and before January 1, 2029, payment amounts received by a qualified taxpayer through the California Wildfire Mitigation Program (CWMP) from taxable income. SB 946 ensures that low-income residents and seniors who receive home-hardening grants through CWMP do not pay state income tax on those grants.

Position: Support

Status: Pending on the Governor's Desk

2. SB 952 (Dahle) Personal Income Taxes: Fire Safe Home Tax Credits Act – Under this bill, beginning January 1, 2025 through January 1, 2030, a taxpayer would have been eligible to receive a credit for home-hardening improvements per calendar year of up to: 1) \$2,500 if the taxpayer's qualified property is located in a moderate-fire hazard-severity zone; 2) \$5,000 for a qualified property located in a high-fire hazard-severity zone; and \$10,000 for a qualified property located in a very high-fire hazard-severity zone. The measure would have required the qualifying property be in the designated wildfire prone areas and where the taxpayer receives a homeowners' exemption. The credit would have only been made available to one taxpayer per property regardless of filing status. The measure called for a total of \$500 million to be set aside from the state's general fund for these tax credits.

Position: Support

Status: Died in the Senate Appropriations Committee

3. AB 1932 (Ward) Eliminates Mortgage Interest Deduction on Second Homes - This bill sought to eliminate the state tax deduction for mortgage interest on second homes and directed the tax revenues to a variety of housing programs. 50% of these revenues

would be used to be used for rental housing projects, 25% would be used to support homeownership opportunities for first-time homebuyers, and the remaining 25% would be used for distribution to local public housing authorities to provide housing navigation services and landlord incentives for housing voucher recipients. C.A.R. opposed AB 1932 as it would have increased the tax burden on hardworking families who own second homes by eliminating the mortgage interest deduction for second homes.

Position: Oppose

Status: Died in the Assembly Appropriations Committee

4. AB 2616 (Lee) Eliminates Mortgage Interest Deduction on Second Homes: General Fund

- This bill sought to eliminate the state tax deduction for mortgage interest on second homes and directed the tax revenues to the state's General Fund. C.A.R. opposed AB 2616 as it would have negatively impacted homeowners who made a financial decision based on this tax deduction. Finally, any additional revenue deposited into the General Fund as a result of this measure would not have made much of any impact on the state's financial issues.

Position: Oppose

Status: Died on the Assembly Desk

C. COMMERCIAL INVESTMENT

1. AB 98 (Juan Carrillo) Planning and zoning: Logistics Use: Truck Routes – This measure seeks to require areas that are specified within the warehouse concentration region such as the Counties of Riverside and San Bernardino and the Cities of Chino, Colton, Fontana, Jurupa Valley, Moreno Valley, Ontario, Perris, Rancho Cucamonga, Redlands, Rialto, Riverside, and San Bernardino to meet specific criteria for a new or expanded logistic site. Furthermore, it would require the warehouse concentration region to update their circulation element, which requires every county and city to adopt a general plan that sets out planned uses for all of the area covered by the plan. This measure is attempting to establish new minimum mitigation standards in order to mitigate the negative environmental impacts that result from warehouse activities such as air pollution.

Position: Watch

Status: Pending on the Governor's Desk

D. TRANSACTION TAX

1. SB 1031 (Wiener) San Francisco Bay Area: Local Revenue Measure: Transportation Improvements - This measure would have allowed for the Metropolitan Transportation Commission to impose a sales tax increase, an employer payroll tax, a parcel tax, and a regional vehicle registration surcharge in specified Bay Area counties (Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano, and Sonoma) for purposes of funding transportation-related infrastructure projects. C.A.R., along with a coalition of others, opposed this measure as it punished homeowners by allowing the Commission to impose parcel taxes on homeowners. C.A.R. maintained an OPPOSE UNLESS AMENDED position on SB 1031 until the imposition of parcel taxes was removed from the bill.

Position: Oppose

Status: Died on the Assembly Desk

FEDERAL UPDATES AND REPORTS

A. H.R. 7707 (Panetta) and S. 3940 (Whitehouse) - The First-Time Homebuyer Tax Credit Act aims to address the growing disparity between home prices and incomes, making homeownership more accessible to lower- and middle-income Americans. The bill proposes a refundable tax credit of up to 10% of a home's purchase price (maximum \$15,000) for first time homebuyers. The Act provides options for taxpayers to receive the credit either at the time of purchase or retroactively for the previous taxable year. However, the credit phases out for buyers with incomes above 150% of area median income and those purchasing homes above 110% of the median purchase price and is limited to federally backed mortgages.

Position: Support

Status: H.R. 7707 - House Ways and Means Committee; S. 3940 - Senate Finance Committee

B. H.R. 3940 (Kelly) and S. 657 (Cardin) - The Neighborhood Homes Investment Act (Act) aims to address the challenge of deteriorating neighborhoods and low homeownership rates across the U.S. Many communities struggle with aging or abandoned single-family homes, exacerbating instability and economic woes. The Act proposes offering tax credits to attract private investment for building and rehabilitating owner-occupied homes, providing a pathway to sustainable homeownership and neighborhood revitalization. Unlike existing federal financing programs like the Low-Income Housing Tax Credit and the New Markets Tax Credit, which focus on rental housing and economic development, this Act targets the development of owner-occupied homes. States would administer the tax credits, allocating them based on criteria emphasizing neighborhood revitalization and project sponsor strength. Sponsors would utilize the credits to raise equity capital from investors, who would assume construction and marketing risks, ensuring that tax credits are only applied upon successful completion of the project and occupancy by eligible homeowners.

Position: Support

Status: H.R. 3940 - House Ways and Means Committee; S. 657 - Senate Banking, Housing, and Urban Affairs Committee

C. H.R. 6861 (Kiley) - The Supporting Affordable Fire Emergency Hardening through Optimized Mitigation Efforts Act (SAFE HOME Act) establishes a refundable personal credit for wildfire mitigation expenditures. Under the SAFE HOME Act, individuals may claim a tax credit equal to 25 percent of qualified wildfire mitigation expenses incurred during the taxable year, with a maximum credit limit of \$25,000. Qualified expenses include investments in fire-resistant roofing, ignition-resistant construction materials for dwellings, creation of fire buffers, fuel management techniques, and smoke prevention measures. Notably, these expenditures must be documented adequately, and the credit does not apply to expenses reimbursed by government entities. The SAFE HOME Act targets areas affected by federal natural disaster declarations related to wildfires, offering incentives for homeowners to fortify their properties against future fire risks. The

provisions are effective for taxable years beginning after December 31, 2022, and the credit terminates for expenditures made after December 31, 2032.

Position: Support

Status: House Ways and Means Committee

D. H.R. 7024 (J. Smith) - In January 2024, the House of Representatives released the details of H.R. 7024, the Tax Relief for American Families and Workers Act (Act). This Act is an \$80 billion bipartisan bill that will extend the expiring business tax provisions of the R&D credit, bonus depreciation, and business interest expense, as well as expand the child tax credit. The Act also contains an extension of the Low-Income Housing Tax Credit.

Position: Watch

Status: Failed a cloture vote in the Senate

E. H.R. 1321 (Panetta) - C.A.R. and NAR support H.R. 1321 (also known as the More Homes on the Market Act), which would double the current capital gains exclusion on a primary residence from \$250,000 to \$500,000 for single tax filers and \$500,000 to \$1,000,000 for joint filers. Additionally, the bill would index these limits for inflation on a go-forward basis.

Position: Support

Status: House Ways and Means Committee

F. State and Local Tax Deduction Cap Increase - Since the beginning of the current 118th Session of Congress, over a dozen bills have been introduced to address the current \$10,000 limit on state and local tax deductions (SALT) on federal tax returns. A bipartisan SALT Caucus has been created by members of Congress who have made this a priority issue, and both Democrats and Republicans have stated they will not vote for a large tax package without a provision that increases the current SALT cap.

Position: Support

Status: Pending

G. H.R. 7849 (Thompson) Disaster Resiliency and Coverage Act - H.R. 7849 establishes the Individual Household Disaster Mitigation Program, mandating the President to provide grants to states and tribal governments for pre-disaster mitigation targeting high-risk households.

Key Provisions:

- **Grant Program:** Focuses on households in disaster-prone areas with incomes below \$250,000 (or \$500,000 for joint filers). Grants up to \$10,000 per household, adjusted for inflation, are available for qualifying mitigation activities.
- **Qualifying Activities:** Includes structural improvements, flood prevention systems, fire risk reduction, and compliance with safety standards.
- **Tax Benefits:** Payments from state mitigation programs are excluded from gross income, and taxpayers can claim a 30% credit for disaster mitigation expenditures. The bill aims to strengthen disaster preparedness and resilience at the household level.

Position: Support

Status: Referred to the House Ways and Means Committee and the House Transportation and Infrastructure Committee

H. H.R. 9002 (Carey) Revitalizing Downtowns and Main Streets Act - The Revitalizing Downtowns and Main Streets Act proposes a new tax incentive aimed at converting nonresidential buildings into affordable housing. This legislation introduces a 20% investment credit for qualified conversion expenditures related to eligible commercial buildings that are at least 20 years old. To qualify, at least 20% of the residential units in the converted building must be rent-restricted for individuals earning 80% or less of the area median income over a 30-year period.

The bill sets a national cap of \$12 billion for the program, with additional provisions for economically distressed areas that could allow up to \$3 billion in extra allocations. It mandates housing credit agencies to establish allocation plans that prioritize financial feasibility, local government support, and the potential for economic revitalization, ensuring that the conversions contribute to affordable housing solutions in urban centers.

Position: Support

Status: House Ways and Means Committee