

## Taxation and Government Finance C.A.R. Meeting – Spring 2024

### Updates:

#### PROPERTY TAX

**1. 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 creates 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. supports SB 726, which allows 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:** Assembly Revenue and Taxation Committee (Two-Year Bill)

**2. SCA 6 (Archuleta) Property Tax Exemptions** - This bill allows a property owner to receive the homeowners' exemption in addition to the veterans' exemption or the disabled veterans' exemption. C.A.R. supports SCA 6, which seeks to make homeownership more affordable.

**Position:** Support

**Status:** Assembly Desk (Two-Year Bill)

**3. AB 1865 (Patterson) Homeownership Savings Account** - Beginning January 1, 2024, this bill seeks to permit prospective homebuyers to create a Homeownership Savings Account. This account excludes 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. supports this measure as it provides a cost-effective way to help reduce financial barriers to new homebuyers, while facilitating the ability of more of the state's middle-class families to enjoy the security of home ownership.

**Position:** Support

**Status:** Assembly Revenue and Taxation Committee

**4. 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:** Assembly Floor

**5. 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:** Assembly Revenue and Taxation Committee

**6. 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:** Assembly Revenue and Taxation Committee

## **GOVERNMENT FINANCE**

**1. 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 is 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 3) \$10,000 for a qualified property located in a very high-fire hazard-severity zone. The qualified property must be a home located in the designated wildfire prone areas and where the taxpayer receives a homeowners' exemption. The credit will only be available to one taxpayer per property regardless of filing status. A total of \$500 million will be reserved for these tax credits.

**Position:** Support

**Status:** Senate Revenue and Taxation Committee

**2. AB 1932 (Ward) Eliminates Mortgage Interest Deduction on Second Homes** – This bill eliminates the state tax deduction for mortgage interest on second homes and directs these 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. opposes AB 1932 as it increases the tax burden on hardworking families who own second homes by eliminating the mortgage interest deduction for second homes. This tax increase

unfairly impacts homeowners who have scrimped and saved over years and are now eligible to use this deduction in order to better the lives of their families.

**Position:** Oppose

**Status:** Assembly Housing and Community Development Committee

### **3. AB 2616 (Lee) Eliminates Mortgage Interest Deduction on Second Homes:**

**General Fund** - This bill eliminates the state tax deduction for mortgage interest on second homes and directs these tax revenues to the state's General Fund. C.A.R. opposes AB 2616 as it negatively impacts homeowners who have made a financial decision based on using this tax deduction, and any additional revenue deposited into the General Fund as a result of this measure will do little to ease the state's fiscal crisis.

**Position:** Oppose

**Status:** Assembly Desk

## **TRANSACTION TAX**

### **1. SB 1031 (Wiener) San Francisco Bay Area: Local Revenue Measure:**

**Transportation Improvements** - This measure authorizes 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, opposes this measure as it punishes homeowners by allowing the Commission to impose parcel taxes on homeowners. C.A.R. will oppose SB 1031 until it is amended to remove the imposition of parcel taxes as it is not just homeowners who will benefit from these transportation projects.

**Position:** Oppose

**Status:** Senate Transportation Committee

## **FEDERAL TAXATION ISSUES**

**1. 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

**2. 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

**3. 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

**4. 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:** Passed out of the House and is pending the Senate

**5. 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

**6. 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