



A Tradition of Stewardship  
A Commitment to Service

Agenda Date: 3/16/2020

Agenda Placement: 7B

## Napa County Legislative Subcommittee Board Agenda Letter

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**TO:** Napa County Legislative Subcommittee  
**FROM:** Mary Booher for Minh Tran - County Executive Officer  
County Executive Office  
**REPORT BY:** Molly Rattigan, Deputy County Executive Officer - 253-4112  
**SUBJECT:** AB 1905 (Chiu) Permanent Funding to Address Homelessness

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### **RECOMMENDATION**

County Executive Officer seeks discussion and possible action on AB 1905 (Chiu) a bill that creates a permanent source of funding for homelessness by eliminating the mortgage interest deduction on vacation homes and conforming to federal law the amount of interest a taxpayer can deduct on a primary home.

### **EXECUTIVE SUMMARY**

AB 1905 would create a permanent source of funding for homelessness by eliminating the mortgage interest deduction on vacation homes and conforming to federal law the amount of interest a taxpayer can deduct on a primary home.

Staff recommends the committee appoint a member to discuss the bill and possible implications for Napa County with the author's office.

### **FISCAL & STRATEGIC PLAN IMPACT**

Is there a Fiscal Impact? No

County Strategic Plan pillar addressed:

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

## **BACKGROUND AND DISCUSSION**

### **Synopsis and Background**

On any given night in the state, 150,000 Californians are homeless, and the numbers are increasing. California has the highest rate of unsheltered homeless individuals at over 108,000, which is 70% of the state's total homeless population. Even as we successfully get people housed, more people are falling into homelessness. In Oakland, for each person the city houses, two more people become homeless. In San Francisco, for each person the city houses, three more people become homeless. In Los Angeles County, for every 133 people housed, 150 are falling into homelessness.

In the past few years, the state has provided one-time funding to local governments to respond to this crisis, but an ongoing, sustainable funding source has yet to be identified.

In stark contrast, the largest investment the state makes in housing is through the mortgage interest deduction (MID), a deduction that disproportionately benefits people with higher incomes and higher home values. In 2012, 77 percent of the benefits from the federal mortgage interest deduction went to homeowners with incomes above \$100,000. According to the Franchise Tax Board (FTB), approximately 4.3 million Californians claim the deduction resulting in over \$4.2 billion in revenue loss to the state each year.

After the passage of the 2017 federal tax law, taxpayers can only deduct interest paid on the first \$750,000 on their federal tax returns, but California law still allows taxpayers to deduct interest paid on the first \$1 million of a home loan on their state tax returns. Lack of state conformity costs several hundred million dollars a year.

In addition to the MID deduction that California taxpayers can make on their primary homes, they can also deduct interest paid on a second vacation home they own. The estimated impact of the vacation home MID on the General Fund averaged \$250 million a year. Only 175,000 California taxpayers claim a MID on a second vacation home.

AB 1905 would create a permanent source of funding for homelessness by eliminating the mortgage interest deduction on vacation homes and conforming to federal law the amount of interest a taxpayer can deduct on a primary home.

Combined these changes would generate close to half a billion dollars annually to combat our state's homelessness crisis. This funding would be used to fund immediate and long-term solutions to homelessness, informed by best-practice frameworks focused on moving homeless individuals and families into permanent housing and supporting the efforts of those individuals and families to maintain their housing.

### **Status**

Introduced, referred to the Assembly Committees on Revenue and Taxation and Housing and Community Development

### **Support and Opposition**

CSAC: Watch

RCRC: No Position

NACo: N/A

Other: Housing Advocates

**STAFF COMMENTS**

Platform: No

**Recommendation**

Staff recommends the Legislative Subcommittee identify a member of the committee to discuss the bill with the Author's Office and obtain further information.

**SUPPORTING DOCUMENTS**

A . AB 1905

Recommendation: Approve

Reviewed By: Molly Rattigan