

CALIFORNIA LEGISLATURE—2025-2026 SIMULATION SESSION

SENATE BILL

NO 5

Introduced by Senator Wiener
(Co-Sponsor: Senator Maguire and Senator Grayson)

October 1, 2025

Adding Section 243 and 243.1 to the Revenue and Taxation Code regarding tax incentives for low-income-housing owning landlords.

LEGISLATIVE COUNSEL'S DIGEST

SB 5, as introduced, Senator Wiener. CA Low-Income Housing Incentive Act

In California, property taxes on real estate are regulated by Proposition 13 and the Revenue and Taxation Code. This legislation limits the annual increase in assessed value to 2%, unless there is a change in ownership. When multi-unit housing properties change hands, they are typically reassessed based on current market value, which can lead to substantial tax hikes for new owners.

Presently, there are few incentives for landlords of rental properties allocated for low-income tenants in California. Nonprofit housing entities may access property tax exemptions under Revenue and Taxation Code Sections 214, but these generally do not extend to private for-profit landlords or those who include low-income units within their housing properties. While some initiatives, such as Department of Housing and Community Development programs, enforce maximum rent levels for state-assisted affordable housing, no statewide tax incentive currently exists to encourage private multi-unit housing owners to rent to low-income tenants and limit the property tax increases resulting from ownership changes.

This bill would increase the availability of affordable housing by incentivizing landlords and property owners of multi-unit housing properties to lease their units at a low-income-friendly price. This would reduce the financial burdens that taxes have on landlords who charge comparatively low rates of rent within their properties. By directly linking tax benefits to rent levels and occupancy rates, the bill aims to expand affordable housing stock without necessarily requiring new construction.

The bill achieves these impacts by providing a tiered state income tax deduction ranging from \$2,000 to \$4,000 per unit based on the proportion of units rented to low-income tenants, beginning at 75%. Compliance is verified annually through documentation submitted to the county assessor and administered by the State Franchise Tax Board. Local agencies are responsible for verifying property tax eligibility, and no additional state appropriation is required to administer these programs.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SEC. 1. The Legislature finds and declares the following:

(a) The California legislature recognizes that the housing crisis is creating a desperate situation for low-income individuals and families. Rent pricing is a major component of our state's affordability crisis.

(b) Californians rely and look to their legislature for support regarding the housing affordability crisis.

(c) Landowners and landlords are a major component of California's housing, and regulation aimed at encouraging free enterprise to succeed while giving Californians the opportunity for affordable housing is parallel to the state's mission to support business enterprise owners big and small alike.

(d) Existing law rewards nonprofits that dedicate housing to low-income individuals, but little legislation exists to incentivize private landlords to lease their units to low-income families and individuals.

SEC. 2. Section 243 is added to the Revenue and Taxation Code to read:

(a) Definitions. For purposes of this bill:

(1) "Multi-unit housing property" refers to a parcel of land or group of parcels that contain four or more residential units for rent

(2) "lessee" means a tenant as defined by the California Civil Code Section 1940

(3) "Median rent" means the median gross, as published in the most recent five-year American Community Survey (ACS) of the U.S. Census Bureau, for the jurisdiction in which the property is located:

(A) the city in which the property is located,

(B) if the property is located within unincorporated territory, the county median monthly rental price as determined by the ACS

(C) The State Franchise Tax Board may adopt regulations to clarify or update the methodology for determining median rent to ensure consistency across jurisdictions.

(4) "Low-income lessee" means a tenant, as defined in Civil Code Section 1940 subsection (b), whose monthly rent expenses, including a utility allowance, does not exceed 60 percent of the median rent for comparable units in the jurisdiction, as determined pursuant to paragraph (3).

(b) Multi-unit housing property shall qualify for the tax deduction described in Section 3 if as of the lien date (January 1st) of the year of ownership:

(1) At least 75 percent of the residential units are leased to low-income lessees, and

(2) The rent for each of those units does not exceed the median rent as specified in paragraph (3) of subsection (a)

(c) A city or county shall not impose or enact any increase in property tax rates that would result in a higher effective tax rate on property qualifying under this section than the rate applied to similarly situated multi-unit properties that are not qualified under subsection (b).

(d) The property owner shall file annually with the county assessor an exemption form prescribed by the California State Franchise Tax Board, certifying under penalty of perjury that the property meets the requirements of subsection (b)

(1) The assessor may require documentation, including rent rolls or leases, to verify eligibility such as:

(A) The number of units rented to low-income lessees.

(B) The rent charged for each such unit.

(e) The State Franchise Tax Board may adopt regulations necessary to administer this section.

(2) The Board may:

(A) Prescribe forms, instructions, and procedures necessary to claim the deduction.

(B) Require documentation from taxpayers, including rent rolls, leases, and certifications, to verify eligibility for the deduction.

(C) Conduct audits or examinations to ensure compliance with this section.

(3) The Board may deny, reduce, or recapture the deduction if a taxpayer fails to meet the requirements of Section 2 or submits false or misleading documentation.

SEC. 3. Section 243.1 is added to the Taxation and revenue Code to read:

(a) The deduction amount shall be calculated as follows, based on the proportion of units rented to low-income lessees as defined in Section 2:

(1) If at least 75 percent but less than 90 percent of units are rented to low-income lessees within the singular property:

(A) Two thousand dollars (\$1,000) per qualifying residential unit.

(2) If at least 90 percent but less than 100 percent of units are rented to low-income lessees within the singular property:

(B) Three thousand dollars (\$2,000) per qualifying residential unit.

(3) If 100 percent of units are rented to low-income lessees within the property:

(C) Four thousand dollars (\$3,000) per qualifying residential unit.

(b) The maximum deduction allowed to any taxpayer under this section shall not exceed one hundred thousand dollars in a singular taxable year.

SEC. 4. (a) Because this act expands the duties of local tax officials, it imposes a state-mandated local program.

(b) However, no reimbursement is required to Section 6 of Article XIII B of the California Constitution because the Legislature has determined that local agencies have the authority to levy fees or charges sufficient to pay for the program.

(c) Provisions established in this bill shall expire on December 31st, 2035 unless extended by the California legislature.

(d) After January 1st 2034 and before July 1st 2035, the State Franchise Tax Board must present a written document to the State legislature evaluating the effects of this act on California renters and the state housing market.