
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

SB 584 (Limón) - Laborforce housing: Short-Term Rental Tax Law

Version: May 1, 2023

Policy Vote: HOUSING 8 - 2, GOV. & F. 5
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Urgency: Yes

Mandate: Yes

Hearing Date: May 18, 2023

Consultant: Mark McKenzie

Bill Summary: SB 584 an urgency measure, would impose a tax on the occupancy of short-term rentals at a rate of 15% of the rental price, beginning January 1, 2025, which would be administered and collected by the California Department of Tax and Fee Administration (CDTFA). Proceeds of the tax would be deposited into the Laborforce Housing Fund, and continuously appropriated to the Department of Housing and Community Development (HCD), to provide grants to public entities, local housing authorities, and mission-driven nonprofit housing providers for the creation of “laborforce housing,” as specified.

***** ANALYSIS ADDENDUM – SUSPENSE FILE *****

The following information is revised to reflect amendments
adopted by the committee on May 18, 2023

Fiscal Impact:

Short-Term Rental Tax Law

- Unknown short-term rental tax revenue gains, potentially in the range of \$150 million annually, based on preliminary projections. (deposited into the Laborforce Housing Fund, established by this bill)
- CDTFA’s administrative costs have yet to be determined. However, the Department anticipates it would incur substantial administrative costs to implement its provisions of the bill, minimally reaching the millions of dollars annually (General Fund). Cost drivers would include computer programming, notifying affected retailers, modifying tax returns, developing special notices, preparing guidelines for staff, and answering questions from retailers and the public. Ongoing administrative costs would be reimbursed from the tax revenues prior to depositing proceeds into the Laborforce Housing Fund.

Laborforce Housing Program

- HCD estimates costs of approximately \$3.2 million annually for 16.0 PY of staff to develop and administer the new grant program established by this bill, assuming \$150 million is appropriated each year. HCD staff would develop and revise guidelines and annual notices of funding availability (NOFAs), develop and revise processes for program monitoring, evaluate funding applications, execute standard agreements, research best practices, and conduct ongoing compliance monitoring and enforcement. HCD indicates that the staffing requirements would increase by an additional 2.0 PY and \$374,000 each year for permanent ongoing compliance monitoring. For every \$750 million allocated for the program in the aggregate, an

additional 2.0 PY of management staff would be required, at a cost of \$417,000 ongoing. (Laborforce Housing Fund)

Author Amendments:

- Strike “community land trusts” from the list of entities that may own and manage housing units as one of the requirements to meet the definition of “laborforce housing.”

Committee Amendments:

- Delete the continuous appropriation and instead make moneys in the Laborforce Housing Fund available to HCD, upon appropriation by the Legislature, for purposes of the bill.
- Delete a provision authorizing HCD to use revenues in the Laborforce Housing Fund to pay for the administration and collection of laborforce housing assessments, and instead authorize HCD to use up to 5% of program funds to administer and oversee the program.

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