

ASSEMBLY BILL

No. 32

Introduced by Assembly Member John A. Pérez

December 3, 2012

An act to amend Sections 12209, 17053.57, and 23657 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 32, as introduced, John A. Pérez. Insurance taxes: income taxes: credits: community development financial institution investments.

Existing laws governing the taxation of insurers, the Personal Income Tax Law, and the Corporation Tax Law, authorize, until January 1, 2017, a credit in an amount equal to 20% of a qualified investment, as defined, made into a community development financial institution, as defined, but not to exceed, in the aggregate amount under all those laws, \$10,000,000 per year.

The bill would increase the \$10,000,000 limitation on the aggregate amount of qualified investments to \$20,000,000.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12209 of the Revenue and Taxation Code
2 is amended to read:
3 12209. (a) For each year beginning on or after January 1, 1999,
4 and before January 1, 2017, there shall be allowed as a credit

1 against the amount of tax, as defined in Section 28 of Article XIII
2 of the California Constitution, an amount equal to 20 percent of
3 the amount of each qualified investment made by a taxpayer during
4 the taxable year into a community development financial institution
5 that is certified by the Department of Insurance, California
6 Organized Investment Network, or any successor thereof.

7 (b) For purposes of determining any tax that may be imposed
8 under Section 685 of the Insurance Code on a taxpayer not
9 organized under the laws of this state, the amount of the credit
10 allowed by subdivision (a) shall be treated as a tax paid under
11 Section 12201 or Section 28 of Article XIII of the California
12 Constitution.

13 (c) (1) Notwithstanding any other provision of this part, a credit
14 shall not be allowed under this section unless the California
15 Organized Investment Network, or its successor within the
16 Department of Insurance, certifies that the investment described
17 in subdivision (a) qualifies for the credit under this section and
18 certifies the total amount of the credit allocated to the taxpayer
19 pursuant to this section.

20 (2) A credit shall not be allowed by this section unless the
21 applicant and the taxpayer provide satisfactory substantiation to,
22 and in the form and manner requested by, the Department of
23 Insurance, California Organized Investment Network, or any
24 successor thereof, that the investment is a qualified investment as
25 defined in paragraph (1) of subdivision (h).

26 (3) The aggregate amount of qualified investments made by all
27 taxpayers pursuant to this section, Section 17053.57, and Section
28 23657 shall not exceed ~~ten million dollars (\$10,000,000)~~ *twenty*
29 *million dollars (\$20,000,000)* for each calendar year. However, if
30 the aggregate amount of qualified investments made in any
31 calendar year is less than ~~ten million dollars (\$10,000,000)~~ *twenty*
32 *million dollars (\$20,000,000)*, the difference may be carried over
33 to the next year, and any succeeding year during which this section
34 remains in effect, and added to the aggregate amount authorized
35 for those years.

36 (4) If the California Organized Investment Network determines
37 that total qualified investments will exceed the aggregate amount
38 of qualified investments made by all taxpayers specified in
39 paragraph (3), priority shall be granted to those applications that
40 meet any or all of the following:

1 (A) Directly benefit low-income persons.

2 (B) Prioritize rental housing, mortgages for community-based
3 residential programs, and self-help housing ahead of single-family
4 owned housing.

5 (C) Represent investments from insurance companies subject
6 to tax under Section 12201 of this code or under Section 28 of
7 Article XIII of the California Constitution.

8 (d) The community development financial institution shall do
9 all of the following:

10 (1) Apply to the Department of Insurance, California Organized
11 Investment Network, or its successor, for certification of its status
12 as a community development financial institution.

13 (2) Apply to the Department of Insurance, California Organized
14 Investment Network, or its successor, on behalf of the taxpayer
15 for certification of the amount of the investment and the credit
16 amount allocated to the taxpayer, obtain the certification, and retain
17 a copy of the certification.

18 (3) Obtain the taxpayer's California company identification
19 number for tax administration purposes and provide this
20 information to the Department of Insurance, California Organized
21 Investment Network, or its successor, with the application required
22 in paragraph (2).

23 (4) Provide an annual listing to the State Board of Equalization,
24 in the form and manner agreed upon by the State Board of
25 Equalization and the Department of Insurance, California
26 Organized Investment Network, or its successor, of the names and
27 taxpayer's California company identification numbers of any
28 taxpayer who makes any withdrawal or partial withdrawal of a
29 qualified investment before the expiration of 60 months from the
30 date of the qualified investment.

31 (5) Submit reports to the department, California Organized
32 Investment Network, or any successor thereof, as required pursuant
33 to subdivision (a) of Section 12939.1 of the Insurance Code.

34 (e) The California Organized Investment Network may certify
35 investments for the credit allowed by this section on or before
36 January 1, 2015, but not after that date.

37 (f) The Insurance Commissioner may develop instructions,
38 procedures, and standards for applications, and for administering
39 the criteria for the evaluation of applications under this section.

1 The Insurance Commissioner may, from time to time, issue
 2 regulations to implement the provisions of this section.

3 (g) The Department of Insurance, California Organized
 4 Investment Network, or any successor thereof, shall do all of the
 5 following:

6 (1) Accept and evaluate applications for certification from
 7 financial institutions and issue certificates that the applicant is a
 8 community development financial institution qualified to receive
 9 qualified investments. To receive a certificate, an applicant shall
 10 satisfy the Department of Insurance, California Organized
 11 Investment Network, or any successor thereof, that it meets the
 12 specific requirements to be a community development financial
 13 institution for this state program as defined in paragraph (2) of
 14 subdivision (h). The certificate may be issued for a specified period
 15 of time, and may include reasonable conditions to effectuate the
 16 intent of this section. The Insurance Commissioner may suspend
 17 or revoke a certification, after affording the institution notice and
 18 the opportunity to be heard, if the commissioner finds that an
 19 institution no longer meets the requirement for certification.

20 (2) Accept and evaluate applications for certification from any
 21 community development financial institution on behalf of the
 22 taxpayer and issue certificates to taxpayers in an aggregate amount
 23 that shall not exceed the limit specified in subdivision (c). The
 24 certificate shall include the amount eligible to be made as an
 25 investment that qualifies for the credit and the total amount of the
 26 credit to which the taxpayer is entitled for the year. Applications
 27 for tax credits shall be accepted and evaluated throughout the year.

28 (3) Provide an annual listing to the State Board of Equalization,
 29 in the form or manner agreed upon by the State Board of
 30 Equalization and the Department of Insurance, California
 31 Organized Investment Network, or its successor, of the taxpayers
 32 who were issued certificates, their respective National Association
 33 of Insurance Commissioners company number and employer’s tax
 34 identification number, the amount of the qualified investment made
 35 by each taxpayer, and the total amount of qualified investments.

36 (4) Include information specified pursuant to subdivision (b) of
 37 Section 12939.1 of the Insurance Code in the report required by
 38 Section 12922 of the Insurance Code.

39 (h) For purposes of this section:

1 (1) “Qualified investment” means an investment that is a deposit
2 or loan that does not earn interest, or an equity investment, or an
3 equity-like debt instrument that conforms to the specifications for
4 these instruments as prescribed by the United States Department
5 of the Treasury, Community Development Financial Institutions
6 Fund, or its successor, or, in the absence of that prescription, as
7 defined by the Insurance Commissioner. The investment must be
8 equal to or greater than fifty thousand dollars (\$50,000) and made
9 for a minimum duration of 60 months. During that 60-month
10 period, the community development financial institution shall have
11 full use and control of the proceeds of the entire amount of the
12 investment as well as any earnings on the investment for its
13 community development purposes. The entire amount of the
14 investment shall be received by the community development
15 financial institution before the application for the tax credit is
16 submitted. The community development financial institution shall
17 use the proceeds of the investment for a purpose that is consistent
18 with its community development mission and for the benefit of
19 economically disadvantaged communities and low-income people
20 in California.

21 (2) “Community development financial institution” means a
22 private financial institution located in this state that is certified by
23 the Department of Insurance, California Organized Investment
24 Network, or its successor, that, consistent with the legislative
25 findings, declarations, and intent set forth in Section 12939 of the
26 Insurance Code, has community development as its primary
27 mission, and that lends in urban, rural, or reservation-based
28 communities in this state. A community development financial
29 institution may include a community development bank, a
30 community development loan fund, a community development
31 credit union, a microenterprise fund, a community development
32 corporation-based lender, or a community development venture
33 fund.

34 (i) (1) If a qualified investment is withdrawn before the end of
35 the 60th month and not reinvested in another community
36 development financial institution within 60 days, there shall be
37 added to the “tax,” as defined in Section 28 of Article XIII of the
38 California Constitution, for the year in which the withdrawal
39 occurs, the entire amount of any credit previously allowed under
40 this section.

1 (2) If a qualified investment is reduced before the end of the
2 60th month, but not below fifty thousand dollars (\$50,000), there
3 shall be added to the “tax,” as defined in Section 28 of Article XIII
4 of the California Constitution, for the taxable year in which the
5 reduction occurs, an amount equal to 20 percent of the total
6 reduction for the year.

7 (j) In the case where the credit allowed by this section exceeds
8 the “tax,” the excess may be carried over to reduce the “tax” for
9 the next four years, or until the credit has been exhausted,
10 whichever occurs first.

11 (k) The State Board of Equalization shall, as requested by the
12 Department of Insurance, California Organized Investment
13 Network, or its successor, advise and assist in the administration
14 of this section.

15 (l) This section shall remain in effect only until December 1,
16 2017, and as of that date is repealed.

17 SEC. 2. Section 17053.57 of the Revenue and Taxation Code
18 is amended to read:

19 17053.57. (a) For each taxable year beginning on or after
20 January 1, 1997, and before January 1, 2017, there shall be allowed
21 as a credit against the amount of “net tax,” as defined in Section
22 17039, an amount equal to 20 percent of the amount of each
23 qualified investment made by a taxpayer during the taxable year
24 into a community development financial institution that is certified
25 by the Department of Insurance, California Organized Investment
26 Network, or any successor thereof.

27 (b) (1) Notwithstanding any other provision of this part, a credit
28 shall not be allowed under this section unless the California
29 Organized Investment Network, or its successor within the
30 Department of Insurance, certifies that the investment described
31 in subdivision (a) qualifies for the credit under this section and
32 certifies the total amount of the credit allocated to the taxpayer
33 pursuant to this section.

34 (2) A credit shall not be allowed by this section unless the
35 applicant and the taxpayer provide satisfactory substantiation to,
36 and in the form and manner requested by, the Department of
37 Insurance, California Organized Investment Network, or any
38 successor thereof, that the investment is a qualified investment, as
39 defined in paragraph (1) of subdivision (g).

1 (3) The aggregate amount of qualified investments made by all
2 taxpayers pursuant to this section, Section 12209, and Section
3 23657 shall not exceed ~~ten million dollars (\$10,000,000)~~ *twenty*
4 *million dollars (\$20,000,000)* for each calendar year. However, if
5 the aggregate amount of qualified investments made in any
6 calendar year is less than ~~ten million dollars (\$10,000,000)~~ *twenty*
7 *million dollars (\$20,000,000)*, the difference may be carried over
8 to the next year, and any succeeding year during which this section
9 remains in effect, and added to the aggregate amount authorized
10 for those years.

11 (4) If the California Organized Investment Network determines
12 that total qualified investments will exceed the aggregate amount
13 of qualified investments made by all taxpayers specified in
14 paragraph (3), priority shall be granted to those applications that
15 meet any or all of the following:

16 (A) Directly benefit low-income persons.

17 (B) Prioritize rental housing, mortgages for community-based
18 residential programs, and self-help housing ahead of single-family
19 owned housing.

20 (C) Represent investments from insurance companies subject
21 to tax under Section 12201 of this code or under Section 28 of
22 Article XIII of the California Constitution.

23 (c) The community development financial institution shall do
24 all of the following:

25 (1) Apply to the Department of Insurance, California Organized
26 Investment Network, or its successor, for certification of its status
27 as a community development financial institution.

28 (2) Apply to the Department of Insurance, California Organized
29 Investment Network, or its successor, on behalf of the taxpayer,
30 for certification of the amount of the investment and the credit
31 amount allocated to the taxpayer, obtain the certification, and retain
32 a copy of the certification.

33 (3) Obtain the taxpayer's identification number, or in the case
34 of a partnership, the taxpayer identification numbers of all the
35 partners for tax administration purposes and provide this
36 information to the Department of Insurance, California Organized
37 Investment Network, or its successor, with the application required
38 in paragraph (2).

39 (4) Provide an annual listing to the Franchise Tax Board, in the
40 form and manner agreed upon by the Franchise Tax Board and the

1 Department of Insurance, California Organized Investment
2 Network, or its successor, of the names and taxpayer identification
3 numbers of any taxpayer who makes any withdrawal or partial
4 withdrawal of a qualified investment before the expiration of 60
5 months from the date of the qualified investment.

6 (5) Submit reports to the department, California Organized
7 Investment Network, or any successor thereof, as required pursuant
8 to subdivision (a) of Section 12939.1 of the Insurance Code.

9 (d) The Insurance Commissioner may develop instructions,
10 procedures, and standards for applications, and for administering
11 the criteria for the evaluation of applications under this section.
12 The Insurance Commissioner may, from time to time, issue
13 regulations to implement the provisions of this section.

14 (e) The California Organized Investment Network may certify
15 investments for the credit allowed by this section on or before
16 January 1, 2015, but not after that date.

17 (f) The Department of Insurance, California Organized
18 Investment Network, or any successor thereof, shall do all of the
19 following:

20 (1) Accept and evaluate applications for certification from
21 financial institutions and issue certificates that the applicant is a
22 community development financial institution qualified to receive
23 qualified investments. To receive a certificate, an applicant shall
24 satisfy the Department of Insurance, California Organized
25 Investment Network, or any successor thereof, that it meets the
26 specific requirements to be a community development financial
27 institution for this state program as defined in paragraph (2) of
28 subdivision (g). The certificate may be issued for a specified period
29 of time, and may include reasonable conditions to effectuate the
30 intent of this section. The Insurance Commissioner may suspend
31 or revoke a certification, after affording the institution notice and
32 the opportunity to be heard, if the commissioner finds that an
33 institution no longer meets the requirement for certification.

34 (2) Accept and evaluate applications for certification from any
35 community development financial institution on behalf of the
36 taxpayer and issue certificates to taxpayers in an aggregate amount
37 that shall not exceed the limit specified in subdivision (b). The
38 certificate shall include the amount eligible to be made as an
39 investment that qualifies for the credit and the total amount of the
40 credit to which the taxpayer is entitled for the taxable year.

1 Applications for tax credits shall be accepted and evaluated
2 throughout the year.

3 (3) Provide an annual listing to the Franchise Tax Board, in the
4 form or manner agreed upon by the Franchise Tax Board and the
5 Department of Insurance, California Organized Investment
6 Network, or its successor, of the taxpayers who were issued
7 certificates, their respective tax identification numbers, the amount
8 of the qualified investment made by each taxpayer, and the total
9 amount of qualified investments.

10 (4) Include information specified pursuant to subdivision (b) of
11 Section 12939.1 of the Insurance Code in the report required by
12 Section 12922 of the Insurance Code.

13 (g) For purposes of this section:

14 (1) “Qualified investment” means an investment that is a deposit
15 or loan that does not earn interest, or an equity investment, or an
16 equity-like debt instrument that conforms to the specifications for
17 these instruments as prescribed by the United States Department
18 of the Treasury, Community Development Financial Institutions
19 Fund, or its successor, or, in the absence of that prescription, as
20 defined by the Insurance Commissioner. The investment must be
21 equal to or greater than fifty thousand dollars (\$50,000) and made
22 for a minimum duration of 60 months. During that 60-month
23 period, the community development financial institution shall have
24 full use and control of the proceeds of the entire amount of the
25 investment as well as any earnings on the investment for its
26 community development purposes. The entire amount of the
27 investment shall be received by the community development
28 financial institution before the application for the tax credit is
29 submitted. The community development financial institution shall
30 use the proceeds of the investment for a purpose that is consistent
31 with its community development mission and for the benefit of
32 economically disadvantaged communities and low-income people
33 in California.

34 (2) “Community development financial institution” means a
35 private financial institution located in this state that is certified by
36 the Department of Insurance, California Organized Investment
37 Network, or its successor, that, consistent with the legislative
38 findings, declarations, and intent set forth in Section 12939 of the
39 Insurance Code, has community development as its primary
40 mission, and that lends in urban, rural, or reservation-based

1 communities in this state. A community development financial
2 institution may include a community development bank, a
3 community development loan fund, a community development
4 credit union, a microenterprise fund, a community development
5 corporation-based lender, or a community development venture
6 fund.

7 (h) (1) If a qualified investment is withdrawn before the end
8 of the 60th month and not reinvested in another community
9 development financial institution within 60 days, there shall be
10 added to the “net tax,” as defined in Section 17039, for the taxable
11 year in which the withdrawal occurs, the entire amount of any
12 credit previously allowed under this section.

13 (2) If a qualified investment is reduced before the end of the
14 60th month, but not below fifty thousand dollars (\$50,000), there
15 shall be added to the “net tax,” as defined in Section 17039, for
16 the taxable year in which the reduction occurs, an amount equal
17 to 20 percent of the total reduction for the taxable year.

18 (i) In the case where the credit allowed by this section exceeds
19 the “net tax,” the excess may be carried over to reduce the “net
20 tax” for the next four taxable years, or until the credit has been
21 exhausted, whichever occurs first.

22 (j) The Franchise Tax Board shall, as requested by the
23 Department of Insurance, California Organized Investment
24 Network, or its successor, advise and assist in the administration
25 of this section.

26 (k) This section shall remain in effect only until December 1,
27 2017, and as of that date is repealed.

28 SEC. 3. Section 23657 of the Revenue and Taxation Code is
29 amended to read:

30 23657. (a) For each taxable year beginning on or after January
31 1, 1997, and before January 1, 2017, there shall be allowed as a
32 credit against the amount of “tax,” as defined in Section 23036,
33 an amount equal to 20 percent of the amount of each qualified
34 investment made by a taxpayer during the taxable year into a
35 community development financial institution that is certified by
36 the Department of Insurance, California Organized Investment
37 Network, or any successor thereof.

38 (b) (1) Notwithstanding any other provision of this part, a credit
39 shall not be allowed under this section unless the California
40 Organized Investment Network, or its successor within the

1 Department of Insurance, certifies that the investment described
2 in subdivision (a) qualifies for the credit under this section and
3 certifies the total amount of the credit allocated to the taxpayer
4 pursuant to this section.

5 (2) A credit shall not be allowed by this section unless the
6 applicant and the taxpayer provide satisfactory substantiation to,
7 and in the form and manner requested by, the Department of
8 Insurance, California Organized Investment Network, or any
9 successor thereof, that the investment is a qualified investment, as
10 defined in paragraph (1) of subdivision (g).

11 (3) The aggregate amount of qualified investments made by all
12 taxpayers pursuant to this section, Section 12209, and Section
13 17053.57 shall not exceed ~~ten million dollars (\$10,000,000)~~ *twenty*
14 *million dollars (\$20,000,000)* for each calendar year. However, if
15 the aggregate amount of qualified investments made in any
16 calendar year is less than ~~ten million dollars (\$10,000,000)~~ *twenty*
17 *million dollars (\$20,000,000)*, the difference may be carried over
18 to the next year, and any succeeding year during which this section
19 remains in effect, and added to the aggregate amount authorized
20 for those years.

21 (4) If the California Organized Investment Network determines
22 that total qualified investments will exceed the aggregate amount
23 of qualified investments made by all taxpayers specified in
24 paragraph (3), priority shall be granted to those applications that
25 meet any or all of the following:

26 (A) Directly benefit low-income persons.

27 (B) Prioritize rental housing, mortgages for community-based
28 residential programs, and self-help housing ahead of single-family
29 owned housing.

30 (C) Represent investments from insurance companies subject
31 to tax under Section 12201 of this code or under Section 28 of
32 Article XIII of the California Constitution.

33 (c) The community development financial institution shall do
34 all of the following:

35 (1) Apply to the Department of Insurance, California Organized
36 Investment Network, or its successor, for certification of its status
37 as a community development financial institution.

38 (2) Apply to the Department of Insurance, California Organized
39 Investment Network, or its successor, on behalf of the taxpayer,
40 for certification of the amount of the investment and the credit

1 amount allocated to the taxpayer, obtain the certification, and retain
2 a copy of the certification.

3 (3) Obtain the taxpayer’s identification number, or in the case
4 of an “S” corporation, the taxpayer identification numbers of all
5 the shareholders for tax administration purposes and provide this
6 information to the Department of Insurance, California Organized
7 Investment Network, or its successor, with the application required
8 in paragraph (2).

9 (4) Provide an annual listing to the Franchise Tax Board, in the
10 form and manner agreed upon by the Franchise Tax Board and the
11 Department of Insurance, California Organized Investment
12 Network, or its successor, of the names and taxpayer identification
13 numbers of any taxpayer who makes any withdrawal or partial
14 withdrawal of a qualified investment before the expiration of 60
15 months from the date of the qualified investment.

16 (5) Submit reports to the department, California Organized
17 Investment Network, or any successor thereof, as required pursuant
18 to subdivision (a) of Section 12939.1 of the Insurance Code.

19 (d) The California Organized Investment Network may certify
20 investments for the credit allowed by this section on or before
21 January 1, 2015, but not after that date.

22 (e) The Insurance Commissioner may develop instructions,
23 procedures, and standards for applications, and for administering
24 the criteria for the evaluation of applications under this section.
25 The Insurance Commissioner may, from time to time, issue
26 regulations to implement the provisions of this section.

27 (f) The Department of Insurance, California Organized
28 Investment Network, or any successor thereof, shall do all of the
29 following:

30 (1) Accept and evaluate applications for certification from
31 financial institutions and issue certificates that the applicant is a
32 community development financial institution qualified to receive
33 qualified investments. To receive a certificate, an applicant shall
34 satisfy the Department of Insurance, California Organized
35 Investment Network, or any successor thereof, that it meets the
36 specific requirements to be a community development financial
37 institution for this state program as defined in paragraph (2) of
38 subdivision (g). The certificate may be issued for a specified period
39 of time, and may include reasonable conditions to effectuate the
40 intent of this section. The Insurance Commissioner may suspend

1 or revoke a certification, after affording the institution notice and
2 the opportunity to be heard, if the commissioner finds that an
3 institution no longer meets the requirement for certification.

4 (2) Accept and evaluate applications for certification from any
5 community development financial institution on behalf of the
6 taxpayer and issue certificates to taxpayers in an aggregate amount
7 that shall not exceed the limit specified in subdivision (b). The
8 certificate shall include the amount eligible to be made as an
9 investment that qualifies for the credit and the total amount of the
10 credit to which the taxpayer is entitled for the taxable year.
11 Applications for tax credits shall be accepted and evaluated
12 throughout the year.

13 (3) Provide an annual listing to the Franchise Tax Board, in the
14 form or manner agreed upon by the Franchise Tax Board and the
15 Department of Insurance, California Organized Investment
16 Network, or its successor, of the taxpayers who were issued
17 certificates, their respective tax identification numbers, the amount
18 of the qualified investment made by each taxpayer, and the total
19 amount of qualified investments.

20 (4) Include information specified pursuant to subdivision (b) of
21 Section 12939.1 of the Insurance Code in the report required by
22 Section 12922 of the Insurance Code.

23 (g) For purposes of this section:

24 (1) "Qualified investment" means an investment that is a deposit
25 or loan that does not earn interest, or an equity investment, or an
26 equity-like debt instrument that conforms to the specifications for
27 these instruments as prescribed by the United States Department
28 of the Treasury, Community Development Financial Institutions
29 Fund, or its successor, or, in the absence of that prescription, as
30 defined by the Insurance Commissioner. The investment must be
31 equal to or greater than fifty thousand dollars (\$50,000) and made
32 for a minimum duration of 60 months. During that 60-month
33 period, the community development financial institution shall have
34 full use and control of the proceeds of the entire amount of the
35 investment as well as any earnings on the investment for its
36 community development purposes. The entire amount of the
37 investment shall be received by the community development
38 financial institution before the application for the tax credit is
39 submitted. The community development financial institution shall
40 use the proceeds of the investment for a purpose that is consistent

1 with its community development mission and for the benefit of
2 economically disadvantaged communities and low-income people
3 in California.

4 (2) “Community development financial institution” means a
5 private financial institution located in this state that is certified by
6 the Department of Insurance, California Organized Investment
7 Network, or its successor, that, consistent with the legislative
8 findings, declarations, and intent set forth in Section 12939 of the
9 Insurance Code, has community development as its primary
10 mission, and that lends in urban, rural, or reservation-based
11 communities in this state. A community development financial
12 institution may include a community development bank, a
13 community development loan fund, a community development
14 credit union, a microenterprise fund, a community development
15 corporation-based lender, or a community development venture
16 fund.

17 (h) (1) If a qualified investment is withdrawn before the end
18 of the 60th month and not reinvested in another community
19 development financial institution within 60 days, there shall be
20 added to the “tax,” as defined in Section 23036, for the taxable
21 year in which the withdrawal occurs, the entire amount of any
22 credit previously allowed under this section.

23 (2) If a qualified investment is reduced before the end of the
24 60th month, but not below fifty thousand dollars (\$50,000), there
25 shall be added to the “tax,” as defined in Section 23036, for the
26 taxable year in which the reduction occurs, an amount equal to 20
27 percent of the total reduction for the taxable year.

28 (i) In the case where the credit allowed by this section exceeds
29 the “tax,” the excess may be carried over to reduce the “tax” for
30 the next four taxable years, or until the credit has been exhausted,
31 whichever occurs first.

32 (j) The Franchise Tax Board shall, as requested by the
33 Department of Insurance, California Organized Investment
34 Network, or its successor, advise and assist in the administration
35 of this section.

36 (k) This section shall remain in effect only until December 1,
37 2017, and as of that date is repealed.

1 SEC. 4. This act provides for a tax levy within the meaning of
2 Article IV of the Constitution and shall go into immediate effect.

O