

AMENDED IN SENATE AUGUST 22, 2014
AMENDED IN SENATE AUGUST 19, 2014
AMENDED IN SENATE AUGUST 5, 2014
AMENDED IN SENATE JULY 2, 2014
AMENDED IN ASSEMBLY MAY 15, 2014
AMENDED IN ASSEMBLY APRIL 30, 2014
AMENDED IN ASSEMBLY APRIL 1, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1999

Introduced by Assembly Member Atkins

February 20, 2014

An act to add and repeal Sections 38.10, 17053.91, and 23686.1 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1999, as amended, Atkins. Personal income and corporation taxes: credits: rehabilitation.

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws.

This bill would allow to a taxpayer that receives a tax credit reservation a credit against those taxes for each taxable year beginning on or after January 1, 2015, and before January 1, 2023, in an amount, determined in modified conformity with a specified section of the Internal Revenue Code, for rehabilitation of certified historic structures.

This bill would provide for a 20% credit, or 25% credit, of qualified rehabilitation expenditures if the structure meets specified criteria, for rehabilitation of a certified historic structure within the state to be reserved and allocated by the ~~Governor's Office of Business and Economic Development~~ *California Tax Credit Allocation Committee*, which shall consult with the Office of Historic Preservation, as provided. The aggregate amount of credit would be \$50,000,000 per calendar year, \$10,000,000 of which is set aside for rehabilitation projects with qualified rehabilitation expenditures of less than \$1,000,000, as specified. This bill would require the Legislative Analyst to, on an annual basis, collaborate with the ~~Governor's Office of Business and Economic Development~~ *California Tax Credit Allocation Committee* to review the tax credit, as provided.

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. (a) The Legislature finds and declares that
- 2 California's historic buildings are an important asset to
- 3 communities throughout the state, and that the preservation and
- 4 restoration of these buildings is important to enhancing civic pride,
- 5 increasing tourism, and maintaining vibrant neighborhoods.
- 6 (b) The Legislature further finds and declares all of the
- 7 following:
 - 8 (1) The federal Historic Preservation Tax Incentives program,
 - 9 currently available to California's income producing historic
 - 10 properties, has generated nearly \$1.5 billion in investment during
 - 11 the last 10 years.
 - 12 (2) While 35 states have similar state tax credits or incentives
 - 13 for historic preservation, no such incentive exists in California.
 - 14 (3) States that have partnered a state incentive with the federal
 - 15 Historic Preservation Tax Incentive have reaped significant
 - 16 economic development benefits, including construction and
 - 17 building industry job creation, increased state tax revenues through
 - 18 increased employment and wages, increased local property tax
 - 19 revenues through increased property values, and increased local
 - 20 tax revenues through sales taxes and heritage tourism.

1 (4) Over the last 10 years, California has had 129 projects
2 qualify for the federal Historic Preservation Tax Incentives
3 program. These projects have been located in 20 different counties.

4 (5) As California communities continue to adjust and adapt to
5 the dissolution of redevelopment agencies, proven tools are still
6 needed to incentivize economic development and revitalize
7 economically distressed areas.

8 SEC. 2. Section 38.10 is added to the Revenue and Taxation
9 Code, to read:

10 38.10. (a) The Legislative Analyst shall, on an annual basis
11 beginning January 1, 2016, collaborate with the ~~Governor's Office~~
12 ~~of Business and Economic Development~~ *California Tax Credit*
13 *Allocation Committee* to review the effectiveness of the tax credits
14 allowed by Sections 17053.91 and 23686.1. The review shall
15 include, but is not limited to, an analysis of the demand for the tax
16 credit, the types and uses of projects receiving the tax credit, the
17 jobs created by the use of the tax credits, and the economic impact
18 of the tax credits.

19 (b) This section shall remain in effect only until January 1, 2024,
20 and as of that date is repealed, unless a later enacted statute, that
21 is enacted before January 1, 2024, deletes or extends that date.

22 SEC. 3. Section 17053.91 is added to the Revenue and Taxation
23 Code, to read:

24 17053.91. For each taxable year beginning on or after January
25 1, 2015, and before January 1, 2023, there shall be allowed to a
26 taxpayer who receives a tax credit reservation a credit against the
27 "net tax," as defined in Section 17039, an amount determined in
28 accordance with Section 47 of the Internal Revenue Code, except
29 as follows:

30 (a) (1) In lieu of the percentages specified in Section 47(a) of
31 the Internal Revenue Code, except as provided in paragraph (2),
32 the applicable percentage shall be 20 percent of the qualified
33 rehabilitation expenditures with respect to a certified historic
34 structure.

35 (2) The applicable percentage shall be 25 percent of the qualified
36 rehabilitation expenditures with respect to a certified historic
37 structure if that certified historic structure meets one of the
38 following criteria:

39 (A) The rehabilitated structure is located on federal surplus
40 property, if obtained by a local agency under Section 54142 of the

1 Government Code, on surplus state real property, as defined by
2 Section 11011.1 of the Government Code, or on surplus land, as
3 defined by subdivision (b) of Section 54221 of the Government
4 Code.

5 (B) The rehabilitated structure includes affordable housing for
6 lower-income households, as defined by Section 50079.5 of the
7 Health and Safety Code.

8 (C) The structure is located in a designated census tract, as
9 defined in paragraph (7) of subdivision (b) of Section 17053.73.

10 (D) The structure is a part of a military base reuse authority
11 established pursuant to Title 7.86 (commencing with Section
12 67800) of the Government Code.

13 (E) The structure is a transit-oriented development that is a
14 higher-density, mixed-use development within a walking distance
15 of one-half mile of a transit station.

16 (3) (A) The credit shall be allowed for qualified rehabilitation
17 expenditures for an owner-occupied *qualified* residence determined
18 by the Governor’s Office of Business and Economic Development
19 California Tax Credit Allocation Committee and the Office of
20 Historic Preservation to have a public benefit in the year of
21 completion in the amounts *percentages* specified in paragraphs
22 (1) and (2), as applicable, for those qualified rehabilitation
23 expenditure amounts that are *applicable, except that the credit*
24 *shall only be allowed in an amount* equal to or more than five
25 thousand dollars (\$5,000) but do not exceed *not exceeding*
26 twenty-five thousand dollars (\$25,000). A taxpayer shall only be
27 allowed a credit pursuant to this paragraph once every 10 taxable
28 years.

29 (B) Section 47(c)(1)(C)(ii) of the Internal Revenue Code,
30 relating to special rule for phased rehabilitation, shall not apply.

31 (4) Section 47(c)(1)(C) of the Internal Revenue Code is modified
32 so that only the 24-month period shall apply.

33 (b) For purposes of this section, the following definitions shall
34 apply:

35 (1) “Certified historic structure” has the same meaning as
36 defined in Section 47(c)(3) of the Internal Revenue Code and
37 additionally means a structure in this state that is listed on the
38 California Register of Historical Resources.

39 (2) ~~“Owner-occupied”~~ “*Qualified* residence” has the same
40 meaning as that term is defined in Section 163(h)(4) of the Internal

1 Revenue Code, that will be owned and occupied by an individual
2 taxpayer who has a modified adjusted gross income, as defined
3 by Section ~~62~~ 86(b)(2) of the Internal Revenue Code, of two
4 hundred thousand dollars (\$200,000) or less, as the taxpayer's
5 principal residence or *what will be the taxpayer's principal*
6 *residence within two years* after the rehabilitation of the residence.

7 (3) (A) "Qualified rehabilitation expenditure" has the same
8 meaning as that term is defined in Section 47(c) of the Internal
9 Revenue Code, except that qualified rehabilitation expenditures
10 may include expenditures in connection with the rehabilitation of
11 a building without regard to whether any portion of the building
12 is or is reasonably expected to be tax-exempt use property.

13 (B) "Qualified rehabilitation expenditure" also means
14 rehabilitation expenditures incurred by the taxpayer with respect
15 to ~~an owner-occupied principal~~ *a qualified* residence for the
16 rehabilitation of the exterior of the building or rehabilitation
17 necessary for the functioning of the home, including, but not
18 limited to, rehabilitation of the electrical, plumbing, or foundation
19 of the ~~principal~~ *qualified* residence.

20 (c) (1) To be eligible for the credit allowed by this section, a
21 taxpayer shall request a tax credit reservation from the ~~Governor's~~
22 ~~Office of Business and Economic Development~~ *California Tax*
23 *Credit Allocation Committee*, in the form and manner prescribed
24 by the ~~Governor's Office of Business and Economic Development~~
25 *California Tax Credit Allocation Committee*.

26 (2) To obtain a tax credit reservation, the taxpayer shall provide
27 necessary information, as determined by the ~~Governor's Office of~~
28 ~~Business and Economic Development~~ *California Tax Credit*
29 *Allocation Committee*.

30 (3) A tax credit reservation provided to a taxpayer shall not
31 constitute a determination by the ~~Governor's Office of Business~~
32 ~~and Economic Development~~ *California Tax Credit Allocation*
33 *Committee* with respect to any of the requirements of this section
34 regarding a taxpayer's eligibility for the credit authorized by this
35 section.

36 (4) If a taxpayer receives a tax credit reservation but
37 rehabilitation has not commenced within 18 months of the issuance
38 of the tax credit reservation, the tax credit reservation shall be
39 forfeited and the credit amount associated with the tax credit

1 reservation shall be treated as an unused allocation tax credit
2 amount.

3 (d) A deduction shall not be allowed under this part for any
4 expense for which a credit is allowed by this section.

5 (e) If a credit is allowed under this section with respect to any
6 property, the basis of that property shall be reduced by the amount
7 of the credit allowed.

8 (f) In the case where the credit allowed by this section exceeds
9 the “net tax,” the excess may be carried over to reduce the “net
10 tax” in the following year, and the seven succeeding years if
11 necessary, until the credit is exhausted.

12 (g) For purposes of this section, the ~~Governor’s Office of~~
13 ~~Business and Economic Development~~ *California Tax Credit*
14 *Allocation Committee* shall do the following:

15 (1) On and after January 1, 2015, and before January 1, 2023,
16 reserve and allocate tax credits to applicants.

17 (2) Establish a procedure for applicants to file with the
18 ~~Governor’s Office of Business and Economic Development~~
19 *California Tax Credit Allocation Committee* a written application,
20 on a form jointly prescribed by that office and the Office of Historic
21 Preservation for the reservation of the tax credit.

22 (3) Establish criteria consistent with the requirements of this
23 section, for reserving tax credits. A taxpayer shall not receive a
24 tax credit reservation unless the following criteria are met. Criteria
25 shall include, but are not limited to, the following:

26 (A) The number of jobs created by the rehabilitation project,
27 both during and after the rehabilitation of the structure.

28 (B) The expected increase in state and local tax revenues derived
29 from the rehabilitation project, including those from increased
30 wages and property taxes.

31 (C) Any additional incentives or contributions included in the
32 rehabilitation project from federal, state, or local governments.

33 (D) For the qualified rehabilitation expenditures with respect
34 to ~~an owner-occupied principal~~ *a qualified* residence, the
35 rehabilitation has a public benefit, as determined jointly with the
36 Office of Historic Preservation.

37 (4) Determine and designate, in consultation with the Office of
38 Historic Preservation, applicants that meet the requirements of this
39 section to ensure that the rehabilitation project meets the Secretary

1 of the Interior's Standards for Rehabilitation, as found in Part 67
2 of Title 36 of the Code of Federal Regulations.

3 (5) Process and approve, or reject, all tax credit reservation
4 applications.

5 (6) (A) Subject to the annual cap established as provided in
6 subdivision (h), allocate an aggregate amount of credits under this
7 section and Section 23686.1, and allocate any carryover of
8 unallocated credits from prior years.

9 (B) A taxpayer shall be allocated a tax credit pursuant to the
10 taxpayer's tax credit reservation upon receipt by the ~~Governor's~~
11 ~~Office of Business and Economic Development~~ *California Tax*
12 *Credit Allocation Committee* of a cost certification for the qualified
13 rehabilitation expenditures. For projects with qualified
14 rehabilitation expenditures in excess of two hundred fifty thousand
15 dollars (\$250,000), the cost certification shall be issued by a
16 licensed certified public accountant.

17 (7) Certify tax credits allocated to taxpayers.

18 (8) Provide the Franchise Tax Board an annual list of the
19 taxpayers that were allocated a credit pursuant to this section and
20 Section 23686.1, including each taxpayer's taxpayer identification
21 number, and the amount allocated to each taxpayer.

22 (h) (1) The aggregate amount of credits that may be allocated
23 in any calendar year pursuant to this section and Section 23686.1
24 shall be an amount equal to the sum of all of the following:

25 (A) Fifty million dollars (\$50,000,000) in tax credits for the
26 2015 calendar year and each calendar year thereafter, through and
27 including the 2022 calendar year.

28 (B) The unused allocation tax credit amount, if any, for the
29 preceding calendar year.

30 (2) Notwithstanding the foregoing, the ~~Governor's Office of~~
31 ~~Business and Economic Development~~ *California Tax Credit*
32 *Allocation Committee* shall set aside ten million dollars
33 (\$10,000,000) of tax credits each calendar year for taxpayers with
34 qualified rehabilitation expenditures of less than one million dollars
35 (\$1,000,000). To the extent that this amount is not fully reserved
36 in any calendar year, the unused portion shall become available
37 for reservation to other taxpayers.

38 (i) In the case of any application for tax credits by an entity
39 treated as a partnership or "S" corporation for income tax purposes:

1 (1) (A) Credits awarded to a partnership shall be allocated to
2 the partners of that partnership in accordance with the partnership
3 agreement, regardless of how the federal historic rehabilitation tax
4 credit with respect to the project is allocated to the partners, or
5 whether the allocation of the credit under the terms of the
6 partnership agreement has substantial economic effect, within the
7 meaning of Section 704(b) of the Internal Revenue Code.

8 (B) To the extent the allocation of the credit to a partner under
9 this section lacks substantial economic effect, any loss or deduction
10 otherwise allowable under this part that is attributable to the sale
11 or other disposition of that partner's partnership interest made prior
12 to the expiration of the tax credit recapture period for the project
13 described in subparagraph (A) shall not be allowed in the taxable
14 year in which the sale or other disposition occurs, but shall instead
15 be deferred until, and treated as if, it occurred in the first taxable
16 year immediately following the taxable year in which the tax credit
17 recapture period expires for the project described in subparagraph
18 (A). The credits awarded to a partnership shall be allocated to the
19 partners of that partnership in accordance with the partnership
20 agreement.

21 (2) Credits awarded to an "S" corporation shall be allocated
22 among the shareholders of that "S" corporation pro rata in
23 accordance with their respective pro rata shares, determined in
24 accordance with Subchapter S of Chapter 1 of the Internal Revenue
25 Code and the regulations promulgated thereunder.

26 (j) Section 183 of the Internal Revenue Code shall not apply
27 with respect to the credit allowed by this section.

28 (k) For purposes of this section, the provisions of subsection
29 (a) of Section 50 of the Internal Revenue Code shall apply.

30 (l) Notwithstanding any other provision of this part, a credit
31 allowed pursuant to this section may reduce the tax imposed under
32 Section 17041 or 17048 plus the tax imposed under Section 17504,
33 relating to the separate tax on lump-sum distributions, below the
34 tentative minimum tax.

35 (m) This section shall remain in effect regardless of the
36 expiration or repeal of Section 47 of the Internal Revenue Code,
37 relating to rehabilitation credit.

38 (n) ~~The Governor's Office of Business and Economic~~
39 ~~Development~~ *California Tax Credit Allocation Committee* may
40 adopt a reasonable fee in an amount sufficient to cover the expenses

1 incurred by the ~~Governor's Office of Business and Economic~~
2 ~~Development~~ *California Tax Credit Allocation Committee* and the
3 Office of Historic Preservation in fulfilling the responsibilities
4 described in paragraphs (4) and (5) of subdivision (g) and
5 paragraphs (4) and (5) of subdivision (g) of Section 23686.1.

6 (o) This section shall remain in effect only until December 1,
7 2023, and as of that date is repealed.

8 SEC. 4. Section 23686.1 is added to the Revenue and Taxation
9 Code, to read:

10 23686.1. For each taxable year beginning on or after January
11 1, 2015, and before January 1, 2023, there shall be allowed to a
12 taxpayer that receives a tax credit reservation a credit against the
13 "tax," as defined in Section 23036, an amount determined in
14 accordance with Section 47 of the Internal Revenue Code, except
15 as follows:

16 (a) (1) In lieu of the percentages specified in Section 47(a) of
17 the Internal Revenue Code, except as provided in paragraph (2),
18 the applicable percentage shall be 20 percent of the qualified
19 rehabilitation expenditures with respect to a certified historic
20 structure.

21 (2) The applicable percentage shall be 25 percent of the qualified
22 rehabilitation expenditures with respect to a certified historic
23 structure if that certified historic structure meets one of the
24 following criteria:

25 (A) The rehabilitated structure is located on federal surplus
26 property, if obtained by a local agency under Section 54142 of the
27 Government Code, on surplus state real property, as defined by
28 Section 11011.1 of the Government Code, or on surplus land, as
29 defined by subdivision (b) of Section 54221 of the Government
30 Code.

31 (B) The rehabilitated structure includes affordable housing for
32 lower-income households, as defined by Section 50079.5 of the
33 Health and Safety Code.

34 (C) The structure is located in a designated census tract, as
35 defined in paragraph (7) of subdivision (b) of Section 17053.73.

36 (D) The structure is a part of a military base reuse authority
37 established pursuant to Title 7.86 (commencing with Section
38 67800) of the Government Code.

1 (E) The structure is a transit-oriented development that is a
2 higher-density, mixed-use development within a walking distance
3 of one-half mile of a transit station.

4 (b) For purposes of this section, the following definitions shall
5 apply:

6 (1) “Certified historic structure” has the same meaning as
7 defined in Section 47(c)(3) of the Internal Revenue Code and
8 additionally means a structure in this state that is listed on the
9 California Register of Historical Resources.

10 (2) “Qualified rehabilitation expenditure” has the same meaning
11 as that term is defined in Section 47(c) of the Internal Revenue
12 Code, except that qualified rehabilitation expenditures may include
13 expenditures in connection with the rehabilitation of a building
14 without regard to whether any portion of the building is or is
15 reasonably expected to be tax exempt use property.

16 (c) (1) To be eligible for the credit allowed by this section, a
17 taxpayer shall request a tax credit reservation from the ~~Governor’s~~
18 ~~Office of Business and Economic Development~~ *California Tax*
19 *Credit Allocation Committee*, in the form and manner prescribed
20 by the ~~Governor’s Office of Business and Economic Development~~
21 *California Tax Credit Allocation Committee*.

22 (2) To obtain a tax credit reservation, the taxpayer shall provide
23 necessary information, as determined by the ~~Governor’s Office of~~
24 ~~Business and Economic Development~~ *California Tax Credit*
25 *Allocation Committee*.

26 (3) A tax credit reservation provided to a taxpayer shall not
27 constitute a determination by the ~~Governor’s Office of Business~~
28 ~~and Economic Development~~ *California Tax Credit Allocation*
29 *Committee* with respect to any of the requirements of this section
30 regarding a taxpayer’s eligibility for the credit authorized by this
31 section.

32 (4) If a taxpayer receives a tax credit reservation but
33 rehabilitation has not commenced within 18 months of the issuance
34 of the tax credit reservation, the tax credit reservation shall be
35 forfeited and the credit amount associated with the tax credit
36 reservation shall be treated as an unused allocation tax credit
37 amount.

38 (d) A deduction shall not be allowed under this part for any
39 expense for which a credit is allowed by this section.

1 (e) If a credit is allowed under this section with respect to any
2 property, the basis of that property shall be reduced by the amount
3 of the credit allowed.

4 (f) In the case where the credit allowed by this section exceeds
5 the “tax,” the excess may be carried over to reduce the “tax” in
6 the following year, and the seven succeeding years if necessary,
7 until the credit is exhausted.

8 (g) For purposes of this section, the ~~Governor’s Office of~~
9 ~~Business and Economic Development~~ *California Tax Credit*
10 *Allocation Committee* shall do the following:

11 (1) On and after January 1, 2015, and before January 1, 2023,
12 reserve and allocate tax credits to applicants.

13 (2) Establish a procedure for applicants to file with the
14 ~~Governor’s Office of Business and Economic Development~~
15 *California Tax Credit Allocation Committee* a written application,
16 on a form jointly prescribed by that office and the Office of Historic
17 Preservation for the reservation of the tax credit.

18 (3) Establish criteria consistent with the requirements of this
19 section, for reserving tax credits. A taxpayer shall not receive a
20 tax credit reservation unless the following criteria are met. Criteria
21 shall include, but are not limited to, the following:

22 (A) The number of jobs created by the rehabilitation project,
23 both during and after the rehabilitation of the structure.

24 (B) The expected increase in state and local tax revenues derived
25 from the rehabilitation project, including those from increased
26 wages and property taxes.

27 (C) Any additional incentives or contributions included in the
28 rehabilitation project from federal, state, or local governments.

29 (4) Determine and designate, in consultation with the Office of
30 Historic Preservation, applicants that meet the requirements of this
31 section to ensure that the rehabilitation project meets the Secretary
32 of the Interior’s Standards for Rehabilitation, as found in Part 67
33 of Title 36 of the Code of Federal Regulations.

34 (5) Process and approve, or reject, all tax credit reservation
35 applications.

36 (6) (A) Subject to the annual cap established as provided in
37 subdivision (h), allocate an aggregate amount of credits under this
38 section and Section 17053.91, and allocate any carryover of
39 unallocated credits from prior years.

1 (B) A taxpayer shall be allocated a tax credit pursuant to the
2 taxpayer's tax credit reservation upon receipt by the ~~Governor's~~
3 ~~Office of Business and Economic Development~~ *California Tax*
4 *Credit Allocation Committee* of a cost certification for the qualified
5 rehabilitation expenditures. For projects with qualified
6 rehabilitation expenditures in excess of two hundred fifty thousand
7 dollars (\$250,000), the cost certification shall be issued by a
8 licensed certified public accountant.

9 (7) Certify tax credits allocated to taxpayers.

10 (8) Provide the Franchise Tax Board an annual list of the
11 taxpayers that were allocated a credit pursuant to this section and
12 Section 17053.91 including each taxpayer's taxpayer identification
13 number, and the amount allocated to each taxpayer.

14 (h) (1) The aggregate amount of credits that may be allocated
15 in any calendar year pursuant to this section and Section 17053.91
16 shall be an amount equal to the sum of all of the following:

17 (A) Fifty million dollars (\$50,000,000) in tax credits for the
18 2015 calendar year and each calendar year thereafter, through and
19 including the 2022 calendar year.

20 (B) The unused allocation tax credit amount, if any, for the
21 preceding calendar year.

22 (2) Notwithstanding the foregoing, the ~~Governor's Office of~~
23 ~~Business and Economic Development~~ *California Tax Credit*
24 *Allocation Committee* shall set aside ten million dollars
25 (\$10,000,000) of tax credits each calendar year for taxpayers with
26 qualified rehabilitation expenditures of less than one million dollars
27 (\$1,000,000). To the extent that this amount is not fully reserved
28 in any calendar year, the unused portion shall become available
29 for reservation to other taxpayers.

30 (i) In the case of any application for tax credits by an entity
31 treated as a partnership or "S" corporation for income tax purposes:

32 (1) (A) Credits awarded to a partnership shall be allocated to
33 the partners of that partnership in accordance with the partnership
34 agreement, regardless of how the federal historic rehabilitation tax
35 credit with respect to the project is allocated to the partners, or
36 whether the allocation of the credit under the terms of the
37 partnership agreement has substantial economic effect, within the
38 meaning of Section 704(b) of the Internal Revenue Code.

39 (B) To the extent the allocation of the credit to a partner under
40 this section lacks substantial economic effect, any loss or deduction

1 otherwise allowable under this part that is attributable to the sale
2 or other disposition of that partner’s partnership interest made prior
3 to the expiration of the tax credit recapture period for the project
4 described in subparagraph (A) shall not be allowed in the taxable
5 year in which the sale or other disposition occurs, but shall instead
6 be deferred until, and treated as if, it occurred in the first taxable
7 year immediately following the taxable year in which the tax credit
8 recapture period expires for the project described in subparagraph
9 (A). The credits awarded to a partnership shall be allocated to the
10 partners of that partnership in accordance with the partnership
11 agreement.

12 (2) Credits awarded to an “S” corporation shall be allocated
13 among the shareholders of that “S” corporation pro rata in
14 accordance with their respective pro rata shares, determined in
15 accordance with Subchapter S of Chapter 1 of the Internal Revenue
16 Code and the regulations promulgated thereunder.

17 (j) Section 183 of the Internal Revenue Code shall not apply
18 with respect to the credit allowed by this section.

19 (k) For purposes of this section, the provisions of subsection
20 (a) of Section 50 of the Internal Revenue Code shall apply.

21 (l) Notwithstanding any other provision of this part, a credit
22 allowed pursuant to this section may reduce the “tax” below the
23 tentative minimum tax, as defined by paragraph (1) of subdivision
24 (a) of Section 23455.

25 (m) This section shall remain in effect regardless of the
26 expiration or repeal of Section 47 of the Internal Revenue Code,
27 relating to rehabilitation credit.

28 (n) ~~The Governor’s Office of Business and Economic~~
29 ~~Development California Tax Credit Allocation Committee~~ may
30 adopt a reasonable fee in an amount sufficient to cover the expenses
31 incurred by the ~~Governor’s Office of Business and Economic~~
32 ~~Development California Tax Credit Allocation Committee~~ and the
33 Office of Historic Preservation in fulfilling the responsibilities
34 described in paragraphs (4) and (5) of subdivision (g) and
35 paragraphs (4) and (5) of subdivision (g) of Section 17053.91.

36 (o) This section shall remain in effect only until December 1,
37 2023, and as of that date is repealed.

1 SEC. 5. This act provides for a tax levy within the meaning of
2 Article IV of the Constitution and shall go into immediate effect.

O