

AMENDED IN ASSEMBLY APRIL 16, 2015

AMENDED IN ASSEMBLY APRIL 6, 2015

AMENDED IN ASSEMBLY MARCH 2, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 35

Introduced by Assembly Members Chiu and Atkins
(Principal coauthor: Assembly Member Wilk)
(~~Coauthor: Coauthors: Assembly Member Members Chau and~~
Steinorth)

December 1, 2014

An act to amend Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 35, as amended, Chiu. Income taxes: credits: low-income housing: allocation increase.

Existing law establishes a low-income housing tax credit program pursuant to which the California Tax Credit Allocation Committee provides procedures and requirements for the allocation of state insurance, personal income, and corporation income tax credit amounts among low-income housing projects based on federal law. Existing law, in modified conformity to federal income tax law, allows the credit based upon the applicable percentage, as defined, of the qualified basis of each qualified low-income building. Existing law limits the total annual amount of the credit that the committee may allocate to \$70 million per year, as specified.

This bill, for calendar years beginning 2015, would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects by \$300,000,000, as specified. The bill, under the insurance taxation law, the Personal Income Tax Law, and the Corporation Tax Law, would modify the definition of applicable percentage relating to qualified low-income buildings that meet specified criteria.

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 12206 of the Revenue and Taxation Code
 2 is amended to read:
 3 12206. (a) (1) There shall be allowed as a credit against the
 4 “tax,” as described by Section 12201, a state low-income housing
 5 tax credit in an amount equal to the amount determined in
 6 subdivision (c), computed in accordance with Section 42 of the
 7 Internal Revenue Code except as otherwise provided in this section.
 8 (2) “Taxpayer,” for purposes of this section, means the sole
 9 owner in the case of a “C” corporation, the partners in the case of
 10 a partnership, members in the case of a limited liability company,
 11 and the shareholders in the case of an “S” corporation.
 12 (3) “Housing sponsor,” for purposes of this section, means the
 13 sole owner in the case of a “C” corporation, the partnership in the
 14 case of a partnership, the limited liability company in the case of
 15 a limited liability company, and the “S” corporation in the case of
 16 an “S” corporation.
 17 (4) “Extremely low-income” has the same meaning as in Section
 18 50053 of the Health and Safety Code.
 19 (5) “Rural area” means a rural area as defined in Section
 20 50199.21 of the Health and Safety Code.
 21 (6) “Special needs housing” has the meaning as in paragraph
 22 (4) of subdivision (g) of Section 10325 of Title 4 of the California
 23 Code of Regulations.
 24 (7) “SRO” means single room occupancy.
 25 (8) “Very low-income” has the same meaning as in Section
 26 50053 of the Health and Safety Code.”

1 (b) (1) The amount of the credit allocated to any housing
2 sponsor shall be authorized by the California Tax Credit Allocation
3 Committee, or any successor thereof, based on a project's need
4 for the credit for economic feasibility in accordance with the
5 requirements of this section.

6 (A) Except for projects to provide farmworker housing, as
7 defined in subdivision (h) of Section 50199.7 of the Health and
8 Safety Code, that are allocated credits solely under the set-aside
9 described in subdivision (c) of Section 50199.20 of the Health and
10 Safety Code, the low-income housing project shall be located in
11 California and shall meet either of the following requirements:

12 (i) The project's housing sponsor has been allocated by the
13 California Tax Credit Allocation Committee a credit for federal
14 income tax purposes under Section 42 of the Internal Revenue
15 Code.

16 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
17 Internal Revenue Code.

18 (B) The California Tax Credit Allocation Committee shall not
19 require fees for the credit under this section in addition to those
20 fees required for applications for the tax credit pursuant to Section
21 42 of the Internal Revenue Code. The committee may require a
22 fee if the application for the credit under this section is submitted
23 in a calendar year after the year the application is submitted for
24 the federal tax credit.

25 (C) (i) For a project that receives a preliminary reservation of
26 the state low-income housing tax credit, allowed pursuant to
27 subdivision (a), on or after January 1, 2009, and before January 1,
28 2016, the credit shall be allocated to the partners of a partnership
29 owning the project in accordance with the partnership agreement,
30 regardless of how the federal low-income housing tax credit with
31 respect to the project is allocated to the partners, or whether the
32 allocation of the credit under the terms of the agreement has
33 substantial economic effect, within the meaning of Section 704(b)
34 of the Internal Revenue Code.

35 (ii) This subparagraph shall not apply to a project that receives
36 a preliminary reservation of state low-income housing tax credits
37 under the set-aside described in subdivision (c) of Section 50199.20
38 of the Health and Safety Code unless the project also receives a
39 preliminary reservation of federal low-income housing tax credits.

1 (iii) This subparagraph shall cease to be operative with respect
2 to any project that receives a preliminary reservation of a credit
3 on or after January 1, 2016.

4 (2) (A) The California Tax Credit Allocation Committee shall
5 certify to the housing sponsor the amount of tax credit under this
6 section allocated to the housing sponsor for each credit period.

7 (B) In the case of a partnership or an “S” corporation, the
8 housing sponsor shall provide a copy of the California Tax Credit
9 Allocation Committee certification to the taxpayer.

10 (C) The taxpayer shall attach a copy of the certification to any
11 return upon which a tax credit is claimed under this section.

12 (D) In the case of a failure to attach a copy of the certification
13 for the year to the return in which a tax credit is claimed under this
14 section, no credit under this section shall be allowed for that year
15 until a copy of that certification is provided.

16 (E) All elections made by the taxpayer pursuant to Section 42
17 of the Internal Revenue Code shall apply to this section.

18 (F) (i) The California Tax Credit Allocation Committee may
19 allocate a credit under this section in exchange for a credit allocated
20 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code in
21 amounts up to 30 percent of the eligible basis of a building if the
22 credits allowed under Section 42 of the Internal Revenue Code are
23 reduced by an equivalent amount.

24 (ii) An equivalent amount shall be determined by the California
25 Tax Credit Allocation Committee based upon the relative amount
26 required to produce an equivalent state tax credit to the taxpayer.

27 (c) Section 42(b) of the Internal Revenue Code shall be modified
28 as follows:

29 (1) In the case of any qualified low-income building that is a
30 new building not federally subsidized, the term “applicable
31 percentage” means the following:

32 (A) For each of the first three years, the percentage prescribed
33 by the Secretary of the Treasury for new buildings that are not
34 federally subsidized for the taxable year, determined in accordance
35 with the requirements of Section 42(b)(1) of the Internal Revenue
36 Code in lieu of the percentage prescribed in Section 42(b)(1)(A)
37 of the Internal Revenue Code.

38 (B) For the fourth year, the difference between 30 percent and
39 the sum of the applicable percentages for the first three years.

1 (2) In the case of any qualified low-income building that (i) is
2 a new building, (ii) not located in designated difficult development
3 areas (DDAs) or qualified census tracts (QCTs), as defined in
4 Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue Code,
5 and (iii) is federally subsidized, the term “applicable percentage”
6 means for the first three years, 15 percent of the qualified basis of
7 the building, and for the fourth year, 5 percent of the qualified
8 basis of the building.

9 (3) In the case of any qualified low-income building that is (i)
10 an existing building, (ii) not located in designated difficult
11 development areas (DDAs) or qualified census tracts (QCTs), as
12 defined in Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue
13 Code, and (iii) is federally subsidized, the term applicable
14 percentage means the following:

15 (A) For each of the first three years, the percentage prescribed
16 by the Secretary of the Treasury for new buildings that are federally
17 subsidized for the taxable year.

18 (B) For the fourth year, the difference between 13 percent and
19 the sum of the applicable percentages for the first three years.

20 (4) In the case of any qualified low-income building that is (i)
21 a new or an existing building, (ii) located in designated difficult
22 development areas (DDAs) or qualified census tracts (QCTs) as
23 defined in Section 42(d)(5)(B) of the Internal Revenue Code, and
24 (iii) federally subsidized, the California Tax Credit Allocation
25 Committee shall determine the amount of credit to be allocated
26 under subparagraph (F) of paragraph (2) of subdivision (b) required
27 to produce an equivalent state tax credit to the taxpayer, as
28 produced in paragraph (2), taking into account the basis boost
29 provided under Section 42(d)(5)(B) of the Internal Revenue Code.

30 (5) In the case of any qualified low-income building that meets
31 all of the requirements of subparagraphs (A) through (D), inclusive,
32 the term “applicable percentage” means 30 percent for each of the
33 first three years and 5 percent for the fourth year.

34 (A) The qualified low-income building is at least 15 years old.

35 (B) The qualified low-income building is a SRO, special needs
36 housing, is in a rural area, or serves households with very
37 low-income or extremely low-income residents.

38 (C) The qualified low-income building is serving households
39 of very low-income or extremely low-income provided that the
40 average income at time admission is not more than 45 percent of

1 the median gross income, as determined under Section 42 of the
2 Internal Revenue Code, adjusted by household size.

3 (D) The qualified low-income building would have insufficient
4 credits under paragraphs (1) and (2) to complete substantial
5 rehabilitation due to a low appraised value.

6 (d) The term “qualified low-income housing project” as defined
7 in Section 42(c)(2) of the Internal Revenue Code is modified by
8 adding the following requirements:

9 (1) The taxpayer shall be entitled to receive a cash distribution
10 from the operations of the project, after funding required reserves,
11 that, at the election of the taxpayer, is equal to:

12 (A) An amount not to exceed 8 percent of the lesser of:

13 (i) The owner equity that shall include the amount of the capital
14 contributions actually paid to the housing sponsor and shall not
15 include any amounts until they are paid on an investor note.

16 (ii) Twenty percent of the adjusted basis of the building as of
17 the close of the first taxable year of the credit period.

18 (B) The amount of the cashflow from those units in the building
19 that are not low-income units. For purposes of computing cashflow
20 under this subparagraph, operating costs shall be allocated to the
21 low-income units using the “floor space fraction,” as defined in
22 Section 42 of the Internal Revenue Code.

23 (C) Any amount allowed to be distributed under subparagraph
24 (A) that is not available for distribution during the first five years
25 of the compliance period may be accumulated and distributed any
26 time during the first 15 years of the compliance period but not
27 thereafter.

28 (2) The limitation on return shall apply in the aggregate to the
29 partners if the housing sponsor is a partnership and in the aggregate
30 to the shareholders if the housing sponsor is an “S” corporation.

31 (3) The housing sponsor shall apply any cash available for
32 distribution in excess of the amount eligible to be distributed under
33 paragraph (1) to reduce the rent on rent-restricted units or to
34 increase the number of rent-restricted units subject to the tests of
35 Section 42(g)(1) of the Internal Revenue Code.

36 (e) The provisions of Section 42(f) of the Internal Revenue Code
37 shall be modified as follows:

38 (1) The term “credit period” as defined in Section 42(f)(1) of
39 the Internal Revenue Code is modified by substituting “four taxable
40 years” for “10 taxable years.”

1 (2) The special rule for the first taxable year of the credit period
2 under Section 42(f)(2) of the Internal Revenue Code shall not apply
3 to the tax credit under this section.

4 (3) Section 42(f)(3) of the Internal Revenue Code is modified
5 to read:

6 If, as of the close of any taxable year in the compliance period,
7 after the first year of the credit period, the qualified basis of any
8 building exceeds the qualified basis of that building as of the close
9 of the first year of the credit period, the housing sponsor, to the
10 extent of its tax credit allocation, shall be eligible for a credit on
11 the excess in an amount equal to the applicable percentage
12 determined pursuant to subdivision (c) for the four-year period
13 beginning with the the taxable year in which the increase in
14 qualified basis occurs.

15 (f) The provisions of Section 42(h) of the Internal Revenue
16 Code shall be modified as follows:

17 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
18 applicable and instead the following provisions shall be applicable:

19 The total amount for the four-year credit period of the housing
20 credit dollars allocated in a calendar year to any building shall
21 reduce the aggregate housing credit dollar amount of the California
22 Tax Credit Allocation Committee for the calendar year in which
23 the allocation is made.

24 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
25 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
26 not be applicable.

27 (g) The aggregate housing credit dollar amount that may be
28 allocated annually by the California Tax Credit Allocation
29 Committee pursuant to this section, Section 17058, and Section
30 23610.5 shall be an amount equal to the sum of all the following:

31 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
32 calendar year, and, for the 2002 calendar year and each calendar
33 year thereafter, seventy million dollars (\$70,000,000) increased
34 by the percentage, if any, by which the Consumer Price Index for
35 the preceding calendar year exceeds the Consumer Price Index for
36 the 2001 calendar year. For the purposes of this paragraph, the
37 term “Consumer Price Index” means the last Consumer Price Index
38 for All Urban Consumers published by the federal Department of
39 Labor.

1 (B) An additional three hundred million dollars (\$300,000,000)
2 for the 2015 calendar year, and, for the 2016 calendar year and
3 each calendar year thereafter, three hundred million dollars
4 (\$300,000,000) increased by the percentage, if any, by which the
5 Consumer Price Index for the preceding calendar year exceeds the
6 Consumer Price Index for the 2015 calendar year. For the purposes
7 of this paragraph, the term “Consumer Price Index” means the last
8 Consumer Price Index for All Urban Consumers published by the
9 federal Department of Labor. A housing sponsor receiving an
10 allocation under paragraph (1) of subdivision (c) shall not be
11 eligible for receipt of the housing credit allocated from the
12 increased amount under this subparagraph. A housing sponsor
13 receiving an allocation under paragraph (1) of subdivision (c) shall
14 remain eligible for receipt of the housing credit allocated from the
15 credit ceiling amount under subparagraph (A).

16 (2) The unused housing credit ceiling, if any, for the preceding
17 calendar years.

18 (3) The amount of housing credit ceiling returned in the calendar
19 year. For purposes of this paragraph, the amount of housing credit
20 dollar amount returned in the calendar year equals the housing
21 credit dollar amount previously allocated to any project that does
22 not become a qualified low-income housing project within the
23 period required by this section or to any project with respect to
24 which an allocation is canceled by mutual consent of the California
25 Tax Credit Allocation Committee and the allocation recipient.

26 (4) Five hundred thousand dollars (\$500,000) per calendar year
27 for projects to provide farmworker housing, as defined in
28 subdivision (h) of Section 50199.7 of the Health and Safety Code.

29 (5) The amount of any unallocated or returned credits under
30 former Sections 17053.14, 23608.2, and 23608.3, as those sections
31 read prior to January 1, 2009, until fully exhausted for projects to
32 provide farmworker housing, as defined in subdivision (h) of
33 Section 50199.7 of the Health and Safety Code.

34 (h) The term “compliance period” as defined in Section 42(i)(1)
35 of the Internal Revenue Code is modified to mean, with respect to
36 any building, the period of 30 consecutive taxable years beginning
37 with the first taxable year of the credit period with respect thereto.

38 (i) (1) Section 42(j) of the Internal Revenue Code shall not be
39 applicable and the provisions in paragraph (2) shall be substituted
40 in its place.

1 (2) The requirements of this section shall be set forth in a
2 regulatory agreement between the California Tax Credit Allocation
3 Committee and the housing sponsor, and the regulatory agreement
4 shall be subordinated, when required, to any lien or encumbrance
5 of any banks or other institutional lenders to the project. The
6 regulatory agreement entered into pursuant to subdivision (f) of
7 Section 50199.14 of the Health and Safety Code, shall apply,
8 provided that the agreement includes all of the following
9 provisions:

10 (A) A term not less than the compliance period.

11 (B) A requirement that the agreement be recorded in the official
12 records of the county in which the qualified low-income housing
13 project is located.

14 (C) A provision stating which state and local agencies can
15 enforce the regulatory agreement in the event the housing sponsor
16 fails to satisfy any of the requirements of this section.

17 (D) A provision that the regulatory agreement shall be deemed
18 a contract enforceable by tenants as third-party beneficiaries thereto
19 and that allows individuals, whether prospective, present, or former
20 occupants of the building, who meet the income limitation
21 applicable to the building, the right to enforce the regulatory
22 agreement in any state court.

23 (E) A provision incorporating the requirements of Section 42
24 of the Internal Revenue Code as modified by this section.

25 (F) A requirement that the housing sponsor notify the California
26 Tax Credit Allocation Committee or its designee and the local
27 agency that can enforce the regulatory agreement if there is a
28 determination by the Internal Revenue Service that the project is
29 not in compliance with Section 42(g) of the Internal Revenue Code.

30 (G) A requirement that the housing sponsor, as security for the
31 performance of the housing sponsor's obligations under the
32 regulatory agreement, assign the housing sponsor's interest in rents
33 that it receives from the project, provided that until there is a
34 default under the regulatory agreement, the housing sponsor is
35 entitled to collect and retain the rents.

36 (H) The remedies available in the event of a default under the
37 regulatory agreement that is not cured within a reasonable cure
38 period, include, but are not limited to, allowing any of the parties
39 designated to enforce the regulatory agreement to collect all rents
40 with respect to the project; taking possession of the project and

1 operating the project in accordance with the regulatory agreement
2 until the enforcer determines the housing sponsor is in a position
3 to operate the project in accordance with the regulatory agreement;
4 applying to any court for specific performance; securing the
5 appointment of a receiver to operate the project; or any other relief
6 as may be appropriate.

7 (j) (1) The committee shall allocate the housing credit on a
8 regular basis consisting of two or more periods in each calendar
9 year during which applications may be filed and considered. The
10 committee shall establish application filing deadlines, the maximum
11 percentage of federal and state low-income housing tax credit
12 ceiling that may be allocated by the committee in that period, and
13 the approximate date on which allocations shall be made. If the
14 enactment of federal or state law, the adoption of rules or
15 regulations, or other similar events prevent the use of two allocation
16 periods, the committee may reduce the number of periods and
17 adjust the filing deadlines, maximum percentage of credit allocated,
18 and allocation dates.

19 (2) The committee shall adopt a qualified allocation plan, as
20 provided in Section 42(m)(1) of the Internal Revenue Code. In
21 adopting this plan, the committee shall comply with the provisions
22 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
23 Code, respectively.

24 (3) Notwithstanding Section 42(m) of the Internal Revenue
25 Code the California Tax Credit Allocation Committee shall allocate
26 housing credits in accordance with the qualified allocation plan
27 and regulations, which shall include the following provisions:

28 (A) All housing sponsors, as defined by paragraph (3) of
29 subdivision (a), shall demonstrate at the time the application is
30 filed with the committee that the project meets the following
31 threshold requirements:

32 (i) The housing sponsor shall demonstrate there is a need and
33 demand for low-income housing in the community or region for
34 which it is proposed.

35 (ii) The project's proposed financing, including tax credit
36 proceeds, shall be sufficient to complete the project and that the
37 proposed operating income shall be adequate to operate the project
38 for the extended use period.

1 (iii) The project shall have enforceable financing commitments,
2 either construction or permanent financing, for at least 50 percent
3 of the total estimated financing of the project.

4 (iv) The housing sponsor shall have and maintain control of the
5 site for the project.

6 (v) The housing sponsor shall demonstrate that the project
7 complies with all applicable local land use and zoning ordinances.

8 (vi) The housing sponsor shall demonstrate that the project
9 development team has the experience and the financial capacity
10 to ensure project completion and operation for the extended use
11 period.

12 (vii) The housing sponsor shall demonstrate the amount of tax
13 credit that is necessary for the financial feasibility of the project
14 and its viability as a qualified low-income housing project
15 throughout the extended use period, taking into account operating
16 expenses, a supportable debt service, reserves, funds set aside for
17 rental subsidies, and required equity, and a development fee that
18 does not exceed a specified percentage of the eligible basis of the
19 project prior to inclusion of the development fee in the eligible
20 basis, as determined by the committee.

21 (B) The committee shall give a preference to those projects
22 satisfying all of the threshold requirements of subparagraph (A)
23 if both of the following apply:

24 (i) The project serves the lowest income tenants at rents
25 affordable to those tenants.

26 (ii) The project is obligated to serve qualified tenants for the
27 longest period.

28 (C) In addition to the provisions of subparagraphs (A) and (B),
29 the committee shall use the following criteria in allocating housing
30 credits:

31 (i) Projects serving large families in which a substantial number,
32 as defined by the committee, of all residential units are low-income
33 units with three and more bedrooms.

34 (ii) Projects providing single-room occupancy units serving
35 very low income tenants.

36 (iii) (I) Existing projects that are “at risk of conversion.”

37 (II) For purposes of this section, the term “at risk of conversion,”
38 with respect to an existing property means a property that satisfies
39 all of the following criteria:

1 (ia) The property is a multifamily rental housing development
2 in which at least 50 percent of the units receive governmental
3 assistance pursuant to any of the following:

4 (Ia) New construction, substantial rehabilitation, moderate
5 rehabilitation, property disposition, and loan management set-aside
6 programs, or any other program providing project-based assistance
7 pursuant to Section 8 of the United States Housing Act of 1937,
8 Section 1437f of Title 42 of the United States Code, as amended.

9 (Ib) The Below-Market-Interest-Rate Program pursuant to
10 Section 221(d)(3) of the National Housing Act, Sections
11 1715l(d)(3) and (5) of Title 12 of the United States Code.

12 (Ic) Section 236 of the National Housing Act, Section 1715z-1
13 of Title 12 of the United States Code.

14 (Id) Programs for rent supplement assistance pursuant to Section
15 18 101 of the Housing and Urban Development Act of 1965,
16 Section 1701s of Title 12 of the United States Code, as amended.

17 (Ie) Programs pursuant to Section 515 of the Housing Act of
18 1949, Section 1485 of Title 42 of the United States Code, as
19 amended.

20 (If) The low-income housing credit program set forth in Section
21 42 of the Internal Revenue Code.

22 (ib) The restrictions on rent and income levels will terminate
23 or the federal insured mortgage on the property is eligible for
24 prepayment any time within five years before or after the date of
25 application to the California Tax Credit Allocation Committee.

26 (ic) The entity acquiring the property enters into a regulatory
27 agreement that requires the property to be operated in accordance
28 with the requirements of this section for a period equal to the
29 greater of 55 years or the life of the property.

30 (id) The property satisfies the requirements of Section 42(e) of
31 the Internal Revenue Code, regarding rehabilitation expenditures
32 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
33 apply.

34 (iv) Projects for which a public agency provides direct or indirect
35 long-term financial support for at least 15 percent of the total
36 project development costs or projects for which the owner's equity
37 constitutes at least 30 percent of the total project development
38 costs.

39 (v) Projects that provide tenant amenities not generally available
40 to residents of low-income housing projects.

1 (4) For purposes of allocating credits pursuant to this section,
2 the committee shall not give preference to any project by virtue
3 of the date of submission of its application except to break a tie
4 when two or more of the projects have an equal rating.

5 (k) Section 42(l) of the Internal Revenue Code shall be modified
6 as follows:

7 The term “secretary” shall be replaced by the term “California
8 Franchise Tax Board.”

9 (l) In the case where the credit allowed under this section
10 exceeds the “tax,” the excess may be carried over to reduce the
11 “tax” in the following year, and succeeding years if necessary,
12 until the credit has been exhausted.

13 (m) The provisions of Section 11407(a) of Public Law 101-508,
14 relating to the effective date of the extension of the low-income
15 housing credit, shall apply to calendar years after 1993.

16 (n) The provisions of Section 11407(c) of Public Law 101-508,
17 relating to election to accelerate credit, shall not apply.

18 (o) This section shall remain in effect for as long as Section 42
19 of the Internal Revenue Code, relating to low-income housing
20 credit, remains in effect.

21 SEC. 2. Section 17058 of the Revenue and Taxation Code is
22 amended to read:

23 17058. (a) (1) There shall be allowed as a credit against the
24 “net tax,” as defined in Section 17039, a state low-income housing
25 tax credit in an amount equal to the amount determined in
26 subdivision (c), computed in accordance with Section 42 of the
27 Internal Revenue Code except as otherwise provided in this section.

28 (2) “Taxpayer” for purposes of this section means the sole owner
29 in the case of an individual, the partners in the case of a partnership,
30 members in the case of a limited liability company, and the
31 shareholders in the case of an “S” corporation.

32 (3) “Housing sponsor” for purposes of this section means the
33 sole owner in the case of an individual, the partnership in the case
34 of a partnership, the limited liability company in the case of a
35 limited liability company, and the “S” corporation in the case of
36 an “S” corporation.

37 (4) “Extremely low-income” has the same meaning as in Section
38 50053 of the Health and Safety Code.

39 (5) “Rural area” means a rural area as defined in Section
40 50199.21 of the Health and Safety Code.

1 (6) “Special needs housing” has the meaning as in paragraph
2 (4) of subdivision (g) of Section 10325 of Title 4 of the California
3 Code of Regulations.

4 (7) “SRO” means single room occupancy.

5 (8) “Very low-income” has the same meaning as in Section
6 50053 of the Health and Safety Code.”

7 (b) (1) The amount of the credit allocated to any housing
8 sponsor shall be authorized by the California Tax Credit Allocation
9 Committee, or any successor thereof, based on a project’s need
10 for the credit for economic feasibility in accordance with the
11 requirements of this section.

12 (A) The low-income housing project shall be located in
13 California and shall meet either of the following requirements:

14 (i) Except for projects to provide farmworker housing, as defined
15 in subdivision (h) of Section 50199.7 of the Health and Safety
16 Code, that are allocated credits solely under the set-aside described
17 in subdivision (c) of Section 50199.20 of the Health and Safety
18 Code, the project’s housing sponsor has been allocated by the
19 California Tax Credit Allocation Committee a credit for federal
20 income tax purposes under Section 42 of the Internal Revenue
21 Code.

22 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
23 Internal Revenue Code.

24 (B) The California Tax Credit Allocation Committee shall not
25 require fees for the credit under this section in addition to those
26 fees required for applications for the tax credit pursuant to Section
27 42 of the Internal Revenue Code. The committee may require a
28 fee if the application for the credit under this section is submitted
29 in a calendar year after the year the application is submitted for
30 the federal tax credit.

31 (C) (i) For a project that receives a preliminary reservation of
32 the state low-income housing tax credit, allowed pursuant to
33 subdivision (a), on or after January 1, 2009, and before January 1,
34 2016, the credit shall be allocated to the partners of a partnership
35 owning the project in accordance with the partnership agreement,
36 regardless of how the federal low-income housing tax credit with
37 respect to the project is allocated to the partners, or whether the
38 allocation of the credit under the terms of the agreement has
39 substantial economic effect, within the meaning of Section 704(b)
40 of the Internal Revenue Code.

1 (ii) To the extent the allocation of the credit to a partner under
2 this section lacks substantial economic effect, any loss or deduction
3 otherwise allowable under this part that is attributable to the sale
4 or other disposition of that partner's partnership interest made prior
5 to the expiration of the federal credit shall not be allowed in the
6 taxable year in which the sale or other disposition occurs, but shall
7 instead be deferred until and treated as if it occurred in the first
8 taxable year immediately following the taxable year in which the
9 federal credit period expires for the project described in clause (i).

10 (iii) This subparagraph shall not apply to a project that receives
11 a preliminary reservation of state low-income housing tax credits
12 under the set-aside described in subdivision (c) of Section 50199.20
13 of the Health and Safety Code unless the project also receives a
14 preliminary reservation of federal low-income housing tax credits.

15 (iv) This subparagraph shall cease to be operative with respect
16 to any project that receives a preliminary reservation of a credit
17 on or after January 1, 2016.

18 (2) (A) The California Tax Credit Allocation Committee shall
19 certify to the housing sponsor the amount of tax credit under this
20 section allocated to the housing sponsor for each credit period.

21 (B) In the case of a partnership, limited liability company, or
22 an "S" corporation, the housing sponsor shall provide a copy of
23 the California Tax Credit Allocation Committee certification to
24 the taxpayer.

25 (C) The taxpayer shall, upon request, provide a copy of the
26 certification to the Franchise Tax Board.

27 (D) All elections made by the taxpayer pursuant to Section 42
28 of the Internal Revenue Code shall apply to this section.

29 (E) (i) The California Tax Credit Allocation Committee may
30 allocate a credit under this section in exchange for a credit allocated
31 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code in
32 amounts up to 30 percent of the eligible basis of a building if the
33 credits allowed under Section 42 of the Internal Revenue Code are
34 reduced by an equivalent amount.

35 (ii) An equivalent amount shall be determined by the California
36 Tax Credit Allocation Committee based upon the relative amount
37 required to produce an equivalent state tax credit to the taxpayer.

38 (c) Section 42(b) of the Internal Revenue Code shall be modified
39 as follows:

1 (1) In the case of any qualified low-income building that is a
 2 new building not federally subsidized, the term “applicable
 3 percentage” means the following:

4 (A) For each of the first three years, the percentage prescribed
 5 by the Secretary of the Treasury for new buildings that are not
 6 federally subsidized for the taxable year, determined in accordance
 7 with the requirements of Section 42(b)(1) of the Internal Revenue
 8 Code in lieu of the percentage prescribed in Section 42(b)(1)(A)
 9 of the Internal Revenue Code.

10 (B) For the fourth year, the difference between 30 percent and
 11 the sum of the applicable percentages for the first three years.

12 (2) In the case of any qualified low-income building that (i) is
 13 a new building, (ii) not located in designated difficult development
 14 areas (DDAs) or qualified census tracts (QCTs), as defined in
 15 Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue Code,
 16 and (iii) is federally subsidized, the term “applicable percentage”
 17 means for the first three years, 15 percent of the qualified basis of
 18 the building, and for the fourth year, 5 percent of the qualified
 19 basis of the building.

20 (3) In the case of any qualified low-income building that is (i)
 21 an existing building, (ii) not located in designated difficult
 22 development areas (DDAs) or qualified census tracts (QCTs), as
 23 defined in Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue
 24 Code, and (iii) is federally subsidized, the term applicable
 25 percentage means the following:

26 (A) For each of the first three years, the percentage prescribed
 27 by the Secretary of the Treasury for new buildings that are federally
 28 subsidized for the taxable year.

29 (B) For the fourth year, the difference between 13 percent and
 30 the sum of the applicable percentages for the first three years.

31 (4) In the case of any qualified low-income building that is (i)
 32 a new or an existing building, (ii) located in designated difficult
 33 development areas (DDAs) or qualified census tracts (QCTs) as
 34 defined in Section 42(d)(5)(B) of the Internal Revenue Code, and
 35 (iii) federally subsidized, the California Tax Credit Allocation
 36 Committee shall determine the amount of credit to be allocated
 37 under subparagraph (E) of paragraph (2) of subdivision (b) required
 38 to produce an equivalent state tax credit to the taxpayer, as
 39 produced in paragraph (2), taking into account the basis boost
 40 provided under Section 42(d)(5)(B) of the Internal Revenue Code.

1 (5) In the case of any qualified low-income building that meets
2 all of the requirements of subparagraphs (A) through (D), inclusive,
3 the term “applicable percentage” means 30 percent for each of the
4 first three years and 5 percent for the fourth year.

5 (A) The qualified low-income building is at least 15 years old.

6 (B) The qualified low-income building is a SRO, special needs
7 housing, is in a rural area, or serves households with very
8 low-income or extremely low-income residents.

9 (C) The qualified low-income building is serving households
10 of very low-income or extremely low-income provided that the
11 average income at time admission is not more than 45 percent of
12 the median gross income, as determined under Section 42 of the
13 Internal Revenue Code, adjusted by household size.

14 (D) The qualified low-income building would have insufficient
15 credits under paragraphs (1) and (2) to complete substantial
16 rehabilitation due to a low appraised value.

17 (d) The term “qualified low-income housing project” as defined
18 in Section 42(c)(2) of the Internal Revenue Code is modified by
19 adding the following requirements:

20 (1) The taxpayer shall be entitled to receive a cash distribution
21 from the operations of the project, after funding required reserves,
22 that, at the election of the taxpayer, is equal to:

23 (A) An amount not to exceed 8 percent of the lesser of:

24 (i) The owner equity that shall include the amount of the capital
25 contributions actually paid to the housing sponsor and shall not
26 include any amounts until they are paid on an investor note.

27 (ii) Twenty percent of the adjusted basis of the building as of
28 the close of the first taxable year of the credit period.

29 (B) The amount of the cashflow from those units in the building
30 that are not low-income units. For purposes of computing cashflow
31 under this subparagraph, operating costs shall be allocated to the
32 low-income units using the “floor space fraction,” as defined in
33 Section 42 of the Internal Revenue Code.

34 (C) Any amount allowed to be distributed under subparagraph
35 (A) that is not available for distribution during the first five years
36 of the compliance period may be accumulated and distributed any
37 time during the first 15 years of the compliance period but not
38 thereafter.

1 (2) The limitation on return shall apply in the aggregate to the
2 partners if the housing sponsor is a partnership and in the aggregate
3 to the shareholders if the housing sponsor is an “S” corporation.

4 (3) The housing sponsor shall apply any cash available for
5 distribution in excess of the amount eligible to be distributed under
6 paragraph (1) to reduce the rent on rent-restricted units or to
7 increase the number of rent-restricted units subject to the tests of
8 Section 42(g)(1) of the Internal Revenue Code.

9 (e) The provisions of Section 42(f) of the Internal Revenue Code
10 shall be modified as follows:

11 (1) The term “credit period” as defined in Section 42(f)(1) of
12 the Internal Revenue Code is modified by substituting “four taxable
13 years” for “10 taxable years.”

14 (2) The special rule for the first taxable year of the credit period
15 under Section 42(f)(2) of the Internal Revenue Code shall not apply
16 to the tax credit under this section.

17 (3) Section 42(f)(3) of the Internal Revenue Code is modified
18 to read:

19 If, as of the close of any taxable year in the compliance period,
20 after the first year of the credit period, the qualified basis of any
21 building exceeds the qualified basis of that building as of the close
22 of the first year of the credit period, the housing sponsor, to the
23 extent of its tax credit allocation, shall be eligible for a credit on
24 the excess in an amount equal to the applicable percentage
25 determined pursuant to subdivision (c) for the four-year period
26 beginning with the taxable year in which the increase in qualified
27 basis occurs.

28 (f) The provisions of Section 42(h) of the Internal Revenue
29 Code shall be modified as follows:

30 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
31 applicable and instead the following provisions shall be applicable:

32 The total amount for the four-year credit period of the housing
33 credit dollars allocated in a calendar year to any building shall
34 reduce the aggregate housing credit dollar amount of the California
35 Tax Credit Allocation Committee for the calendar year in which
36 the allocation is made.

37 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
38 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
39 not be applicable.

1 (g) The aggregate housing credit dollar amount that may be
2 allocated annually by the California Tax Credit Allocation
3 Committee pursuant to this section, Section 12206, and Section
4 23610.5 shall be an amount equal to the sum of all the following:

5 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
6 calendar year, and, for the 2002 calendar year and each calendar
7 year thereafter, seventy million dollars (\$70,000,000) increased
8 by the percentage, if any, by which the Consumer Price Index for
9 the preceding calendar year exceeds the Consumer Price Index for
10 the 2001 calendar year. For the purposes of this paragraph, the
11 term “Consumer Price Index” means the last Consumer Price Index
12 for All Urban Consumers published by the federal Department of
13 Labor.

14 (B) An additional three hundred million dollars (\$300,000,000)
15 for the 2015 calendar year, and, for the 2016 calendar year and
16 each calendar year thereafter, three hundred million dollars
17 (\$300,000,000) increased by the percentage, if any, by which the
18 Consumer Price Index for the preceding calendar year exceeds the
19 Consumer Price Index for the 2015 calendar year. For the purposes
20 of this paragraph, the term “Consumer Price Index” means the last
21 Consumer Price Index for All Urban Consumers published by the
22 federal Department of Labor. A housing sponsor receiving an
23 allocation under paragraph (1) of subdivision (c) shall not be
24 eligible for receipt of the housing credit allocated from the
25 increased amount under this subparagraph. A housing sponsor
26 receiving an allocation under paragraph (1) of subdivision (c) shall
27 remain eligible for receipt of the housing credit allocated from the
28 credit ceiling amount under subparagraph (A).

29 (2) The unused housing credit ceiling, if any, for the preceding
30 calendar years.

31 (3) The amount of housing credit ceiling returned in the calendar
32 year. For purposes of this paragraph, the amount of housing credit
33 dollar amount returned in the calendar year equals the housing
34 credit dollar amount previously allocated to any project that does
35 not become a qualified low-income housing project within the
36 period required by this section or to any project with respect to
37 which an allocation is canceled by mutual consent of the California
38 Tax Credit Allocation Committee and the allocation recipient.

1 (4) Five hundred thousand dollars (\$500,000) per calendar year
2 for projects to provide farmworker housing, as defined in
3 subdivision (h) of Section 50199.7 of the Health and Safety Code.

4 (5) The amount of any unallocated or returned credits under
5 former Sections 17053.14, 23608.2, and 23608.3, as those sections
6 read prior to January 1, 2009, until fully exhausted for projects to
7 provide farmworker housing, as defined in subdivision (h) of
8 Section 50199.7 of the Health and Safety Code.

9 (h) The term “compliance period” as defined in Section 42(i)(1)
10 of the Internal Revenue Code is modified to mean, with respect to
11 any building, the period of 30 consecutive taxable years beginning
12 with the first taxable year of the credit period with respect thereto.

13 (i) Section 42(j) of the Internal Revenue Code shall not be
14 applicable and the following requirements of this section shall be
15 set forth in a regulatory agreement between the California Tax
16 Credit Allocation Committee and the housing sponsor, and the
17 regulatory agreement shall be subordinated, when required, to any
18 lien or encumbrance of any banks or other institutional lenders to
19 the project. The regulatory agreement entered into pursuant to
20 subdivision (f) of Section 50199.14 of the Health and Safety Code
21 shall apply, provided that the agreement includes all of the
22 following provisions:

23 (1) A term not less than the compliance period.

24 (2) A requirement that the agreement be recorded in the official
25 records of the county in which the qualified low-income housing
26 project is located.

27 (3) A provision stating which state and local agencies can
28 enforce the regulatory agreement in the event the housing sponsor
29 fails to satisfy any of the requirements of this section.

30 (4) A provision that the regulatory agreement shall be deemed
31 a contract enforceable by tenants as third-party beneficiaries thereto
32 and that allows individuals, whether prospective, present, or former
33 occupants of the building, who meet the income limitation
34 applicable to the building, the right to enforce the regulatory
35 agreement in any state court.

36 (5) A provision incorporating the requirements of Section 42
37 of the Internal Revenue Code as modified by this section.

38 (6) A requirement that the housing sponsor notify the California
39 Tax Credit Allocation Committee or its designee if there is a

1 determination by the Internal Revenue Service that the project is
2 not in compliance with Section 42(g) of the Internal Revenue Code.

3 (7) A requirement that the housing sponsor, as security for the
4 performance of the housing sponsor's obligations under the
5 regulatory agreement, assign the housing sponsor's interest in rents
6 that it receives from the project, provided that until there is a
7 default under the regulatory agreement, the housing sponsor is
8 entitled to collect and retain the rents.

9 (8) The remedies available in the event of a default under the
10 regulatory agreement that is not cured within a reasonable cure
11 period, include, but are not limited to, allowing any of the parties
12 designated to enforce the regulatory agreement to collect all rents
13 with respect to the project; taking possession of the project and
14 operating the project in accordance with the regulatory agreement
15 until the enforcer determines the housing sponsor is in a position
16 to operate the project in accordance with the regulatory agreement;
17 applying to any court for specific performance; securing the
18 appointment of a receiver to operate the project; or any other relief
19 as may be appropriate.

20 (j) (1) The committee shall allocate the housing credit on a
21 regular basis consisting of two or more periods in each calendar
22 year during which applications may be filed and considered. The
23 committee shall establish application filing deadlines, the maximum
24 percentage of federal and state low-income housing tax credit
25 ceiling that may be allocated by the committee in that period, and
26 the approximate date on which allocations shall be made. If the
27 enactment of federal or state law, the adoption of rules or
28 regulations, or other similar events prevent the use of two allocation
29 periods, the committee may reduce the number of periods and
30 adjust the filing deadlines, maximum percentage of credit allocated,
31 and allocation dates.

32 (2) The committee shall adopt a qualified allocation plan, as
33 provided in Section 42(m)(1) of the Internal Revenue Code. In
34 adopting this plan, the committee shall comply with the provisions
35 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
36 Code, respectively.

37 (3) Notwithstanding Section 42(m) of the Internal Revenue
38 Code the California Tax Credit Allocation Committee shall allocate
39 housing credits in accordance with the qualified allocation plan
40 and regulations, which shall include the following provisions:

1 (A) All housing sponsors, as defined by paragraph (3) of
2 subdivision (a), shall demonstrate at the time the application is
3 filed with the committee that the project meets the following
4 threshold requirements:

5 (i) The housing sponsor shall demonstrate there is a need and
6 demand for low-income housing in the community or region for
7 which it is proposed.

8 (ii) The project’s proposed financing, including tax credit
9 proceeds, shall be sufficient to complete the project and that the
10 proposed operating income shall be adequate to operate the project
11 for the extended use period.

12 (iii) The project shall have enforceable financing commitments,
13 either construction or permanent financing, for at least 50 percent
14 of the total estimated financing of the project.

15 (iv) The housing sponsor shall have and maintain control of the
16 site for the project.

17 (v) The housing sponsor shall demonstrate that the project
18 complies with all applicable local land use and zoning ordinances.

19 (vi) The housing sponsor shall demonstrate that the project
20 development team has the experience and the financial capacity
21 to ensure project completion and operation for the extended use
22 period.

23 (vii) The housing sponsor shall demonstrate the amount of tax
24 credit that is necessary for the financial feasibility of the project
25 and its viability as a qualified low-income housing project
26 throughout the extended use period, taking into account operating
27 expenses, a supportable debt service, reserves, funds set aside for
28 rental subsidies and required equity, and a development fee that
29 does not exceed a specified percentage of the eligible basis of the
30 project prior to inclusion of the development fee in the eligible
31 basis, as determined by the committee.

32 (B) The committee shall give a preference to those projects
33 satisfying all of the threshold requirements of subparagraph (A)
34 if both of the following apply:

35 (i) The project serves the lowest income tenants at rents
36 affordable to those tenants.

37 (ii) The project is obligated to serve qualified tenants for the
38 longest period.

1 (C) In addition to the provisions of subparagraphs (A) and (B),
2 the committee shall use the following criteria in allocating housing
3 credits:

4 (i) Projects serving large families in which a substantial number,
5 as defined by the committee, of all residential units are low-income
6 units with three and more bedrooms.

7 (ii) Projects providing single-room occupancy units serving
8 very low income tenants.

9 (iii) (I) Existing projects that are “at risk of conversion.”

10 (II) For purposes of this section, the term “at risk of conversion,”
11 with respect to an existing property means a property that satisfies
12 all of the following criteria:

13 (ia) The property is a multifamily rental housing development
14 in which at least 50 percent of the units receive governmental
15 assistance pursuant to any of the following:

16 (Ia) New construction, substantial rehabilitation, moderate
17 rehabilitation, property disposition, and loan management set-aside
18 programs, or any other program providing project-based assistance
19 pursuant to Section 8 of the United States Housing Act of 1937,
20 Section 1437f of Title 42 of the United States Code, as amended.

21 (Ib) The Below-Market-Interest-Rate Program pursuant to
22 Section 221(d)(3) of the National Housing Act, Sections
23 1715l(d)(3) and (5) of Title 12 of the United States Code.

24 (Ic) Section 236 of the National Housing Act, Section 1715z-1
25 of Title 12 of the United States Code.

26 (Id) Programs for rent supplement assistance pursuant to Section
27 18 101 of the Housing and Urban Development Act of 1965,
28 Section 1701s of Title 12 of the United States Code, as amended.

29 (Ie) Programs pursuant to Section 515 of the Housing Act of
30 1949, Section 1485 of Title 42 of the United States Code, as
31 amended.

32 (If) The low-income housing credit program set forth in Section
33 42 of the Internal Revenue Code.

34 (ib) The restrictions on rent and income levels will terminate
35 or the federal insured mortgage on the property is eligible for
36 prepayment any time within five years before or after the date of
37 application to the California Tax Credit Allocation Committee.

38 (ic) The entity acquiring the property enters into a regulatory
39 agreement that requires the property to be operated in accordance

1 with the requirements of this section for a period equal to the
2 greater of 55 years or the life of the property.

3 (id) The property satisfies the requirements of Section 42(e) of
4 the Internal Revenue Code, regarding rehabilitation expenditures
5 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
6 apply.

7 (iv) Projects for which a public agency provides direct or indirect
8 long-term financial support for at least 15 percent of the total
9 project development costs or projects for which the owner's equity
10 constitutes at least 30 percent of the total project development
11 costs.

12 (v) Projects that provide tenant amenities not generally available
13 to residents of low-income housing projects.

14 (4) For purposes of allocating credits pursuant to this section,
15 the committee shall not give preference to any project by virtue
16 of the date of submission of its application.

17 (k) Section 42(l) of the Internal Revenue Code shall be modified
18 as follows:

19 The term "secretary" shall be replaced by the term "California
20 Franchise Tax Board."

21 (l) In the case where the credit allowed under this section
22 exceeds the net tax, the excess may be carried over to reduce the
23 net tax in the following year, and succeeding taxable years, if
24 necessary, until the credit has been exhausted.

25 (m) A project that received an allocation of a 1989 federal
26 housing credit dollar amount shall be eligible to receive an
27 allocation of a 1990 state housing credit dollar amount, subject to
28 all of the following conditions:

29 (1) The project was not placed in service prior to 1990.

30 (2) To the extent the amendments made to this section by the
31 Statutes of 1990 conflict with any provisions existing in this section
32 prior to those amendments, the prior provisions of law shall prevail.

33 (3) Notwithstanding paragraph (2), a project applying for an
34 allocation under this subdivision shall be subject to the
35 requirements of paragraph (3) of subdivision (j).

36 (n) The credit period with respect to an allocation of credit in
37 1989 by the California Tax Credit Allocation Committee of which
38 any amount is attributable to unallocated credit from 1987 or 1988
39 shall not begin until after December 31, 1989.

1 (o) The provisions of Section 11407(a) of Public Law 101-508,
2 relating to the effective date of the extension of the low-income
3 housing credit, shall apply to calendar years after 1989.

4 (p) The provisions of Section 11407(c) of Public Law 101-508,
5 relating to election to accelerate credit, shall not apply.

6 (q) Any unused credit may continue to be carried forward, as
7 provided in subdivision (l), until the credit has been exhausted.

8 (r) This section shall remain in effect on and after December 1,
9 1990, for as long as Section 42 of the Internal Revenue Code,
10 relating to low-income housing credit, remains in effect.

11 (s) The amendments to this section made by Chapter 1222 of
12 the Statutes of 1993 shall apply only to taxable years beginning
13 on or after January 1, 1994.

14 SEC. 3. Section 23610.5 of the Revenue and Taxation Code
15 is amended to read:

16 23610.5. (a) (1) There shall be allowed as a credit against the
17 “tax,” as defined by Section 23036, a state low-income housing
18 tax credit in an amount equal to the amount determined in
19 subdivision (c), computed in accordance with Section 42 of the
20 Internal Revenue Code except as otherwise provided in this section.

21 (2) “Taxpayer,” for purposes of this section, means the sole
22 owner in the case of a “C” corporation, the partners in the case of
23 a partnership, members in the case of a limited liability company,
24 and the shareholders in the case of an “S” corporation.

25 (3) “Housing sponsor,” for purposes of this section, means the
26 sole owner in the case of a “C” corporation, the partnership in the
27 case of a partnership, the limited liability company in the case of
28 a limited liability company, and the “S” corporation in the case of
29 an “S” corporation.

30 (4) “Extremely low-income” has the same meaning as in Section
31 50053 of the Health and Safety Code.

32 (5) “Rural area” means a rural area as defined in Section
33 50199.21 of the Health and Safety Code.

34 (6) “Special needs housing” has the meaning as in paragraph
35 (4) of subdivision (g) of Section 10325 of Title 4 of the California
36 Code of Regulations.

37 (7) “SRO” means single room occupancy.

38 (8) “Very low-income” has the same meaning as in Section
39 50053 of the Health and Safety Code.”

1 (b) (1) The amount of the credit allocated to any housing
2 sponsor shall be authorized by the California Tax Credit Allocation
3 Committee, or any successor thereof, based on a project's need
4 for the credit for economic feasibility in accordance with the
5 requirements of this section.

6 (A) The low-income housing project shall be located in
7 California and shall meet either of the following requirements:

8 (i) Except for projects to provide farmworker housing, as defined
9 in subdivision (h) of Section 50199.7 of the Health and Safety
10 Code, that are allocated credits solely under the set-aside described
11 in subdivision (c) of Section 50199.20 of the Health and Safety
12 Code, the project's housing sponsor has been allocated by the
13 California Tax Credit Allocation Committee a credit for federal
14 income tax purposes under Section 42 of the Internal Revenue
15 Code.

16 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
17 Internal Revenue Code.

18 (B) The California Tax Credit Allocation Committee shall not
19 require fees for the credit under this section in addition to those
20 fees required for applications for the tax credit pursuant to Section
21 42 of the Internal Revenue Code. The committee may require a
22 fee if the application for the credit under this section is submitted
23 in a calendar year after the year the application is submitted for
24 the federal tax credit.

25 (C) (i) For a project that receives a preliminary reservation of
26 the state low-income housing tax credit, allowed pursuant to
27 subdivision (a), on or after January 1, 2009, and before January 1,
28 2016, the credit shall be allocated to the partners of a partnership
29 owning the project in accordance with the partnership agreement,
30 regardless of how the federal low-income housing tax credit with
31 respect to the project is allocated to the partners, or whether the
32 allocation of the credit under the terms of the agreement has
33 substantial economic effect, within the meaning of Section 704(b)
34 of the Internal Revenue Code.

35 (ii) To the extent the allocation of the credit to a partner under
36 this section lacks substantial economic effect, any loss or deduction
37 otherwise allowable under this part that is attributable to the sale
38 or other disposition of that partner's partnership interest made prior
39 to the expiration of the federal credit shall not be allowed in the
40 taxable year in which the sale or other disposition occurs, but shall

1 instead be deferred until and treated as if it occurred in the first
2 taxable year immediately following the taxable year in which the
3 federal credit period expires for the project described in clause (i).

4 (iii) This subparagraph shall not apply to a project that receives
5 a preliminary reservation of state low-income housing tax credits
6 under the set-aside described in subdivision (c) of Section 50199.20
7 of the Health and Safety Code unless the project also receives a
8 preliminary reservation of federal low-income housing tax credits.

9 (iv) This subparagraph shall cease to be operative with respect
10 to any project that receives a preliminary reservation of a credit
11 on or after January 1, 2016.

12 (2) (A) The California Tax Credit Allocation Committee shall
13 certify to the housing sponsor the amount of tax credit under this
14 section allocated to the housing sponsor for each credit period.

15 (B) In the case of a partnership, limited liability company, or
16 an “S” corporation, the housing sponsor shall provide a copy of
17 the California Tax Credit Allocation Committee certification to
18 the taxpayer.

19 (C) The taxpayer shall, upon request, provide a copy of the
20 certification to the Franchise Tax Board.

21 (D) All elections made by the taxpayer pursuant to Section 42
22 of the Internal Revenue Code shall apply to this section.

23 (E) (i) The California Tax Credit Allocation Committee may
24 allocate a credit under this section in exchange for a credit allocated
25 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code in
26 amounts up to 30 percent of the eligible basis of a building if the
27 credits allowed under Section 42 of the Internal Revenue Code are
28 reduced by an equivalent amount.

29 (ii) An equivalent amount shall be determined by the California
30 Tax Credit Allocation Committee based upon the relative amount
31 required to produce an equivalent state tax credit to the taxpayer.

32 (c) Section 42(b) of the Internal Revenue Code shall be modified
33 as follows:

34 (1) In the case of any qualified low-income building that is a
35 new building not federally subsidized, the term “applicable
36 percentage” means the following:

37 (A) For each of the first three years, the percentage prescribed
38 by the Secretary of the Treasury for new buildings that are not
39 federally subsidized for the taxable year, determined in accordance
40 with the requirements of Section 42(b)(1) of the Internal Revenue

1 Code in lieu of the percentage prescribed in Section 42(b)(1)(A)
2 of the Internal Revenue Code.

3 (B) For the fourth year, the difference between 30 percent and
4 the sum of the applicable percentages for the first three years.

5 (2) In the case of any qualified low-income building that (i) is
6 a new building, (ii) not located in designated difficult development
7 areas (DDAs) or qualified census tracts (QCTs), as defined in
8 Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue Code,
9 and (iii) is federally subsidized, the term “applicable percentage”
10 means for the first three years, 15 percent of the qualified basis of
11 the building, and for the fourth year, 5 percent of the qualified
12 basis of the building.

13 (3) In the case of any qualified low-income building that is (i)
14 an existing building, (ii) not located in designated difficult
15 development areas (DDAs) or qualified census tracts (QCTs), as
16 defined in Section ~~45(d)(5)(B)~~ 42(d)(5)(B) of the Internal Revenue
17 Code, and (iii) is federally subsidized, the term applicable
18 percentage means the following:

19 (A) For each of the first three years, the percentage prescribed
20 by the Secretary of the Treasury for new buildings that are federally
21 subsidized for the taxable year.

22 (B) For the fourth year, the difference between 13 percent and
23 the sum of the applicable percentages for the first three years.

24 (4) In the case of any qualified low-income building that is (i)
25 a new or an existing building, (ii) located in designated difficult
26 development areas (DDAs) or qualified census tracts (QCTs) as
27 defined in Section 42(d)(5)(B) of the Internal Revenue Code, and
28 (iii) federally subsidized, the California Tax Credit Allocation
29 Committee shall determine the amount of credit to be allocated
30 under subparagraph (E) of paragraph (2) of subdivision (b) required
31 to produce an equivalent state tax credit to the taxpayer, as
32 produced in paragraph (2), taking into account the basis boost
33 provided under Section 42(d)(5)(B) of the Internal Revenue Code.

34 (5) In the case of any qualified low-income building that meets
35 all of the requirements of subparagraphs (A) through (D), inclusive,
36 the term “applicable percentage” means 30 percent for each of the
37 first three years and 5 percent for the fourth year.

38 (A) The qualified low-income building is at least 15 years old.

1 (B) The qualified low-income building is a SRO, special needs
2 housing, is in a rural area, or serves households with very
3 low-income or extremely low-income residents.

4 (C) The qualified low-income building is serving households
5 of very low-income or extremely low-income provided that the
6 average income at time admission is not more than 45 percent of
7 the median gross income, as determined under Section 42 of the
8 Internal Revenue Code, adjusted by household size.

9 (D) The qualified low-income building would have insufficient
10 credits under paragraphs (1) and (2) to complete substantial
11 rehabilitation due to a low appraised value.

12 (d) The term “qualified low-income housing project” as defined
13 in Section 42(c)(2) of the Internal Revenue Code is modified by
14 adding the following requirements:

15 (1) The taxpayer shall be entitled to receive a cash distribution
16 from the operations of the project, after funding required reserves,
17 that at the election of the taxpayer, is equal to:

18 (A) An amount not to exceed 8 percent of the lesser of:

19 (i) The owner equity, that shall include the amount of the capital
20 contributions actually paid to the housing sponsor and shall not
21 include any amounts until they are paid on an investor note.

22 (ii) Twenty percent of the adjusted basis of the building as of
23 the close of the first taxable year of the credit period.

24 (B) The amount of the cashflow from those units in the building
25 that are not low-income units. For purposes of computing cashflow
26 under this subparagraph, operating costs shall be allocated to the
27 low-income units using the “floor space fraction,” as defined in
28 Section 42 of the Internal Revenue Code.

29 (C) Any amount allowed to be distributed under subparagraph
30 (A) that is not available for distribution during the first five years
31 of the compliance period may be accumulated and distributed any
32 time during the first 15 years of the compliance period but not
33 thereafter.

34 (2) The limitation on return shall apply in the aggregate to the
35 partners if the housing sponsor is a partnership and in the aggregate
36 to the shareholders if the housing sponsor is an “S” corporation.

37 (3) The housing sponsor shall apply any cash available for
38 distribution in excess of the amount eligible to be distributed under
39 paragraph (1) to reduce the rent on rent-restricted units or to

1 increase the number of rent-restricted units subject to the tests of
2 Section 42(g)(1) of the Internal Revenue Code.

3 (e) The provisions of Section 42(f) of the Internal Revenue Code
4 shall be modified as follows:

5 (1) The term “credit period” as defined in Section 42(f)(1) of
6 the Internal Revenue Code is modified by substituting “four taxable
7 years” for “10 taxable years.”

8 (2) The special rule for the first taxable year of the credit period
9 under Section 42(f)(2) of the Internal Revenue Code shall not apply
10 to the tax credit under this section.

11 (3) Section 42(f)(3) of the Internal Revenue Code is modified
12 to read:

13 If, as of the close of any taxable year in the compliance period,
14 after the first year of the credit period, the qualified basis of any
15 building exceeds the qualified basis of that building as of the close
16 of the first year of the credit period, the housing sponsor, to the
17 extent of its tax credit allocation, shall be eligible for a credit on
18 the excess in an amount equal to the applicable percentage
19 determined pursuant to subdivision (c) for the four-year period
20 beginning with the later of the taxable years in which the increase
21 in qualified basis occurs.

22 (f) The provisions of Section 42(h) of the Internal Revenue
23 Code shall be modified as follows:

24 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
25 applicable and instead the following provisions shall be applicable:

26 The total amount for the four-year credit period of the housing
27 credit dollars allocated in a calendar year to any building shall
28 reduce the aggregate housing credit dollar amount of the California
29 Tax Credit Allocation Committee for the calendar year in which
30 the allocation is made.

31 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
32 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
33 not be applicable.

34 (g) The aggregate housing credit dollar amount that may be
35 allocated annually by the California Tax Credit Allocation
36 Committee pursuant to this section, Section 12206, and Section
37 17058 shall be an amount equal to the sum of all the following:

38 (1) (A) Seventy million dollars (\$70,000,000) for the 2001
39 calendar year, and, for the 2002 calendar year and each calendar
40 year thereafter, seventy million dollars (\$70,000,000) increased

1 by the percentage, if any, by which the Consumer Price Index for
2 the preceding calendar year exceeds the Consumer Price Index for
3 the 2001 calendar year. For the purposes of this paragraph, the
4 term “Consumer Price Index” means the last Consumer Price Index
5 for All Urban Consumers published by the federal Department of
6 Labor.

7 (B) An additional three hundred million dollars (\$300,000,000)
8 for the 2015 calendar year, and, for the 2016 calendar year and
9 each calendar year thereafter, three hundred million dollars
10 (\$300,000,000) increased by the percentage, if any, by which the
11 Consumer Price Index for the preceding calendar year exceeds the
12 Consumer Price Index for the 2015 calendar year. For the purposes
13 of this paragraph, the term “Consumer Price Index” means the last
14 Consumer Price Index for All Urban Consumers published by the
15 federal Department of Labor. A housing sponsor receiving an
16 allocation under paragraph (1) of subdivision (c) shall not be
17 eligible for receipt of the housing credit allocated from the
18 increased amount under this subparagraph. A housing sponsor
19 receiving an allocation under paragraph (1) of subdivision (c) shall
20 remain eligible for receipt of the housing credit allocated from the
21 credit ceiling amount under subparagraph (A).

22 (2) The unused housing credit ceiling, if any, for the preceding
23 calendar years.

24 (3) The amount of housing credit ceiling returned in the calendar
25 year. For purposes of this paragraph, the amount of housing credit
26 dollar amount returned in the calendar year equals the housing
27 credit dollar amount previously allocated to any project that does
28 not become a qualified low-income housing project within the
29 period required by this section or to any project with respect to
30 which an allocation is canceled by mutual consent of the California
31 Tax Credit Allocation Committee and the allocation recipient.

32 (4) Five hundred thousand dollars (\$500,000) per calendar year
33 for projects to provide farmworker housing, as defined in
34 subdivision (h) of Section 50199.7 of the Health and Safety Code.

35 (5) The amount of any unallocated or returned credits under
36 former Sections 17053.14, 23608.2, and 23608.3, as those sections
37 read prior to January 1, 2009, until fully exhausted for projects to
38 provide farmworker housing, as defined in subdivision (h) of
39 Section 50199.7 of the Health and Safety Code.

1 (h) The term “compliance period” as defined in Section 42(i)(1)
2 of the Internal Revenue Code is modified to mean, with respect to
3 any building, the period of 30 consecutive taxable years beginning
4 with the first taxable year of the credit period with respect thereto.

5 (i) Section 42(j) of the Internal Revenue Code shall not be
6 applicable and the following shall be substituted in its place:

7 The requirements of this section shall be set forth in a regulatory
8 agreement between the California Tax Credit Allocation Committee
9 and the housing sponsor, and the regulatory agreement shall be
10 subordinated, when required, to any lien or encumbrance of any
11 banks or other institutional lenders to the project. The regulatory
12 agreement entered into pursuant to subdivision (f) of Section
13 50199.14 of the Health and Safety Code shall apply, provided that
14 the agreement includes all of the following provisions:

15 (1) A term not less than the compliance period.

16 (2) A requirement that the agreement be recorded in the official
17 records of the county in which the qualified low-income housing
18 project is located.

19 (3) A provision stating which state and local agencies can
20 enforce the regulatory agreement in the event the housing sponsor
21 fails to satisfy any of the requirements of this section.

22 (4) A provision that the regulatory agreement shall be deemed
23 a contract enforceable by tenants as third-party beneficiaries
24 thereto, and that allows individuals, whether prospective, present,
25 or former occupants of the building, who meet the income
26 limitation applicable to the building, the right to enforce the
27 regulatory agreement in any state court.

28 (5) A provision incorporating the requirements of Section 42
29 of the Internal Revenue Code as modified by this section.

30 (6) A requirement that the housing sponsor notify the California
31 Tax Credit Allocation Committee or its designee if there is a
32 determination by the Internal Revenue Service that the project is
33 not in compliance with Section 42(g) of the Internal Revenue Code.

34 (7) A requirement that the housing sponsor, as security for the
35 performance of the housing sponsor’s obligations under the
36 regulatory agreement, assign the housing sponsor’s interest in rents
37 that it receives from the project, provided that until there is a
38 default under the regulatory agreement, the housing sponsor is
39 entitled to collect and retain the rents.

1 (8) The remedies available in the event of a default under the
2 regulatory agreement that is not cured within a reasonable cure
3 period include, but are not limited to, allowing any of the parties
4 designated to enforce the regulatory agreement to collect all rents
5 with respect to the project; taking possession of the project and
6 operating the project in accordance with the regulatory agreement
7 until the enforcer determines the housing sponsor is in a position
8 to operate the project in accordance with the regulatory agreement;
9 applying to any court for specific performance; securing the
10 appointment of a receiver to operate the project; or any other relief
11 as may be appropriate.

12 (j) (1) The committee shall allocate the housing credit on a
13 regular basis consisting of two or more periods in each calendar
14 year during which applications may be filed and considered. The
15 committee shall establish application filing deadlines, the maximum
16 percentage of federal and state low-income housing tax credit
17 ceiling that may be allocated by the committee in that period, and
18 the approximate date on which allocations shall be made. If the
19 enactment of federal or state law, the adoption of rules or
20 regulations, or other similar events prevent the use of two allocation
21 periods, the committee may reduce the number of periods and
22 adjust the filing deadlines, maximum percentage of credit allocated,
23 and allocation dates.

24 (2) The committee shall adopt a qualified allocation plan, as
25 provided in Section 42(m)(1) of the Internal Revenue Code. In
26 adopting this plan, the committee shall comply with the provisions
27 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
28 Code, respectively.

29 (3) Notwithstanding Section 42(m) of the Internal Revenue
30 Code the California Tax Credit Allocation Committee shall allocate
31 housing credits in accordance with the qualified allocation plan
32 and regulations, which shall include the following provisions:

33 (A) All housing sponsors, as defined by paragraph (3) of
34 subdivision (a), shall demonstrate at the time the application is
35 filed with the committee that the project meets the following
36 threshold requirements:

37 (i) The housing sponsor shall demonstrate there is a need for
38 low-income housing in the community or region for which it is
39 proposed.

1 (ii) The project’s proposed financing, including tax credit
2 proceeds, shall be sufficient to complete the project and shall be
3 adequate to operate the project for the extended use period.

4 (iii) The project shall have enforceable financing commitments,
5 either construction or permanent financing, for at least 50 percent
6 of the total estimated financing of the project.

7 (iv) The housing sponsor shall have and maintain control of the
8 site for the project.

9 (v) The housing sponsor shall demonstrate that the project
10 complies with all applicable local land use and zoning ordinances.

11 (vi) The housing sponsor shall demonstrate that the project
12 development team has the experience and the financial capacity
13 to ensure project completion and operation for the extended use
14 period.

15 (vii) The housing sponsor shall demonstrate the amount of tax
16 credit that is necessary for the financial feasibility of the project
17 and its viability as a qualified low-income housing project
18 throughout the extended use period, taking into account operating
19 expenses, a supportable debt service, reserves, funds set aside for
20 rental subsidies and required equity, and a development fee that
21 does not exceed a specified percentage of the eligible basis of the
22 project prior to inclusion of the development fee in the eligible
23 basis, as determined by the committee.

24 (B) The committee shall give a preference to those projects
25 satisfying all of the threshold requirements of subparagraph (A)
26 if both of the following apply:

27 (i) The project serves the lowest income tenants at rents
28 affordable to those tenants.

29 (ii) The project is obligated to serve qualified tenants for the
30 longest period.

31 (C) In addition to the provisions of subparagraphs (A) and (B),
32 the committee shall use the following criteria in allocating housing
33 credits:

34 (i) Projects serving large families in which a substantial number,
35 as defined by the committee, of all residential units are low-income
36 units with three and more bedrooms.

37 (ii) Projects providing single-room occupancy units serving
38 very low income tenants.

39 (iii) (I) Existing projects that are “at risk of conversion.”

1 (II) For purposes of this section, the term “at risk of conversion,”
2 with respect to an existing property means a property that satisfies
3 all of the following criteria:

4 (ia) The property is a multifamily rental housing development
5 in which at least 50 percent of the units receive governmental
6 assistance pursuant to any of the following:

7 (Ia) New construction, substantial rehabilitation, moderate
8 rehabilitation, property disposition, and loan management set-aside
9 programs, or any other program providing project-based assistance
10 pursuant to Section 8 of the United States Housing Act of 1937,
11 Section 1437f of Title 42 of the United States Code, as amended.

12 (Ib) The Below-Market-Interest-Rate Program pursuant to
13 Section 221(d)(3) of the National Housing Act, Sections
14 1715l(d)(3) and (5) of Title 12 of the United States Code.

15 (Ic) Section 236 of the National Housing Act, Section 1715z-1
16 of Title 12 of the United States Code.

17 (Id) Programs for rent supplement assistance pursuant to Section
18 18 101 of the Housing and Urban Development Act of 1965,
19 Section 1701s of Title 12 of the United States Code, as amended.

20 (Ie) Programs pursuant to Section 515 of the Housing Act of
21 1949, Section 1485 of Title 42 of the United States Code, as
22 amended.

23 (If) The low-income housing credit program set forth in Section
24 42 of the Internal Revenue Code.

25 (ib) The restrictions on rent and income levels will terminate
26 or the federal insured mortgage on the property is eligible for
27 prepayment any time within five years before or after the date of
28 application to the California Tax Credit Allocation Committee.

29 (ic) The entity acquiring the property enters into a regulatory
30 agreement that requires the property to be operated in accordance
31 with the requirements of this section for a period equal to the
32 greater of 55 years or the life of the property.

33 (id) The property satisfies the requirements of Section 42(e) of
34 the Internal Revenue Code, regarding rehabilitation expenditures
35 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
36 apply.

37 (iv) Projects for which a public agency provides direct or indirect
38 long-term financial support for at least 15 percent of the total
39 project development costs or projects for which the owner’s equity

1 constitutes at least 30 percent of the total project development
2 costs.

3 (v) Projects that provide tenant amenities not generally available
4 to residents of low-income housing projects.

5 (4) For purposes of allocating credits pursuant to this section,
6 the committee shall not give preference to any project by virtue
7 of the date of submission of its application except to break a tie
8 when two or more of the projects have an equal rating.

9 (5) Not less than 20 percent of the low-income housing tax
10 credits available annually under this section, Section 12206, and
11 Section 17058 shall be set aside for allocation to rural areas as
12 defined in Section 50199.21 of the Health and Safety Code. Any
13 amount of credit set aside for rural areas remaining on or after
14 October 31 of any calendar year shall be available for allocation
15 to any eligible project. No amount of credit set aside for rural areas
16 shall be considered available for any eligible project so long as
17 there are eligible rural applications pending on October 31.

18 (k) Section 42(l) of the Internal Revenue Code shall be modified
19 as follows:

20 The term “secretary” shall be replaced by the term “California
21 Franchise Tax Board.”

22 (l) In the case where the credit allowed under this section
23 exceeds the “tax,” the excess may be carried over to reduce the
24 “tax” in the following year, and succeeding taxable years if
25 necessary, until the credit has been exhausted.

26 (m) A project that received an allocation of a 1989 federal
27 housing credit dollar amount shall be eligible to receive an
28 allocation of a 1990 state housing credit dollar amount, subject to
29 all of the following conditions:

30 (1) The project was not placed in service prior to 1990.

31 (2) To the extent the amendments made to this section by the
32 Statutes of 1990 conflict with any provisions existing in this section
33 prior to those amendments, the prior provisions of law shall prevail.

34 (3) Notwithstanding paragraph (2), a project applying for an
35 allocation under this subdivision shall be subject to the
36 requirements of paragraph (3) of subdivision (j).

37 (n) The credit period with respect to an allocation of credit in
38 1989 by the California Tax Credit Allocation Committee of which
39 any amount is attributable to unallocated credit from 1987 or 1988
40 shall not begin until after December 31, 1989.

1 (o) The provisions of Section 11407(a) of Public Law 101-508,
2 relating to the effective date of the extension of the low-income
3 housing credit, shall apply to calendar years after 1989.

4 (p) The provisions of Section 11407(c) of Public Law 101-508,
5 relating to election to accelerate credit, shall not apply.

6 (q) (1) A corporation may elect to assign any portion of any
7 credit allowed under this section to one or more affiliated
8 corporations for each taxable year in which the credit is allowed.
9 For purposes of this subdivision, “affiliated corporation” has the
10 meaning provided in subdivision (b) of Section 25110, as that
11 section was amended by Chapter 881 of the Statutes of 1993, as
12 of the last day of the taxable year in which the credit is allowed,
13 except that “100 percent” is substituted for “more than 50 percent”
14 wherever it appears in the section, as that section was amended by
15 Chapter 881 of the Statutes of 1993, and “voting common stock”
16 is substituted for “voting stock” wherever it appears in the section,
17 as that section was amended by Chapter 881 of the Statutes of
18 1993.

19 (2) The election provided in paragraph (1):

20 (A) May be based on any method selected by the corporation
21 that originally receives the credit.

22 (B) Shall be irrevocable for the taxable year the credit is allowed,
23 once made.

24 (C) May be changed for any subsequent taxable year if the
25 election to make the assignment is expressly shown on each of the
26 returns of the affiliated corporations that assign and receive the
27 credits.

28 (r) Any unused credit may continue to be carried forward, as
29 provided in subdivision (l), until the credit has been exhausted.

30 (s) This section shall remain in effect on and after December 1,
31 1990, for as long as Section 42 of the Internal Revenue Code,
32 relating to low-income housing credit, remains in effect.

33 (t) The amendments to this section made by Chapter 1222 of
34 the Statutes of 1993 shall apply only to taxable years beginning
35 on or after January 1, 1994, except that paragraph (1) of subdivision
36 (q), as amended, shall apply to taxable years beginning on or after
37 January 1, 1993.

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