

AMENDED IN ASSEMBLY MARCH 17, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2817

Introduced by Assembly Member Chiu

February 19, 2016

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 2817, as amended, Chiu. ~~Income taxes:~~ *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. *year and allows \$500,000 per year of that amount to be allocated for projects to provide farmworker housing, as specified.*

This bill, for calendar years ~~2017 through 2022, inclusive, beginning 2017~~, would increase the aggregate housing credit dollar amount that may be allocated among low-income housing projects by ~~\$100,000,000, \$300,000,000~~, as specified. *The bill would also increase the amount the committee may allocate to farmworker housing projects from*

\$500,000 to \$25,000,000 per year. 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) “Very low-income” has the same meaning as in Section
20 50053 of the Health and Safety Code.

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

26 (A) Except for projects to provide farmworker housing, as
27 defined in subdivision (h) of Section 50199.7 of the Health and
28 Safety Code, that are allocated credits solely under the set-aside
29 described in subdivision (c) of Section 50199.20 of the Health and

1 Safety Code, the low-income housing project shall be located in
2 California and shall meet either of the following requirements:

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

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

9 (B) The California Tax Credit Allocation Committee shall not
10 require fees for the credit under this section in addition to those
11 fees required for applications for the tax credit pursuant to Section
12 42 of the Internal Revenue Code. The committee may require a
13 fee if the application for the credit under this section is submitted
14 in a calendar year after the year the application is submitted for
15 the federal tax credit.

16 (C) (i) For a project that receives a preliminary reservation of
17 the state low-income housing tax credit, allowed pursuant to
18 subdivision (a), on or after January 1, 2009, and before January 1,
19 2016, the credit shall be allocated to the partners of a partnership
20 owning the project in accordance with the partnership agreement,
21 regardless of how the federal low-income housing tax credit with
22 respect to the project is allocated to the partners, or whether the
23 allocation of the credit under the terms of the agreement has
24 substantial economic effect, within the meaning of Section 704(b)
25 of the Internal Revenue Code.

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

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

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

37 (B) In the case of a partnership or an "S" corporation, the
38 housing sponsor shall provide a copy of the California Tax Credit
39 Allocation Committee certification to the taxpayer.

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

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

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

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

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

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

20 (1) In the case of any qualified low-income building that is a
21 new building, as defined in Section 42 of the Internal Revenue
22 Code and the regulations promulgated thereunder, and not federally
23 subsidized, the term “applicable percentage” means the following:

24 (A) For each of the first three years, the percentage prescribed
25 by the Secretary of the Treasury for new buildings that are not
26 federally subsidized for the taxable year, determined in accordance
27 with the requirements of Section 42(b)(1) of the Internal Revenue
28 Code.

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

31 (2) In the case of any qualified low-income building that (i) is
32 a new building, as defined in Section 42 of the Internal Revenue
33 Code and the regulations promulgated thereunder, (ii) not located
34 in designated difficult development areas (DDAs) or qualified
35 census tracts (QCTs), as defined in Section 42(d)(5)(B) of the
36 Internal Revenue Code, and (iii) is federally subsidized, the term
37 “applicable percentage” means for the first three years, 15 percent
38 of the qualified basis of the building, and for the fourth year, 5
39 percent of the qualified basis of the building.

1 (3) In the case of any qualified low-income building that is (i)
2 an existing building, as defined in Section 42 of the Internal
3 Revenue Code and the regulations promulgated thereunder, (ii)
4 not located in designated difficult development areas (DDAs) or
5 qualified census tracts (QCTs), as defined in Section 42(d)(5)(B)
6 of the Internal Revenue Code, and (iii) is federally subsidized, the
7 term applicable percentage means the following:

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

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

13 (4) In the case of any qualified low-income building that is (i)
14 a new or an existing building, (ii) located in designated difficult
15 development areas (DDAs) or qualified census tracts (QCTs) as
16 defined in Section 42(d)(5)(B) of the Internal Revenue Code, and
17 (iii) federally subsidized, the California Tax Credit Allocation
18 Committee shall reduce the amount of California credit to be
19 allocated under paragraph (2) and (3) by taking into account the
20 increased federal credit received due to the basis boost provided
21 under Section 42(d)(5)(B) of the Internal Revenue Code.

22 (5) In the term “at risk case of any qualified low-income building
23 that meets all of the requirements of subparagraphs (A) through
24 (D), inclusive, the term “applicable percentage” means 30 percent
25 for each of the first three years and 5 percent for the fourth year.
26 A qualified low-income building receiving an allocation under this
27 paragraph is ineligible to also receive an allocation under paragraph
28 (3).

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

30 (B) The qualified low-income building is serving households
31 of very low-income or extremely low-income such that the average
32 maximum household income as restricted, pursuant to an existing
33 regulatory agreement with a federal, state, county, local, or other
34 governmental agency, is not more than 45 percent of the area
35 median gross income, as determined under Section 42 of the
36 Internal Revenue Code, adjusted by household size, and a tax credit
37 regulatory agreement is entered into for a period of not less than
38 55 years restricting the average targeted household income to no
39 more than 45 percent of the area median income.

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

4 (D) The qualified low-income building will complete the
5 substantial rehabilitation in connection with the credit allocation
6 herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (g) The aggregate housing credit dollar amount that may be
31 allocated annually by the California Tax Credit Allocation
32 Committee pursuant to this section, Section 17058, and Section
33 23610.5 shall be an amount equal to the sum of all the following:

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

1 for All Urban Consumers published by the federal Department of
2 Labor.

3 ~~(B) For calendar years 2017 through 2022, inclusive, an~~
4 ~~additional one~~

5 ~~(B) Three hundred million dollars—(\$100,000,000)~~
6 ~~(\$300,000,000) for the 2017 calendar year, and, for the 2018~~
7 ~~through 2022 calendar years, one hundred million dollars~~
8 ~~(\$100,000,000) calendar year and each calendar year thereafter;~~
9 ~~three hundred million dollars (\$300,000,000) increased by the~~
10 ~~percentage, if any, by which the Consumer Price Index for the~~
11 ~~preceding calendar year exceeds the Consumer Price Index for the~~
12 ~~2017 calendar year. For the purposes of this paragraph, the term~~
13 ~~“Consumer Price Index” means the last Consumer Price Index for~~
14 ~~All Urban Consumers published by the federal Department of~~
15 ~~Labor. A housing sponsor receiving an allocation under paragraph~~
16 ~~(1) of subdivision (c) shall not be eligible for receipt of the housing~~
17 ~~credit allocated from the increased amount under this subparagraph.~~
18 ~~A housing sponsor receiving an allocation under paragraph (1) of~~
19 ~~subdivision (c) shall remain eligible for receipt of the housing~~
20 ~~credit allocated from the credit ceiling amount under subparagraph~~
21 ~~(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) (A) Of the amount~~
33 ~~allocated pursuant to subparagraph (B) of paragraph (1),~~
34 ~~twenty-five million dollars (\$25,000,000) per calendar year for~~
35 ~~projects to provide farmworker housing, as defined in subdivision~~
36 ~~(h) of Section 50199.7 of the Health and Safety Code.~~

37 ~~(B) The amount of any unallocated or returned credits pursuant~~
38 ~~to this paragraph per calendar year shall be added to the~~
39 ~~aggregate amount of credits allocated pursuant to subparagraph~~
40 ~~(B) of paragraph (1).~~

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

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

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

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

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

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

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

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

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

37 (F) A requirement that the housing sponsor notify the California
38 Tax Credit Allocation Committee or its designee and the local
39 agency that can enforce the regulatory agreement 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 (G) 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 (H) 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 or 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 except to break a tie
17 when two or more of the projects have an equal rating.

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 years if necessary,
25 until the credit has been exhausted.

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

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

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

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

36 17058. (a) (1) There shall be allowed as a credit against the
37 "net tax," as defined in Section 17039, a state low-income housing
38 tax credit in an amount equal to the amount determined in
39 subdivision (c), computed in accordance with Section 42 of the
40 Internal Revenue Code except as otherwise provided in this section.

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

5 (3) “Housing sponsor” for purposes of this section means the
6 sole owner in the case of an individual, the partnership in the case
7 of a partnership, the limited liability company in the case of a
8 limited liability company, and the “S” corporation in the case of
9 an “S” corporation.

10 (4) “Extremely low-income” has the same meaning as in Section
11 50053 of the Health and Safety Code.

12 (5) “Very low-income” has the same meaning as in Section
13 50053 of the Health and Safety Code.

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

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

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

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

31 (B) The California Tax Credit Allocation Committee shall not
32 require fees for the credit under this section in addition to those
33 fees required for applications for the tax credit pursuant to Section
34 42 of the Internal Revenue Code. The committee may require a
35 fee if the application for the credit under this section is submitted
36 in a calendar year after the year the application is submitted for
37 the federal tax credit.

38 (C) (i) For a project that receives a preliminary reservation of
39 the state low-income housing tax credit, allowed pursuant to
40 subdivision (a), on or after January 1, 2009, and before January 1,

1 2016, the credit shall be allocated to the partners of a partnership
2 owning the project in accordance with the partnership agreement,
3 regardless of how the federal low-income housing tax credit with
4 respect to the project is allocated to the partners, or whether the
5 allocation of the credit under the terms of the agreement has
6 substantial economic effect, within the meaning of Section 704(b)
7 of the Internal Revenue Code.

8 (ii) 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 federal credit shall not be allowed in the
13 taxable year in which the sale or other disposition occurs, but shall
14 instead be deferred until and treated as if it occurred in the first
15 taxable year immediately following the taxable year in which the
16 federal credit period expires for the project described in clause (i).

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

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

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

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

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

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

36 (E) (i) The California Tax Credit Allocation Committee may
37 allocate a credit under this section in exchange for a credit allocated
38 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code in
39 amounts up to 30 percent of the eligible basis of a building if the

1 credits allowed under Section 42 of the Internal Revenue Code are
2 reduced by an equivalent amount.

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

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

8 (1) In the case of any qualified low-income building that is a
9 new building, as defined in Section 42 of the Internal Revenue
10 Code and the regulations promulgated thereunder, and not federally
11 subsidized, the term “applicable percentage” means the following:

12 (A) For each of the first three years, the percentage prescribed
13 by the Secretary of the Treasury for new buildings that are not
14 federally subsidized for the taxable year, determined in accordance
15 with the requirements of Section 42(b)(1) of the Internal Revenue
16 Code.

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

19 (2) In the case of any qualified low-income building that (i) is
20 a new building, as defined in Section 42 of the Internal Revenue
21 Code and the regulations promulgated thereunder, (ii) not located
22 in designated difficult development areas (DDAs) or qualified
23 census tracts (QCTs), as defined in Section 42(d)(5)(B) of the
24 Internal Revenue Code, and (iii) is federally subsidized, the term
25 “applicable percentage” means for the first three years, 15 percent
26 of the qualified basis of the building, and for the fourth year, 5
27 percent of the qualified basis of the building.

28 (3) In the case of any qualified low-income building that is (i)
29 an existing building, as defined in Section 42 of the Internal
30 Revenue Code and the regulations promulgated thereunder, (ii)
31 not located in designated difficult development areas (DDAs) or
32 qualified census tracts (QCTs), as defined in Section 42(d)(5)(B)
33 of the Internal Revenue Code, and (iii) is federally subsidized, the
34 term applicable percentage means the following:

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

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

(4) In the case of any qualified low-income building that is (i) a new or an existing building, (ii) located in designated difficult development areas (DDAs) or qualified census tracts (QCTs) as defined in Section 42(d)(5)(B) of the Internal Revenue Code, and (iii) federally subsidized, the California Tax Credit Allocation Committee shall reduce the amount of California credit to be allocated under subparagraph (2) and (3) by taking into account the increased federal credit received due to the basis boost provided under Section 42(d)(5)(B) of the Internal Revenue Code.

(5) In the case of any qualified low-income building that meets all of the requirements of subparagraphs (A) through (D), inclusive, the term “applicable percentage” means 30 percent for each of the first three years and 5 percent for the fourth year. A qualified low-income building receiving an allocation under this paragraph is ineligible to also receive an allocation under paragraph (3).

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

(B) The qualified low-income building is serving households of very low-income or extremely low-income such that the average maximum household income as restricted, pursuant to an existing regulatory agreement with a federal, state, county, local, or other governmental agency, is not more than 45 percent of the area median gross income, as determined under Section 42 of the Internal Revenue Code, adjusted by household size, and a tax credit regulatory agreement is entered into for a period of not less than 55 years restricting the average targeted household income to no more than 45 percent of the area median income.

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

(D) The qualified low-income building will complete the substantial rehabilitation in connection with the credit allocation herein.

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

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

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

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

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

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

11 (C) Any amount allowed to be distributed under subparagraph
12 (A) that is not available for distribution during the first five years
13 of the compliance period may be accumulated and distributed any
14 time during the first 15 years of the compliance period but not
15 thereafter.

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

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

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

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

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

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

34 If, as of the close of any taxable year in the compliance period,
35 after the first year of the credit period, the qualified basis of any
36 building exceeds the qualified basis of that building as of the close
37 of the first year of the credit period, the housing sponsor, to the
38 extent of its tax credit allocation, shall be eligible for a credit on
39 the excess in an amount equal to the applicable percentage
40 determined pursuant to subdivision (c) for the four-year period

beginning with the taxable year in which the increase in qualified basis occurs.

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

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

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

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

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

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

~~(B) For calendar years 2017 through 2022, inclusive, an additional one~~

(B) Three hundred million dollars—(\$100,000,000) (\$300,000,000) for the 2017 calendar year, and, for the 2018 through 2022 calendar years, one hundred million dollars (\$100,000,000) calendar year and each calendar year thereafter, three hundred million dollars (\$300,000,000) increased by the percentage, if any, by which the Consumer Price Index for the preceding calendar year exceeds the Consumer Price Index for the 2017 calendar year. For the purposes of this paragraph, the term “Consumer Price Index” means the last Consumer Price Index for All Urban Consumers published by the federal Department of Labor. A housing sponsor receiving an allocation under paragraph

(1) of subdivision (c) shall not be eligible for receipt of the housing credit allocated from the increased amount under this subparagraph. A housing sponsor receiving an allocation under paragraph (1) of subdivision (c) shall remain eligible for receipt of the housing credit allocated from the credit ceiling amount under subparagraph (A).

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

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

(4) ~~Five hundred thousand dollars (\$500,000)~~ *(A) Of the amount allocated pursuant to subparagraph (B) of paragraph (1), twenty-five million dollars (\$25,000,000) per calendar year for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.*

(B) The amount of any unallocated or returned credits pursuant to this paragraph per calendar year shall be added to the aggregate amount of credits allocated pursuant to subparagraph (B) of paragraph (1).

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

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

(i) Section 42(j) of the Internal Revenue Code shall not be applicable and the following requirements of this section shall be set forth in a regulatory agreement between the California Tax Credit Allocation Committee and the housing sponsor, and the regulatory agreement shall be subordinated, when required, to any lien or encumbrance of any banks or other institutional lenders to

1 the project. The regulatory agreement entered into pursuant to
2 subdivision (f) of Section 50199.14 of the Health and Safety Code
3 shall apply, provided that the agreement includes all of the
4 following provisions:

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

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

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

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

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

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

24 (7) A requirement that the housing sponsor, as security for the
25 performance of the housing sponsor's obligations under the
26 regulatory agreement, assign the housing sponsor's interest in rents
27 that it receives from the project, provided that until there is a
28 default under the regulatory agreement, the housing sponsor is
29 entitled to collect and retain the rents.

30 (8) The remedies available in the event of a default under the
31 regulatory agreement that is not cured within a reasonable cure
32 period, include, but are not limited to, allowing any of the parties
33 designated to enforce the regulatory agreement to collect all rents
34 with respect to the project; taking possession of the project and
35 operating the project in accordance with the regulatory agreement
36 until the enforcer determines the housing sponsor is in a position
37 to operate the project in accordance with the regulatory agreement;
38 applying to any court for specific performance; securing the
39 appointment of a receiver to operate the project; or any other relief
40 as may be appropriate.

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

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

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

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

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

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

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

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

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

1 (vi) The housing sponsor shall demonstrate that the project
2 development team has the experience and the financial capacity
3 to ensure project completion and operation for the extended use
4 period.

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

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

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

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

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

24 (i) Projects serving large families in which a substantial number,
25 as defined by the committee, of all residential units are low-income
26 units with three or more bedrooms.

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

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

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

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

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

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

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

6 (Id) Programs for rent supplement assistance pursuant to Section
7 18 101 of the Housing and Urban Development Act of 1965,
8 Section 1701s of Title 12 of the United States Code, as amended.

9 (Ie) Programs pursuant to Section 515 of the Housing Act of
10 1949, Section 1485 of Title 42 of the United States Code, as
11 amended.

12 (If) The low-income housing credit program set forth in Section
13 42 of the Internal Revenue Code.

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

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

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

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

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

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

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

38 The term "secretary" shall be replaced by the term "California
39 Franchise Tax Board."

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

5 (m) A project that received an allocation of a 1989 federal
6 housing credit dollar amount shall be eligible to receive an
7 allocation of a 1990 state housing credit dollar amount, subject to
8 all of the following conditions:

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

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

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

16 (n) The credit period with respect to an allocation of credit in
17 1989 by the California Tax Credit Allocation Committee of which
18 any amount is attributable to unallocated credit from 1987 or 1988
19 shall not begin until after December 31, 1989.

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

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

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

27 (r) This section shall remain in effect on and after December 1,
28 1990, for as long as Section 42 of the Internal Revenue Code,
29 relating to low-income housing credit, remains in effect.

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

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

35 23610.5. (a) (1) There shall be allowed as a credit against the
36 "tax," as defined by Section 23036, a state low-income housing
37 tax credit in an amount equal to the amount determined in
38 subdivision (c), computed in accordance with Section 42 of the
39 Internal Revenue Code except as otherwise provided in this section.

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

5 (3) “Housing sponsor,” for purposes of this section, means the
6 sole owner in the case of a “C” corporation, the partnership in the
7 case of a partnership, the limited liability company in the case of
8 a limited liability company, and the “S” corporation in the case of
9 an “S” corporation.

10 (4) “Extremely low-income” has the same meaning as in Section
11 50053 of the Health and Safety Code.

12 (5) “Very low-income” has the same meaning as in Section
13 50053 of the Health and Safety Code.

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

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

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

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

31 (B) The California Tax Credit Allocation Committee shall not
32 require fees for the credit under this section in addition to those
33 fees required for applications for the tax credit pursuant to Section
34 42 of the Internal Revenue Code. The committee may require a
35 fee if the application for the credit under this section is submitted
36 in a calendar year after the year the application is submitted for
37 the federal tax credit.

38 (C) (i) For a project that receives a preliminary reservation of
39 the state low-income housing tax credit, allowed pursuant to
40 subdivision (a), on or after January 1, 2009, and before January 1,

1 2016, the credit shall be allocated to the partners of a partnership
2 owning the project in accordance with the partnership agreement,
3 regardless of how the federal low-income housing tax credit with
4 respect to the project is allocated to the partners, or whether the
5 allocation of the credit under the terms of the agreement has
6 substantial economic effect, within the meaning of Section 704(b)
7 of the Internal Revenue Code.

8 (ii) 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 federal credit shall not be allowed in the
13 taxable year in which the sale or other disposition occurs, but shall
14 instead be deferred until and treated as if it occurred in the first
15 taxable year immediately following the taxable year in which the
16 federal credit period expires for the project described in clause (i).

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

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

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

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

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

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

36 (E) (i) The California Tax Credit Allocation Committee may
37 allocate a credit under this section in exchange for a credit allocated
38 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code in
39 amounts up to 30 percent of the eligible basis of a building if the

1 credits allowed under Section 42 of the Internal Revenue Code are
2 reduced by an equivalent amount.

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

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

8 (1) In the case of any qualified low-income building that is a
9 new building, as defined in Section 42 of the Internal Revenue
10 Code and the regulations promulgated thereunder, and not federally
11 subsidized, the term “applicable percentage” means the following:

12 (A) For each of the first three years, the percentage prescribed
13 by the Secretary of the Treasury for new buildings that are not
14 federally subsidized for the taxable year, determined in accordance
15 with the requirements of Section 42(b)(1) of the Internal Revenue
16 Code.

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

19 (2) In the case of any qualified low-income building that (i) is
20 a new building, as defined in Section 42 of the Internal Revenue
21 Code and the regulations promulgated thereunder, (ii) not located
22 in designated difficult development areas (DDAs) or qualified
23 census tracts (QCTs), as defined in Section 42(d)(5)(B) of the
24 Internal Revenue Code, and (iii) is federally subsidized, the term
25 “applicable percentage” means for the first three years, 15 percent
26 of the qualified basis of the building, and for the fourth year, 5
27 percent of the qualified basis of the building.

28 (3) In the case of any qualified low-income building that is (i)
29 an existing building, as defined in Section 42 of the Internal
30 Revenue Code and the regulations promulgated thereunder, (ii)
31 not located in designated difficult development areas (DDAs) or
32 qualified census tracts (QCTs), as defined in Section 42(d)(5)(B)
33 of the Internal Revenue Code, and (iii) is federally subsidized, the
34 term applicable percentage means the following:

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

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

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

(5) In the case of any qualified low-income building that meets all of the requirements of subparagraphs (A) through (D), inclusive, the term “applicable percentage” means 30 percent for each of the first three years and 5 percent for the fourth year. A qualified low-income building receiving an allocation under this paragraph is ineligible to also receive an allocation under paragraph (3).

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

(B) The qualified low-income building is serving households of very low-income or extremely low-income such that the average maximum household income as restricted, pursuant to an existing regulatory agreement with a federal, state, county, local, or other governmental agency, is not more than 45 percent of the area median gross income, as determined under Section 42 of the Internal Revenue Code, adjusted by household size, and a tax credit regulatory agreement is entered into for a period of not less than 55 years restricting the average targeted household income to no more than 45 percent of the area median income.

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

(D) The qualified low-income building will complete the substantial rehabilitation in connection with the credit allocation herein.

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

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

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

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

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

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

11 (C) Any amount allowed to be distributed under subparagraph
12 (A) that is not available for distribution during the first five years
13 of the compliance period may be accumulated and distributed any
14 time during the first 15 years of the compliance period but not
15 thereafter.

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

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

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

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

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

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

34 If, as of the close of any taxable year in the compliance period,
35 after the first year of the credit period, the qualified basis of any
36 building exceeds the qualified basis of that building as of the close
37 of the first year of the credit period, the housing sponsor, to the
38 extent of its tax credit allocation, shall be eligible for a credit on
39 the excess in an amount equal to the applicable percentage
40 determined pursuant to subdivision (c) for the four-year period

beginning with the later of the taxable years in which the increase in qualified basis occurs.

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

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

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

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

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

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

~~(B) For calendar years 2017 through 2022, inclusive, an additional one~~

(B) Three hundred million dollars—(\$100,000,000) (\$300,000,000) for the 2017 calendar year, and, for the 2018 through 2022 calendar years, one hundred million dollars (\$100,000,000) calendar year and each calendar year thereafter, three hundred million dollars (\$300,000,000) increased by the percentage, if any, by which the Consumer Price Index for the preceding calendar year exceeds the Consumer Price Index for the 2017 calendar year. For the purposes of this paragraph, the term “Consumer Price Index” means the last Consumer Price Index for All Urban Consumers published by the federal Department of Labor. A housing sponsor receiving an allocation under paragraph

(1) of subdivision (c) shall not be eligible for receipt of the housing credit allocated from the increased amount under this subparagraph. A housing sponsor receiving an allocation under paragraph (1) of subdivision (c) shall remain eligible for receipt of the housing credit allocated from the credit ceiling amount under subparagraph (A).

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

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

(4) ~~Five hundred thousand dollars (\$500,000)~~ *(A) Of the amount allocated pursuant to subparagraph (B) of paragraph (1), twenty-five million dollars (\$25,000,000) per calendar year for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.*

(B) The amount of any unallocated or returned credits pursuant to this paragraph per calendar year shall be added to the aggregate amount of credits allocated pursuant to subparagraph (B) of paragraph (1).

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

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

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

The requirements of this section shall be set forth in a regulatory agreement between the California Tax Credit Allocation Committee and the housing sponsor, and the regulatory agreement shall be subordinated, when required, to any lien or encumbrance of any

1 banks or other institutional lenders to the project. The regulatory
2 agreement entered into pursuant to subdivision (f) of Section
3 50199.14 of the Health and Safety Code shall apply, provided that
4 the agreement includes all of the following provisions:

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

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

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

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

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

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

24 (7) A requirement that the housing sponsor, as security for the
25 performance of the housing sponsor's obligations under the
26 regulatory agreement, assign the housing sponsor's interest in rents
27 that it receives from the project, provided that until there is a
28 default under the regulatory agreement, the housing sponsor is
29 entitled to collect and retain the rents.

30 (8) The remedies available in the event of a default under the
31 regulatory agreement that is not cured within a reasonable cure
32 period include, but are not limited to, allowing any of the parties
33 designated to enforce the regulatory agreement to collect all rents
34 with respect to the project; taking possession of the project and
35 operating the project in accordance with the regulatory agreement
36 until the enforcer determines the housing sponsor is in a position
37 to operate the project in accordance with the regulatory agreement;
38 applying to any court for specific performance; securing the
39 appointment of a receiver to operate the project; or any other relief
40 as may be appropriate.

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

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

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

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

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

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

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

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

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

(vi) The housing sponsor shall demonstrate that the project development team has the experience and the financial capacity

1 to ensure project completion and operation for the extended use
2 period.

3 (vii) The housing sponsor shall demonstrate the amount of tax
4 credit that is necessary for the financial feasibility of the project
5 and its viability as a qualified low-income housing project
6 throughout the extended use period, taking into account operating
7 expenses, a supportable debt service, reserves, funds set aside for
8 rental subsidies and required equity, and a development fee that
9 does not exceed a specified percentage of the eligible basis of the
10 project prior to inclusion of the development fee in the eligible
11 basis, as determined by the committee.

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

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

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

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

22 (i) Projects serving large families in which a substantial number,
23 as defined by the committee, of all residential units are low-income
24 units with three or more bedrooms.

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

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

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

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

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

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

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

6 (Id) Programs for rent supplement assistance pursuant to Section
7 18 101 of the Housing and Urban Development Act of 1965,
8 Section 1701s of Title 12 of the United States Code, as amended.

9 (Ie) Programs pursuant to Section 515 of the Housing Act of
10 1949, Section 1485 of Title 42 of the United States Code, as
11 amended.

12 (If) The low-income housing credit program set forth in Section
13 42 of the Internal Revenue Code.

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

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

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

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

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

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

37 (5) Not less than 20 percent of the low-income housing tax
38 credits available annually under this section, Section 12206, and
39 Section 17058 shall be set aside for allocation to rural areas as
40 defined in Section 50199.21 of the Health and Safety Code. Any

1 amount of credit set aside for rural areas remaining on or after
2 October 31 of any calendar year shall be available for allocation
3 to any eligible project. No amount of credit set aside for rural areas
4 shall be considered available for any eligible project so long as
5 there are eligible rural applications pending on October 31.

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

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

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

14 (m) A project that received an allocation of a 1989 federal
15 housing credit dollar amount shall be eligible to receive an
16 allocation of a 1990 state housing credit dollar amount, subject to
17 all of the following conditions:

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

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

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

25 (n) The credit period with respect to an allocation of credit in
26 1989 by the California Tax Credit Allocation Committee of which
27 any amount is attributable to unallocated credit from 1987 or 1988
28 shall not begin until after December 31, 1989.

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

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

34 (q) (1) A corporation may elect to assign any portion of any
35 credit allowed under this section to one or more affiliated
36 corporations for each taxable year in which the credit is allowed.
37 For purposes of this subdivision, “affiliated corporation” has the
38 meaning provided in subdivision (b) of Section 25110, as that
39 section was amended by Chapter 881 of the Statutes of 1993, as
40 of the last day of the taxable year in which the credit is allowed,

1 except that “100 percent” is substituted for “more than 50 percent”
2 wherever it appears in the section, as that section was amended by
3 Chapter 881 of the Statutes of 1993, and “voting common stock”
4 is substituted for “voting stock” wherever it appears in the section,
5 as that section was amended by Chapter 881 of the Statutes of
6 1993.

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

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

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

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

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

18 (s) This section shall remain in effect on and after December
19 1, 1990, for as long as Section 42 of the Internal Revenue Code,
20 relating to low-income housing credit, remains in effect.

21 (t) The amendments to this section made by Chapter 1222 of
22 the Statutes of 1993 shall apply only to taxable years beginning
23 on or after January 1, 1994, except that paragraph (1) of subdivision
24 (q), as amended, shall apply to taxable years beginning on or after
25 January 1, 1993.

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