

AMENDED IN ASSEMBLY MARCH 18, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2842

Introduced by Assembly Member Thurmond

February 19, 2016

An act to amend Sections 12206, 17058, and 23610.5 of, and to add Sections 12206.1, 17058.1, and 23610.7 to, the Revenue and Taxation Code, relating to ~~taxation~~: taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2842, as amended, Thurmond. ~~Personal income tax: credits: Workforce Housing Tax Credit Act: income taxes: insurance taxes: credits: low-income housing: sale of credit.~~

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, income, and corporation tax credit amounts among low-income housing projects in modified conformity to federal law that have been allocated, or qualify for, a federal low-income housing tax credit and for farmworker housing.

This bill, beginning on or after January 1, 2016, would allow a taxpayer that is allowed a low-income housing tax credit to elect to sell all or a portion of that credit to one or more unrelated parties, as described, for each taxable year in which the credit is allowed for not less than 80% of the amount of the credit to be sold, and would provide for the one-time resale of that credit, as provided.

This bill, beginning on or after January 1, 2017, would additionally allow a credit to a taxpayer with a qualified low-income building that is eligible for a federal low-income housing tax credit, in an amount

determined pursuant to federal law, for housing projects that meet specified criteria. The bill would limit the aggregate amount of credits allocated by the California Tax Credit Allocation Committee, on a first-come-first-served basis, to \$100,000,000 per fiscal year plus any unallocated credit amount from the preceding fiscal year.

This bill would take effect immediately as a tax levy.

~~The Personal Income Tax Law authorizes various credits against the taxes imposed by that law.~~

~~This bill would express the intent of the Legislature to enact legislation that would create a new tax credit for working individuals.~~

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

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

- 1 SECTION 1. *This act shall be known, and may be cited, as the*
- 2 *Workforce Housing Tax Credit Act.*
- 3 SEC. 2. *Section 12206 of the Revenue and Taxation Code is*
- 4 *amended to read:*
- 5 12206. (a) (1) *There shall be allowed as a credit against the*
- 6 ~~“tax”~~ *(as “tax,” described by Section ~~12201~~ 12201, a state*
- 7 *low-income housing tax credit in an amount equal to the amount*
- 8 *determined in subdivision (c), computed in accordance with Section*
- 9 *42 of the Internal Revenue Code, relating to low-income housing*
- 10 *credit, except as otherwise provided in this section.*
- 11 (2) *“Taxpayer,” for purposes of this section, means the sole*
- 12 *owner in the case of a “C” corporation, the partners in the case of*
- 13 *a partnership, and the shareholders in the case of an “S”*
- 14 *corporation.*
- 15 (3) *“Housing sponsor,” for purposes of this section, means the*
- 16 *sole owner in the case of a “C” corporation, the partnership in the*
- 17 *case of a partnership, and the “S” corporation in the case of an “S”*
- 18 *corporation.*
- 19 (b) (1) *The amount of the credit allocated to any housing*
- 20 *sponsor shall be authorized by the California Tax Credit Allocation*
- 21 *Committee, or any successor thereof, based on a project’s need*
- 22 *for the credit for economic feasibility in accordance with the*
- 23 *requirements of this section.*
- 24 (A) *Except for projects to provide farmworker housing, as*
- 25 *defined in subdivision (h) of Section 50199.7 of the Health and*

Safety Code, that are allocated credits solely under the set-aside described in subdivision (c) of Section 50199.20 of the Health and Safety Code, the low-income housing project shall be located in California and shall meet either of the following requirements:

(i) The project's housing sponsor ~~shall have~~ *has* been allocated by the California Tax Credit Allocation Committee a credit for federal income tax purposes under Section 42 of the Internal Revenue ~~Code~~. *Code, relating to low-income housing credit.*

(ii) It ~~shall qualify~~ *qualifies* for a credit under Section 42(h)(4)(B) of the Internal Revenue ~~Code~~. *Code, relating to special rule where 50 percent or more of building is financed with tax-exempt bonds subject to volume cap.*

(B) The California Tax Credit Allocation Committee shall not require fees for the credit under this section in addition to those fees required for applications for the tax credit pursuant to Section 42 of the Internal Revenue ~~Code~~. *Code, relating to low-income housing credit.* The committee may require a fee if the application for the credit under this section is submitted in a calendar year after the year the application is submitted for the federal tax credit.

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

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

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

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

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

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

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

(E) All elections made by the taxpayer pursuant to Section 42 of the Internal Revenue ~~Code shall~~ *Code, relating to low-income housing credit*, apply to this section.

(F) (i) Except as described in clause (ii), for buildings 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, *relating to increase in credit for buildings in high-cost areas*, credits may be allocated under this section in the amounts prescribed in subdivision (c), provided that the amount of credit allocated under Section 42 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing credit*, is computed on 100 percent of the qualified basis of the building.

(ii) Notwithstanding clause (i), the California Tax Credit Allocation Committee may allocate the credit for buildings located in DDAs or QCTs that are restricted to having 50 percent of its occupants be special needs households, as defined in the California Code of Regulations by the California Tax Credit Allocation Committee, even if the taxpayer receives federal credits pursuant to Section 42(d)(5)(B) of the Internal Revenue Code, *relating to increase in credit for buildings in high-cost areas*, provided that the credit allowed under this section shall not exceed 30 percent of the eligible basis of the building.

(G) (i) The California Tax Credit Allocation Committee may allocate a credit under this section in exchange for a credit allocated pursuant to Section 42(d)(5)(B) of the Internal Revenue ~~Code~~ *Code, relating to increase in credit for buildings in high-cost areas*, in amounts up to 30 percent of the eligible basis of a building if the credits allowed under Section 42 of the Internal Revenue ~~Code~~

1 *Code, relating to low-income housing credit*, are reduced by an
2 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~~ *Code, relating*
7 *to applicable percentage*, shall be modified as follows:

8 (1) In the case of any qualified low-income building that receives
9 an allocation after 1989 and is a new building not federally
10 subsidized, the term “applicable percentage” means the following:

11 (A) For each of the first three years, the percentage prescribed
12 by the Secretary of the Treasury for new buildings that are not
13 federally subsidized for the taxable year, determined in accordance
14 with the requirements of Section 42(b)(2) of the Internal Revenue
15 *Code, relating to temporary minimum credit rate for nonfederally*
16 *subsidized new buildings*, in lieu of the percentage prescribed in
17 Section 42(b)(1)(A) of the Internal Revenue Code.

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

20 (2) In the case of any qualified low-income building that receives
21 an allocation after 1989 and that is a new building that is federally
22 subsidized or that is an existing building that is “at risk of
23 conversion,” 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 federally
26 subsidized for the taxable year.

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

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

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

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

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

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

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

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

(vi) The low-income housing credit program set forth in Section 42 of the Internal Revenue-~~Code~~. *Code, relating to low-income housing credit.*

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

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

(D) The property satisfies the requirements of Section 42(e) of the Internal Revenue-~~Code regarding rehabilitation expenditures~~, *Code, relating to rehabilitation expenditures treated as a separate new building*, except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not apply.

(d) The term “qualified low-income housing project” as defined in Section 42(c)(2) of the Internal Revenue-~~Code~~ *Code, relating to qualified low-income building*, 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, ~~which~~, *that*, at the election of the taxpayer, is equal to:

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

(i) The owner-~~equity~~ *equity*, which shall include the amount of the capital contributions actually paid to the housing sponsor and shall not include any amounts until they are paid on an investor note.

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

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

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

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

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

24 (e) The provisions of Section 42(f) of the Internal Revenue-~~Code~~
25 *Code, relating to definition and special rules relating to credit*
26 *period*, shall be modified as follows:

27 (1) The term “credit period” as defined in Section 42(f)(1) of
28 the Internal Revenue-~~Code~~ *Code, relating to credit period defined*,
29 is modified by substituting “four taxable years” for “10 taxable
30 years.”

31 (2) The special rule for the first taxable year of the credit period
32 under Section 42(f)(2) of the Internal Revenue-~~Code~~ *Code, relating*
33 *to special rule for first year of credit period*, shall not apply to the
34 tax credit under this section.

35 (3) Section 42(f)(3) of the Internal Revenue-~~Code~~ *Code, relating*
36 *to determination of applicable percentage with respect to increases*
37 *in qualified basis after first year of credit period*, is modified to
38 read:

39 If, as of the close of any taxable year in the compliance period,
40 after the first year of the credit period, the qualified basis of any

1 building exceeds the qualified basis of that building as of the close
2 of the first year of the credit period, the housing sponsor, to the
3 extent of its tax credit allocation, shall be eligible for a credit on
4 the excess in an amount equal to the applicable percentage
5 determined pursuant to subdivision (c) for the four-year period
6 beginning with the later of the taxable years in which the increase
7 in qualified basis occurs.

8 (f) The provisions of Section 42(h) of the Internal Revenue
9 ~~Code Code~~, relating to limitation on aggregate credit allowable
10 with respect to projects located in a state, shall be modified as
11 follows:

12 (1) Section 42(h)(2) of the Internal Revenue ~~Code shall not be~~
13 ~~applicable and instead the following provisions shall be applicable:~~
14 ~~Code, relating to allocated credit amount to apply to all taxable~~
15 ~~years ending during or after credit allocation year, does not apply~~
16 ~~and instead the following provisions apply:~~

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

22 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
23 (7), and (8) of Section 42(h) of the Internal Revenue ~~Code shall~~
24 ~~not be applicable. Code, relating to limitation on aggregate credit~~
25 ~~allowable with respect to projects located in a state, do not apply~~
26 ~~to this section.~~

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

(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) per calendar year for projects to provide farmworker housing, as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code.

(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~~ *Code, relating to compliance period*, 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) (1) Section 42(j) of the Internal Revenue ~~Code~~ *Code, relating to recapture of credit*, shall not be applicable and the provisions in paragraph (2) shall be substituted in its place.

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

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

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

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

4 (D) A provision that the regulatory agreement shall be deemed
5 a contract enforceable by tenants as third-party beneficiaries thereto
6 and ~~which~~ *that* allows individuals, whether prospective, present,
7 or former occupants of the building, who meet the income
8 limitation applicable to the building, the right to enforce the
9 regulatory agreement in any state court.

10 (E) A provision incorporating the requirements of Section 42
11 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing*
12 *credit*, as modified by this section.

13 (F) A requirement that the housing sponsor notify the California
14 Tax Credit Allocation Committee or its designee and the local
15 agency that can enforce the regulatory agreement if there is a
16 determination by the Internal Revenue Service that the project is
17 not in compliance with Section 42(g) of the Internal Revenue ~~Code~~.
18 *Code, relating to qualified low-income housing project.*

19 (G) A requirement that the housing sponsor, as security for the
20 performance of the housing sponsor's obligations under the
21 regulatory agreement, assign the housing sponsor's interest in rents
22 that it receives from the project, provided that until there is a
23 default under the regulatory agreement, the housing sponsor is
24 entitled to collect and retain the rents.

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

36 (j) (1) The committee shall allocate the housing credit on a
37 regular basis consisting of two or more periods in each calendar
38 year during which applications may be filed and considered. The
39 committee shall establish application filing deadlines, the maximum
40 percentage of federal and state low-income housing tax credit

1 ceiling that may be allocated by the committee in that period, and
2 the approximate date on which allocations shall be made. If the
3 enactment of federal or state law, the adoption of rules or
4 regulations, or other similar events prevent the use of two allocation
5 periods, the committee may reduce the number of periods and
6 adjust the filing deadlines, maximum percentage of credit allocated,
7 and the allocation dates.

8 (2) The committee shall adopt a qualified allocation plan, as
9 provided in Section 42(m)(1) of the Internal Revenue ~~Code~~. *Code,*
10 *relating to plans for allocation of credit among projects.* In
11 adopting this plan, the committee shall comply with the provisions
12 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
13 ~~Code~~. *Code, relating to qualified allocation plan and relating to*
14 *certain selection criteria must be used, respectively.*

15 (3) Notwithstanding Section 42(m) of the Internal Revenue
16 Code, *relating to responsibilities of housing credit agencies,* the
17 California Tax Credit Allocation Committee shall allocate housing
18 credits in accordance with the qualified allocation plan and
19 regulations, which shall include the following provisions:

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

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

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

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

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

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

38 (vi) The housing sponsor shall demonstrate that the project
39 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~~, *subsidies* and required equity, and a development
9 fee that does not exceed a specified percentage of the eligible basis
10 of the project prior to inclusion of the development fee in the
11 eligible 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 ~~is comprised~~
24 ~~of~~ *are* low-income units with three and more bedrooms.

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

27 (iii) Existing projects that are “at risk of conversion,” as defined
28 by paragraph (3) of subdivision (c).

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

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

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

(k) Section 42(l) of the Internal Revenue Code Code, relating to certifications and other reports to secretary, shall be modified as follows:

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

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

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

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

(o) (1) For a project that receives a preliminary reservation under this section beginning on or after January 1, 2016, a taxpayer may make an irrevocable election in its application to the California Tax Credit Allocation Committee to sell all or any portion of any credit allowed under this section to one or more unrelated parties for each taxable year in which the credit is allowed subject to both of the following conditions:

(A) The credit is sold for consideration that is not less than 80 percent of the amount of the credit.

(B) The unrelated party or parties purchasing any or all of the credit pursuant to this subdivision is a taxpayer allowed the credit under this section for the taxable year of the purchase or any prior taxable year or is a taxpayer allowed the federal credit under Section 42 of the Internal Revenue Code, relating to low-income housing credit, for the taxable year of the purchase or any prior taxable year in connection with any project located in this state. For purposes of this subparagraph, “taxpayer allowed the credit under this section” means a taxpayer that is allowed the credit under this section without regard to the purchase of a credit pursuant to this subdivision.

(2) (A) The taxpayer that originally received the credit shall report to the California Tax Credit Allocation Committee within 10 days of the sale of the credit, in the form and manner specified by the California Tax Credit Allocation Committee, all required information regarding the purchase and sale of the credit, including the social security or other taxpayer identification

1 *number of the unrelated party to whom the credit has been sold,*
2 *the face amount of the credit sold, and the amount of consideration*
3 *received by the taxpayer for the sale of the credit.*

4 *(B) The California Tax Credit Allocation Committee shall*
5 *provide an annual listing to the Franchise Tax Board, in a form*
6 *and manner agreed upon by the California Tax Credit Allocation*
7 *Committee and the Franchise Tax Board, of the taxpayers that*
8 *have sold or purchased a credit pursuant to this subdivision.*

9 *(3) (A) A credit may be sold pursuant to this subdivision to*
10 *more than one unrelated party.*

11 *(B) (i) Except as provided in clause (ii), a credit shall not be*
12 *resold by the unrelated party to another taxpayer or other party.*

13 *(ii) All or any portion of any credit allowed under this section*
14 *may be resold once by an original purchaser to one or more*
15 *unrelated parties, subject to all of the requirements of this*
16 *subdivision.*

17 *(4) Notwithstanding any other provision of law, the taxpayer*
18 *that originally received the credit that is sold pursuant to*
19 *paragraph (1) shall remain solely liable for all obligations and*
20 *liabilities imposed on the taxpayer by this section with respect to*
21 *the credit, none of which shall apply to any party to whom the*
22 *credit has been sold or subsequently transferred. Parties who*
23 *purchase credits pursuant to paragraph (1) shall be entitled to*
24 *utilize the purchased credits in the same manner in which the*
25 *taxpayer that originally received the credit could utilize them.*

26 *(5) A taxpayer shall not sell a credit allowed by this section if*
27 *the taxpayer was allowed the credit on any tax return of the*
28 *taxpayer.*

29 *(6) Notwithstanding paragraph (1), the taxpayer, with the*
30 *approval of the Executive Director of the California Tax Credit*
31 *Allocation Committee, may rescind the election to sell all or any*
32 *portion of the credit allowed under this section if the consideration*
33 *for the credit falls below 80 percent of the amount of the credit*
34 *after the California Tax Credit Allocation Committee reservation.*

35 *(p) The California Tax Credit Allocation Committee may*
36 *prescribe rules, guidelines, or procedures necessary or appropriate*
37 *to carry out the purposes of this section, including any guidelines*
38 *regarding the allocation of the credit allowed under this section.*
39 *Chapter 3.5 (commencing with Section 11340) of Part 1 of Division*
40 *3 of Title 2 of the Government Code shall not apply to any rule,*

1 *guideline, or procedure prescribed by the California Tax Credit*
2 *Allocation Committee pursuant to this section.*

3 ~~(e)~~

4 *(q) This section shall remain in effect for as long as Section 42*
5 *of the Internal Revenue Code, relating to low-income housing*
6 *credits, credit, remains in effect.*

7 *SEC. 3. Section 12206.1 is added to the Revenue and Taxation*
8 *Code, to read:*

9 *12206.1. (a) (1) For taxable years beginning on or after*
10 *January 1, 2017, there shall be allowed to a taxpayer a credit*
11 *against the "tax," as defined by Section 12201, for a qualified*
12 *low-income building in an amount equal to the amount computed*
13 *in accordance with Section 42 of the Internal Revenue Code,*
14 *relating to low-income housing credit as modified by this section.*

15 *(2) In determining the amount of credit allowed pursuant to this*
16 *section, the following shall apply:*

17 *(A) The eligible basis of a building shall be equal to the project's*
18 *total cost basis.*

19 *(B) The applicable percentage shall be:*

20 *(1) For a project with units for low-income households, 130*
21 *percent.*

22 *(2) For a project with units for median-income households with*
23 *incomes between 80 percent and 99 percent of the area median*
24 *income, 108 percent.*

25 *(3) For a project with units for median-income households with*
26 *incomes of 100 percent of the area median income, 76 percent.*

27 *(b) For purposes of this section:*

28 *(1) "Low-income household" means a household with an income*
29 *that is greater than 60 percent and not higher than 80 percent of*
30 *the area median household income.*

31 *(2) "Median-income household" means a household with an*
32 *income that is greater than 80 percent but not higher than 100*
33 *percent of the area median household income.*

34 *(3) "Qualified low-income building" has the same meaning as*
35 *in Section 42(c)(2) of the Internal Revenue Code, relating to*
36 *qualified low-income housing building, and also means the*
37 *qualified low-income building is eligible for a tax credit pursuant*
38 *to Section 42 of the Internal Revenue Code, relating to low-income*
39 *housing credit, except that Section 42(g) of the Internal Revenue*

1 *Code, relating to qualified low-income housing project, shall not*
2 *apply and instead the following requirements shall be met:*

3 *(A) The project is for the acquisition or substantial rehabilitation*
4 *of a building at least 20 years old or is a new development.*

5 *(B) The project includes no more than 50 percent of its units*
6 *that are eligible for the tax credit allowed pursuant to Section*
7 *12206.*

8 *(C) Any units reserved for a tax credit allowed pursuant to this*
9 *section shall not supplant existing affordable housing units not*
10 *eligible for a tax credit pursuant to this section, including any*
11 *units for households with an income that is less than that of a*
12 *low-income household.*

13 *(D) The project will allocate at least 20 percent of its units to*
14 *low-income households and median-income households.*

15 *(c) (1) This section shall not be construed to require a taxpayer*
16 *to have been previously or currently allocated a tax credit pursuant*
17 *to Section 42 of the Internal Revenue Code, relating low-income*
18 *housing credit.*

19 *(2) This section shall not be construed to preclude a taxpayer,*
20 *allowed a credit pursuant to this section, from being allocated a*
21 *credit pursuant to Section 12206 or Section 42 of the Internal*
22 *Revenue Code, relating to low-income housing credit.*

23 *(d) An applicant for the credit allowed pursuant to this section*
24 *must demonstrate to the California Tax Credit Allocation*
25 *Committee that, within the city in which the project is situated, the*
26 *area median income for the average rental unit is above the area*
27 *median income for the project.*

28 *(e) (1) In the case where the credit allowed under this section*
29 *exceeds the “tax,” the excess may be carried over to reduce the*
30 *“tax” in the following year, and succeeding 14 years if necessary,*
31 *until the credit has been exhausted.*

32 *(2) The credit shall be claimed in the same manner, with regard*
33 *to the credit period, as a credit claimed pursuant to Section 12206.*

34 *(3) The credit allowed pursuant to this section shall have a*
35 *compliance period of 55 consecutive taxable years at the affordable*
36 *rate or at substantially below-market rate beginning with the first*
37 *taxable year of the credit period with respect thereto, administered*
38 *in the same manner as under Section 12206.*

39 *(f) The California Tax Credit Allocation Committee shall*
40 *allocate, on a first-come-first-served basis, the credit allowed by*

1 *this section. The aggregate amount of credit that may be allocated*
2 *in any fiscal year pursuant to this section and Sections 17058.1*
3 *and 23610.7 shall be an amount equal to the sum of paragraphs*
4 *(1) and (2).*

5 *(1) One hundred million dollars (\$100,000,000) for the 2016–17*
6 *fiscal year, and for each fiscal year thereafter.*

7 *(2) The unallocated credit amount, if any, from the preceding*
8 *fiscal year.*

9 *(g) (1) The California Tax Credit Allocation Committee shall*
10 *establish guidelines to specify that a taxpayer may be allowed a*
11 *tax credit pursuant to this section, Section 12206, and Section 42*
12 *of the Internal Revenue Code, relating to low-income housing*
13 *credit, subject to the requirements of these sections.*

14 *(2) The California Tax Credit Allocation Committee and the*
15 *Department of Insurance may adopt regulations, rules, guidelines,*
16 *or procedures necessary or appropriate to carry out the purposes*
17 *of this section, including guidelines to conform the credit allowed*
18 *by this section to any procedures established pursuant to Section*
19 *12206.*

20 *(3) The Administrative Procedure Act (Chapter 3.5 (commencing*
21 *with Section 11340) of Part 1 of Division 3 of Title 2 of the*
22 *Government Code) does not apply to this subdivision.*

23 *(h) Section 41 does not apply to the credit allowed by this*
24 *section.*

25 *SEC. 4. Section 17058 of the Revenue and Taxation Code is*
26 *amended to read:*

27 *17058. (a) (1) There shall be allowed as a credit against the*
28 *“net-tax” (as “tax,” defined in Section 17039) 17039, a state*
29 *low-income housing tax credit in an amount equal to the amount*
30 *determined in subdivision (c), computed in accordance with the*
31 *provisions of Section 42 of the Internal Revenue Code, relating*
32 *to low-income housing credit, except as otherwise provided in this*
33 *section.*

34 *(2) “Taxpayer” “Taxpayer,” for purposes of this section section,*
35 *means the sole owner in the case of an individual, the partners in*
36 *the case of a partnership, and the shareholders in the case of an*
37 *“S” corporation.*

38 *(3) “Housing-sponsor” sponsor,” for purposes of this section*
39 *section, means the sole owner in the case of an individual, the*

1 partnership in the case of a partnership, and the “S” corporation
2 in the case of an “S” corporation.

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

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

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

18 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
19 Internal Revenue ~~Code~~. *Code, relating to special rule where 50*
20 *percent or more of building is financed with tax-exempt bonds*
21 *subject to volume cap.*

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

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

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

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

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

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

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

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

(D) All elections made by the taxpayer pursuant to Section 42 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing credit*, apply to this section.

(E) (i) Except as described in clause (ii), for buildings 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~~ *Code, relating to increase in credit for buildings in high-cost areas*, credits may be allocated under this section in the amounts prescribed in subdivision (c), provided that the amount of credit allocated under Section 42 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing credit*, is computed on 100 percent of the qualified basis of the building.

(ii) Notwithstanding clause (i), the California Tax Credit Allocation Committee may allocate the credit for buildings located in DDAs or QCTs that are restricted to having 50 percent of its

1 occupants be special needs households, as defined in the California
2 Code of Regulations by the California Tax Credit Allocation
3 Committee, even if the taxpayer receives federal credits pursuant
4 to Section 42(d)(5)(B) of the Internal Revenue Code, *relating to*
5 *increase in credit for buildings in high-cost areas*, provided that
6 the credit allowed under this section shall not exceed 30 percent
7 of the eligible basis of the building.

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

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

19 (c) Section 42(b) of the Internal Revenue ~~Code~~ *Code, relating*
20 *to applicable percentage*, shall be modified as follows:

21 (1) In the case of any qualified low-income building placed in
22 service by the housing sponsor during 1987, the term “applicable
23 percentage” means 9 percent for each of the first three years and
24 3 percent for the fourth year for new buildings (whether or not the
25 building is federally subsidized) and for existing buildings.

26 (2) In the case of any qualified low-income building that receives
27 an allocation after 1989 and is a new building not federally
28 subsidized, the term “applicable percentage” means the following:

29 (A) For each of the first three years, the percentage prescribed
30 by the Secretary of the Treasury for new buildings that are not
31 federally subsidized for the taxable year, determined in accordance
32 with the requirements of Section 42(b)(2) of the Internal Revenue
33 ~~Code, relating to temporary minimum credit rate for nonfederally~~
34 ~~subsidized new buildings,~~ in lieu of the percentage prescribed in
35 ~~Section 42(b)(1)(B)~~ 42 (b)(1)(A) of the Internal Revenue Code.

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

38 (3) In the case of any qualified low-income building that receives
39 an allocation after 1989 and that is a new building that is federally

1 subsidized or that is an existing building that is “at risk of
2 conversion,” the term “applicable percentage” means the following:

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

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

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

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

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

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

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

24 (iv) Programs for rent supplement assistance pursuant to Section
25 101 of the Housing and Urban Development Act of 1965, Section
26 1701s of Title 12 of the United States Code, as amended.

27 (v) Programs pursuant to Section 515 of the Housing Act of
28 1949, Section 1485 of Title 42 of the United States Code, as
29 amended.

30 (vi) The low-income housing credit program set forth in Section
31 42 of the Internal Revenue ~~Code~~. *Code, relating to low-income*
32 *housing credit*.

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

37 (C) The entity acquiring the property enters into a regulatory
38 agreement that requires the property to be operated in accordance
39 with the requirements of this section for a period equal to the
40 greater of 55 years or the life of the property.

(D) The property satisfies the requirements of Section 42(e) of the Internal Revenue ~~Code regarding rehabilitation expenditures,~~ *Code, relating to rehabilitation expenditures treated as a separate new building*, except that the provisions of Section 42(e)(3)(A)(ii)(I) ~~do~~ shall not apply.

(d) The term “qualified low-income housing project” as defined in Section 42(c)(2) of the Internal Revenue ~~Code~~ *Code, relating to qualified low-income building*, 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:

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

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

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

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

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

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

1 (e) The provisions of Section 42(f) of the Internal Revenue-Code
2 *Code, relating to definition and special rules relating to credit*
3 *period*, shall be modified as follows:

4 (1) The term “credit period” as defined in Section 42(f)(1) of
5 the Internal Revenue-Code *Code, relating to credit period defined*,
6 is modified by substituting “four taxable years” for “10 taxable
7 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 ~~does~~ *Code,*
10 *relating to special rule for first year of credit period*, shall not
11 apply to the tax credit under this section.

12 (3) Section 42(f)(3) of the Internal Revenue-Code *Code, relating*
13 *to determination of applicable percentage with respect to increases*
14 *in qualified basis after first year of credit period*, is modified to
15 read:

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

25 (f) The provisions of Section 42(h) of the Internal Revenue
26 ~~Code~~ *Code, relating to limitation on aggregate credit allowable*
27 *with respect to projects located in a state*, shall be modified as
28 follows:

29 (1) Section 42(h)(2) of the Internal Revenue-Code *Code, relating*
30 *to allocated credit amount to apply to all taxable years ending*
31 *during or after credit allocation year*, does not apply and instead
32 the following provisions apply:

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

38 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
39 (7), and (8) of Section 42(h) of the Internal Revenue-Code *Code,*

1 *relating to limitation on aggregate credit allowable with respect*
2 *to projects located in a state, do not apply to this section.*

3 (g) The aggregate housing credit dollar amount that may be
4 allocated annually by the California Tax Credit Allocation
5 Committee pursuant to this section, Section 12206, and Section
6 23610.5 shall be an amount equal to the sum of all the following:

7 (1) Seventy million dollars (\$70,000,000) for the 2001 calendar
8 year, and, for the 2002 calendar year and each calendar year
9 thereafter, seventy million dollars (\$70,000,000) 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 2001 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.

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~~ *Code, relating to compliance period,*
36 is modified to mean, with respect to any building, the period of 30
37 consecutive taxable years beginning with the first taxable year of
38 the credit period with respect thereto.

39 (i) Section 42(j) of the Internal Revenue-~~Code~~ *Code, relating*
40 *to recapture of credit,* does not apply 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, ~~which~~ *and this* agreement shall be subordinated, when required, to any lien or encumbrance of any banks or other institutional lenders to the project. The regulatory agreement entered into pursuant to subdivision (f) of Section 50199.14 of the Health and Safety Code shall apply, provided that the agreement includes all of the following provisions:

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

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

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

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

(5) A provision incorporating the requirements of Section 42 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing credit*, as modified by this section.

(6) A requirement that the housing sponsor notify the California Tax Credit Allocation Committee or its designee if there is a determination by the Internal Revenue Service that the project is not in compliance with Section 42(g) of the Internal Revenue ~~Code~~ *Code, relating to qualified low-income housing project*.

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

(8) ~~The~~ *A provision that the* remedies available in the event of a default under the regulatory agreement that is not cured within a reasonable cure ~~period~~ *period* include, but are not limited to, allowing any of the parties designated to enforce the regulatory agreement to collect all rents with respect to the project; taking

1 possession of the project and operating the project in accordance
2 with the regulatory agreement until the enforcer determines the
3 housing sponsor is in a position to operate the project in accordance
4 with the regulatory agreement; applying to any court for specific
5 performance; securing the appointment of a receiver to operate
6 the project; or any other relief 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 the 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~~. *Code,*
21 *relating to plans for allocation of credit among projects.* In
22 adopting this plan, the committee shall comply with the provisions
23 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
24 ~~Code~~. *Code, relating to qualified allocation plan and relating to*
25 *certain selection criteria must be used, respectively.*

26 (3) Notwithstanding Section 42(m) of the Internal Revenue
27 Code, *relating to responsibilities of housing credit agencies,* the
28 California Tax Credit Allocation Committee shall allocate housing
29 credits in accordance with the qualified allocation plan and
30 regulations, which shall include the following provisions:

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

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

38 (ii) The project's proposed financing, including tax credit
39 proceeds, shall be sufficient to complete the project and that the

1 proposed operating income shall be adequate to operate the project
2 for the extended use period.

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

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

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

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

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

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

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

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

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

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

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

38 (iii) Existing projects that are “at risk of conversion,” as defined
39 by paragraph (4) of subdivision (c).

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

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

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

11 (k) Section 42(l) of the Internal Revenue ~~Code~~ *Code, relating*
12 *to certifications and other reports to secretary*, shall be modified
13 as follows:

14 The term "secretary" shall be replaced by the term "~~California~~
15 ~~Franchise~~ "Franchise Tax Board."

16 (l) In the case in which the credit allowed under this section
17 exceeds the net tax, the excess ~~credit~~ may be carried over to reduce
18 the net tax in the following year, and succeeding ~~taxable~~ years, if
19 necessary, until the credit has been exhausted.

20 (m) A project that received an allocation of a 1989 federal
21 housing credit dollar amount shall be eligible to receive an
22 allocation of a 1990 state housing credit dollar amount, subject to
23 all of the following conditions:

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

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

28 (3) Notwithstanding paragraph (2), a project applying for an
29 allocation under this subdivision is subject to the requirements of
30 paragraph (3) of subdivision (j).

31 (n) The credit period with respect to an allocation of credit in
32 1989 by the California Tax Credit Allocation Committee of which
33 any amount is attributable to unallocated credit from 1987 or 1988
34 shall not begin until after December 31, 1989.

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

38 (p) The provisions of Section 11407(c) of Public Law 101-508,
39 relating to election to accelerate credit, do not apply.

1 (q) (1) For a project that receives a preliminary reservation
2 under this section beginning on or after January 1, 2016, a
3 taxpayer may make an irrevocable election in its application to
4 the California Tax Credit Allocation Committee to sell all or any
5 portion of any credit allowed under this section to one or more
6 unrelated parties for each taxable year in which the credit is
7 allowed subject to both of the following conditions:

8 (A) The credit is sold for consideration that is not less than 80
9 percent of the amount of the credit.

10 (B) The unrelated party or parties purchasing any or all of the
11 credit pursuant to this subdivision is a taxpayer allowed the credit
12 under this section for the taxable year of the purchase or any prior
13 taxable year or is a taxpayer allowed the federal credit under
14 Section 42 of the Internal Revenue Code, relating to low-income
15 housing credit, for the taxable year of the purchase or any prior
16 taxable year in connection with any project located in this state.
17 For purposes of this subparagraph, "taxpayer allowed the credit
18 under this section" means a taxpayer that is allowed the credit
19 under this section without regard to the purchase of a credit
20 pursuant to this subdivision.

21 (2) (A) The taxpayer that originally received the credit shall
22 report to the California Tax Credit Allocation Committee within
23 10 days of the sale of the credit, in the form and manner specified
24 by the California Tax Credit Allocation Committee, all required
25 information regarding the purchase and sale of the credit,
26 including the social security or other taxpayer identification
27 number of the unrelated party to whom the credit has been sold,
28 the face amount of the credit sold, and the amount of consideration
29 received by the taxpayer for the sale of the credit.

30 (B) The California Tax Credit Allocation Committee shall
31 provide an annual listing to the Franchise Tax Board, in a form
32 and manner agreed upon by the California Tax Credit Allocation
33 Committee and the Franchise Tax Board, of the taxpayers that
34 have sold or purchased a credit pursuant to this subdivision.

35 (3) (A) A credit may be sold pursuant to this subdivision to
36 more than one unrelated party.

37 (B) (i) Except as provided in clause (ii), a credit shall not be
38 resold by the unrelated party to another taxpayer or other party.

39 (ii) All or any portion of any credit allowed under this section
40 may be resold once by an original purchaser to one or more

1 *unrelated parties, subject to all of the requirements of this*
2 *subdivision.*

3 *(4) Notwithstanding any other provision of law, the taxpayer*
4 *that originally received the credit that is sold pursuant to*
5 *paragraph (1) shall remain solely liable for all obligations and*
6 *liabilities imposed on the taxpayer by this section with respect to*
7 *the credit, none of which shall apply to any party to whom the*
8 *credit has been sold or subsequently transferred. Parties who*
9 *purchase credits pursuant to paragraph (1) shall be entitled to*
10 *utilize the purchased credits in the same manner in which the*
11 *taxpayer that originally received the credit could utilize them.*

12 *(5) A taxpayer shall not sell a credit allowed by this section if*
13 *the taxpayer was allowed the credit on any tax return of the*
14 *taxpayer.*

15 *(6) Notwithstanding paragraph (1), the taxpayer, with the*
16 *approval of the Executive Director of the California Tax Credit*
17 *Allocation Committee, may rescind the election to sell all or any*
18 *portion of the credit allowed under this section if the consideration*
19 *for the credit falls below 80 percent of the amount of the credit*
20 *after the California Tax Credit Allocation Committee reservation.*

21 *(r) The California Tax Credit Allocation Committee may*
22 *prescribe rules, guidelines, or procedures necessary or appropriate*
23 *to carry out the purposes of this section, including any guidelines*
24 *regarding the allocation of the credit allowed under this section.*
25 *Chapter 3.5 (commencing with Section 11340) of Part 1 of Division*
26 *3 of Title 2 of the Government Code shall not apply to any rule,*
27 *guideline, or procedure prescribed by the California Tax Credit*
28 *Allocation Committee pursuant to this section.*

29 ~~*(q)*~~

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

33 ~~*(r)*~~

34 *(t) This section shall remain in effect on and after December 1,*
35 *1990, for as long as Section 42 of the Internal Revenue Code,*
36 *relating to low-income housing credits, credit, remains in effect.*
37 *Any unused credit may continue to be carried forward, as provided*
38 *in subdivision (l), until the credit has been exhausted.*

39 *SEC. 5. Section 17058.1 is added to the Revenue and Taxation*
40 *Code, to read:*

1 17058.1. (a) (1) For taxable years beginning on or after
2 January 1, 2017, there shall be allowed to a taxpayer a credit
3 against the "net tax," as defined by Section 17039, for a qualified
4 low-income building in an amount equal to the amount computed
5 in accordance with Section 42 of the Internal Revenue Code,
6 relating to low-income housing credit as modified by this section.

7 (2) In determining the amount of credit allowed pursuant to this
8 section, the following shall apply:

9 (A) The eligible basis of a building shall be equal to the project's
10 total cost basis.

11 (B) The applicable percentage shall be:

12 (1) For a project with units for low-income households, 130
13 percent.

14 (2) For a project with units for median-income households with
15 incomes between 80 percent and 99 percent of the area median
16 income, 108 percent.

17 (3) For a project with units for median-income households with
18 incomes of 100 percent of the area median income, 76 percent.

19 (b) For purposes of this section:

20 (1) "Low-income household" means a household with an income
21 that is greater than 60 percent and not higher than 80 percent of
22 the area median household income.

23 (2) "Median-income household" means a household with an
24 income that is greater than 80 percent but not higher than 100
25 percent of the area median household income.

26 (3) "Qualified low-income building" has the same meaning as
27 in Section 42(c)(2) of the Internal Revenue Code, relating to
28 qualified low-income housing building, and also means the
29 qualified low-income building is eligible for a tax credit pursuant
30 to Section 42 of the Internal Revenue Code, relating to low-income
31 housing credit, except that Section 42(g) of the Internal Revenue
32 Code, relating to qualified low-income housing project, shall not
33 apply and instead the following requirements shall be met:

34 (A) The project is for the acquisition or substantial rehabilitation
35 of a building at least 20 years old or is a new development.

36 (B) The project includes no more than 50 percent of its units
37 that are eligible for the tax credit allowed pursuant to Section
38 17058.

39 (C) Any units reserved for a tax credit allowed pursuant to this
40 section shall not supplant existing affordable housing units not

1 eligible for a tax credit pursuant to this section, including any
2 units for households with an income that is less than that of a
3 low-income household.

4 (D) The project will allocate at least 20 percent of its units to
5 low-income households and median-income households.

6 (c) (1) This section shall not be construed to require a taxpayer
7 to have been previously or currently allocated a tax credit pursuant
8 to Section 42 of the Internal Revenue Code, relating low-income
9 housing credit.

10 (2) This section shall not be construed to preclude a taxpayer,
11 allowed a credit pursuant to this section, from being allocated a
12 credit pursuant to Section 17058 or Section 42 of the Internal
13 Revenue Code, relating to low-income housing credit.

14 (d) An applicant for the credit allowed pursuant to this section
15 must demonstrate to the California Tax Credit Allocation
16 Committee that, within the city in which the project is situated, the
17 area median income for the average rental unit is above the area
18 median income for the project.

19 (e) (1) In the case where the credit allowed under this section
20 exceeds the “net tax,” the excess may be carried over to reduce
21 the “net tax” in the following year, and succeeding 14 years if
22 necessary, until the credit has been exhausted.

23 (2) The credit shall be claimed in the same manner, with regard
24 to the credit period, as a credit claimed pursuant to Section 17058.

25 (3) The credit allowed pursuant to this section shall have a
26 compliance period of 55 consecutive taxable years at the affordable
27 rate or at substantially below-market rate beginning with the first
28 taxable year of the credit period with respect thereto, administered
29 in the same manner as under Section 17058.

30 (f) The California Tax Credit Allocation Committee shall
31 allocate, on a first-come-first-served basis, the credit allowed by
32 this section. The aggregate amount of credit that may be allocated
33 in any fiscal year pursuant to this section and Sections 12206.1
34 and 23610.7 shall be an amount equal to the sum of paragraphs
35 (1) and (2).

36 (1) One hundred million dollars (\$100,000,000) for the 2016–17
37 fiscal year, and for each fiscal year thereafter.

38 (2) The unallocated credit amount, if any, from the preceding
39 fiscal year.

1 (g) (1) *The California Tax Credit Allocation Committee shall*
2 *establish guidelines to specify that a taxpayer may be allowed a*
3 *tax credit pursuant to this section, Section 17058, and Section 42*
4 *of the Internal Revenue Code, relating to low-income housing*
5 *credit, subject to the requirements of these sections.*

6 (2) *The California Tax Credit Allocation Committee and the*
7 *Department of Insurance may adopt regulations, rules, guidelines,*
8 *or procedures necessary or appropriate to carry out the purposes*
9 *of this section, including guidelines to conform the credit allowed*
10 *by this section to any procedures established pursuant to Section*
11 *17058.*

12 (3) *The Administrative Procedure Act (Chapter 3.5 (commencing*
13 *with Section 11340) of Part 1 of Division 3 of Title 2 of the*
14 *Government Code) does not apply to this subdivision.*

15 (h) *Section 41 does not apply to the credit allowed by this*
16 *section.*

17 SEC. 6. *Section 23610.5 of the Revenue and Taxation Code is*
18 *amended to read:*

19 23610.5. (a) (1) There shall be allowed as a credit against the
20 ~~“tax” (as “tax,” defined by Section 23036)~~ 23036, a state
21 low-income housing tax credit in an amount equal to the amount
22 determined in subdivision (c), computed in accordance with Section
23 42 of the Internal Revenue ~~Code of 1986,~~ *Code, relating to*
24 *low-income housing credit*, except as otherwise provided in this
25 section.

26 (2) “Taxpayer,” for purposes of this section, means the sole
27 owner in the case of a “C” corporation, the partners in the case of
28 a partnership, and the shareholders in the case of an “S”
29 corporation.

30 (3) “Housing sponsor,” for purposes of this section, means the
31 sole owner in the case of a “C” corporation, the partnership in the
32 case of a partnership, and the “S” corporation in the case of an “S”
33 corporation.

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

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

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

(ii) It qualifies for a credit under Section 42(h)(4)(B) of the Internal Revenue ~~Code~~. *Code, relating to special rule where 50 percent or more of building is financed with tax-exempt bonds subject to volume cap.*

(B) The California Tax Credit Allocation Committee shall not require fees for the credit under this section in addition to those fees required for applications for the tax credit pursuant to Section 42 of the Internal Revenue ~~Code~~. *Code, relating to low-income housing credit.* The committee may require a fee if the application for the credit under this section is submitted in a calendar year after the year the application is submitted for the federal tax credit.

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

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

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

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

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

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

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

17 (D) All elections made by the taxpayer pursuant to Section 42
18 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing*
19 *credit*, apply to this section.

20 (E) (i) Except as described in clause (ii), for buildings located
21 in designated difficult development areas (DDAs) or qualified
22 census tracts (QCTs), as defined in Section 42(d)(5)(B) of the
23 Internal Revenue ~~Code~~ *Code, relating to increase in credit for buildings*
24 *in high-cost areas*, credits may be allocated under this section in
25 the amounts prescribed in subdivision (c), provided that the amount
26 of credit allocated under Section 42 of the Internal Revenue ~~Code~~
27 *Code, relating to low-income housing credit*, is computed on 100
28 percent of the qualified basis of the building.

29 (ii) Notwithstanding clause (i), the California Tax Credit
30 Allocation Committee may allocate the credit for buildings located
31 in DDAs or QCTs that are restricted to having 50 percent of its
32 occupants be special needs households, as defined in the California
33 Code of Regulations by the California Tax Credit Allocation
34 Committee, even if the taxpayer receives federal credits pursuant
35 to Section 42(d)(5)(B) of the Internal Revenue ~~Code~~ *Code, relating to*
36 *increase in credit for buildings in high cost areas*, provided that
37 the credit allowed under this section shall not exceed 30 percent
38 of the eligible basis of the building.

39 (F) (i) The California Tax Credit Allocation Committee may
40 allocate a credit under this section in exchange for a credit allocated

1 pursuant to Section 42(d)(5)(B) of the Internal Revenue Code,
2 *relating to increase in credit for buildings in high cost areas*, in
3 amounts up to 30 percent of the eligible basis of a building if the
4 credits allowed under Section 42 of the Internal Revenue Code,
5 *relating to low-income housing credit*, are reduced by an equivalent
6 amount.

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

10 (c) Section 42(b) of the Internal Revenue ~~Code~~ *Code, relating*
11 *to applicable percentage*, shall be modified as follows:

12 (1) In the case of any qualified low-income building placed in
13 service by the housing sponsor during 1987, the term “applicable
14 percentage” means 9 percent for each of the first three years and
15 3 percent for the fourth year for new buildings (whether or not the
16 building is federally subsidized) and for existing buildings.

17 (2) In the case of any qualified low-income building that receives
18 an allocation after 1989 and is a new building not federally
19 subsidized, the term “applicable percentage” means the following:

20 (A) For each of the first three years, the percentage prescribed
21 by the Secretary of the Treasury for new buildings that are not
22 federally subsidized for the taxable year, determined in accordance
23 with the requirements of Section 42(b)(2) of the Internal Revenue
24 Code, *relating to temporary minimum credit rate for nonfederally*
25 *subsidized new buildings*, in lieu of the percentage prescribed in
26 Section 42(b)(1)(A) of the Internal Revenue Code.

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

29 (3) In the case of any qualified low-income building that receives
30 an allocation after 1989 and that is a new building that is federally
31 subsidized or that is an existing building that is “at risk of
32 conversion,” the term “applicable percentage” means the following:

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

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

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

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

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

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

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

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

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

(vi) The low-income housing credit program set forth in Section 42 of the Internal Revenue ~~Code~~. *Code, relating to low-income housing credit.*

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

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

(D) The property satisfies the requirements of Section 42(e) of the Internal Revenue ~~Code regarding rehabilitation expenditures~~ *Code, relating to rehabilitation expenditures treated as a separate new building*, except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not apply.

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

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

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

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

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

10 (B) The amount of the cashflow from those units in the building
11 that are not low-income units. For purposes of computing cashflow
12 under this subparagraph, operating costs shall be allocated to the
13 low-income units using the “floor space fraction,” as defined in
14 Section 42 of the Internal Revenue-~~Code~~. *Code, relating to*
15 *low-income housing credit*.

16 (C) Any amount allowed to be distributed under subparagraph
17 (A) that is not available for distribution during the first five years
18 of the compliance period may be accumulated and distributed any
19 time during the first 15 years of the compliance period but not
20 thereafter.

21 (2) The limitation on return applies in the aggregate to the
22 partners if the housing sponsor is a partnership and in the aggregate
23 to the shareholders if the housing sponsor is an “S” corporation.

24 (3) The housing sponsor shall apply any cash available for
25 distribution in excess of the amount eligible to be distributed under
26 paragraph (1) to reduce the rent on rent-restricted units or to
27 increase the number of rent-restricted units subject to the tests of
28 Section 42(g)(1) of the Internal Revenue-~~Code~~. *Code, relating to*
29 *in general*.

30 (e) The provisions of Section 42(f) of the Internal Revenue-~~Code~~
31 *Code, relating to definition and special rules relating to credit*
32 *period*, shall be modified as follows:

33 (1) The term “credit period” as defined in Section 42(f)(1) of
34 the Internal Revenue-~~Code~~ *Code, relating to credit period defined*,
35 is modified by substituting “four taxable years” for “10 taxable
36 years.”

37 (2) The special rule for the first taxable year of the credit period
38 under Section 42(f)(2) of the Internal Revenue-~~Code~~ *Code, relating*
39 *to special rule for first year of credit period*, shall not apply to the
40 tax credit under this section.

1 (3) Section 42(f)(3) of the Internal Revenue ~~Code Code~~, relating
2 to determination of applicable percentage with respect to increases
3 in qualified basis after first year of credit period, is modified to
4 read:

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

14 (f) The provisions of Section 42(h) of the Internal Revenue
15 ~~Code Code~~, relating to limitation on aggregate credit allowable
16 with respect to projects located in a state, shall be modified as
17 follows:

18 (1) Section 42(h)(2) of the Internal Revenue ~~Code Code~~, relating
19 to allocated credit amount to apply to all taxable years ending
20 during or after credit allocation year, does not apply and instead
21 the following provisions apply:

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 Code~~,
29 relating to limitation on aggregate credit allowable with respect
30 to projects located in a state, do not apply to this section.

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

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

1 “Consumer Price Index” means the last Consumer Price Index for
2 All Urban Consumers published by the federal Department of
3 Labor.

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

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

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

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

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

27 (i) Section 42(j) of the Internal Revenue ~~Code~~ *Code, relating*
28 *to recapture of credit*, does not apply and the following shall be
29 substituted in its place:

30 The requirements of this section shall be set forth in a regulatory
31 agreement between the California Tax Credit Allocation Committee
32 and the housing sponsor, and this agreement shall be subordinated,
33 when required, to any lien or encumbrance of any banks or other
34 institutional lenders to the project. The regulatory agreement
35 entered into pursuant to subdivision (f) of Section 50199.14 of the
36 Health and Safety Code shall apply, provided that the agreement
37 includes all of the following provisions:

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

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

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

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

13 (5) A provision incorporating the requirements of Section 42
14 of the Internal Revenue ~~Code~~ *Code, relating to low-income housing*
15 *credit*, as modified by this section.

16 (6) A requirement that the housing sponsor notify the California
17 Tax Credit Allocation Committee or its designee if there is a
18 determination by the Internal Revenue Service that the project is
19 not in compliance with Section 42(g) of the Internal Revenue ~~Code~~.
20 *Code, relating to qualified low-income housing project.*

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

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

38 (j) (1) The committee shall allocate the housing credit on a
39 regular basis consisting of two or more periods in each calendar
40 year during which applications may be filed and considered. The

1 committee shall establish application filing deadlines, the maximum
2 percentage of federal and state low-income housing tax credit
3 ceiling that may be allocated by the committee in that period, and
4 the approximate date on which allocations shall be made. If the
5 enactment of federal or state law, the adoption of rules or
6 regulations, or other similar events prevent the use of two allocation
7 periods, the committee may reduce the number of periods and
8 adjust the filing deadlines, maximum percentage of credit allocated,
9 and *the* allocation dates.

10 (2) The committee shall adopt a qualified allocation plan, as
11 provided in Section 42(m)(1) of the Internal Revenue ~~Code~~. *Code,*
12 *relating to plans for allocation of credit among projects.* In
13 adopting this plan, the committee shall comply with the provisions
14 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
15 ~~Code~~. *Code, relating to qualified allocation plan and relating to*
16 *certain selection criteria must be used, respectively.*

17 (3) Notwithstanding Section 42(m) of the Internal Revenue
18 Code, *relating to responsibilities of housing credit agencies,* the
19 California Tax Credit Allocation Committee shall allocate housing
20 credits in accordance with the qualified allocation plan and
21 regulations, which shall include the following provisions:

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

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

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

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

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

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

39 (vi) The housing sponsor shall demonstrate that the project
40 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 and more bedrooms.

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

27 (iii) Existing projects that are “at risk of conversion,” as defined
28 by paragraph (4) of subdivision (c).

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

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

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

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

(k) Section 42(l) of the Internal Revenue ~~Code~~ *Code*, relating to certifications and other reports to secretary, shall be modified as follows:

The term “secretary” shall be replaced by the term “~~California Franchise~~ *Franchise Tax Board*.”

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

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

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

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

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

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

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

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

(q) (1) A corporation may elect to assign any portion of any credit allowed under this section to one or more affiliated

1 corporations for each taxable year in which the credit is allowed.
2 For purposes of this subdivision, “affiliated corporation” has the
3 meaning provided in subdivision (b) of Section 25110, as that
4 section was amended by Chapter 881 of the Statutes of 1993, as
5 of the last day of the taxable year in which the credit is allowed,
6 except that “100 percent” is substituted for “more than 50 percent”
7 wherever it appears in the section, as that section was amended by
8 Chapter 881 of the Statutes of 1993, and “voting common stock”
9 is substituted for “voting stock” wherever it appears in the section,
10 as that section was amended by Chapter 881 of the Statutes of
11 1993.

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

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

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

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

21 (r) (1) *For a project that receives a preliminary reservation*
22 *under this section beginning on or after January 1, 2016, a*
23 *taxpayer may make an irrevocable election in its application to*
24 *the California Tax Credit Allocation Committee to sell all or any*
25 *portion of any credit allowed under this section to one or more*
26 *unrelated parties for each taxable year in which the credit is*
27 *allowed, subject to both of the following conditions:*

28 (A) *The credit is sold for consideration that is not less than 80*
29 *percent of the amount of the credit.*

30 (B) (i) *The unrelated party or parties purchasing any or all of*
31 *the credit pursuant to this subdivision is a taxpayer allowed the*
32 *credit under this section for the taxable year of the purchase or*
33 *any prior taxable year or is a taxpayer allowed the federal credit*
34 *under Section 42 of the Internal Revenue Code, relating to*
35 *low-income housing credit, for the taxable year of the purchase*
36 *or any prior taxable year in connection with any project located*
37 *in this state.*

38 (ii) *For purposes of this subparagraph, “taxpayer allowed the*
39 *credit under this section” means a taxpayer that is allowed the*

1 credit under this section without regard to the purchase of a credit
2 pursuant to this subdivision without regard to any of the following:

3 (I) The purchase of a credit under this section pursuant to this
4 subdivision.

5 (II) The assignment of a credit under this section pursuant to
6 subdivision (q).

7 (III) The assignment of a credit under this section pursuant to
8 Section 23363.

9 (2) (A) The taxpayer that originally received the credit shall
10 report to the California Tax Credit Allocation Committee within
11 10 days of the sale of the credit, in the form and manner specified
12 by the California Tax Credit Allocation Committee, all required
13 information regarding the purchase and sale of the credit,
14 including the social security or other taxpayer identification
15 number of the unrelated party to whom the credit has been sold,
16 the face amount of the credit sold, and the amount of consideration
17 received by the taxpayer for the sale of the credit.

18 (B) The California Tax Credit Allocation Committee shall
19 provide an annual listing to the Franchise Tax Board, in a form
20 and manner agreed upon by the California Tax Credit Allocation
21 Committee and the Franchise Tax Board, of the taxpayers that
22 have sold or purchased a credit pursuant to this subdivision.

23 (3) (A) A credit may be sold pursuant to this subdivision to
24 more than one unrelated party.

25 (B) (i) Except as provided in clause (ii), a credit shall not be
26 resold by the unrelated party to another taxpayer or other party.

27 (ii) All or any portion of any credit allowed under this section
28 may be resold once by an original purchaser to one or more
29 unrelated parties, subject to all of the requirements of this
30 subdivision.

31 (4) Notwithstanding any other provision of law, the taxpayer
32 that originally received the credit that is sold pursuant to
33 paragraph (1) shall remain solely liable for all obligations and
34 liabilities imposed on the taxpayer by this section with respect to
35 the credit, none of which shall apply to any party to whom the
36 credit has been sold or subsequently transferred. Parties who
37 purchase credits pursuant to paragraph (1) shall be entitled to
38 utilize the purchased credits in the same manner in which the
39 taxpayer that originally received the credit could utilize them.

1 (5) A taxpayer shall not sell a credit allowed by this section if
2 the taxpayer was allowed the credit on any tax return of the
3 taxpayer.

4 (6) Notwithstanding paragraph (1), the taxpayer, with the
5 approval of the Executive Director of the California Tax Credit
6 Allocation Committee, may rescind the election to sell all or any
7 portion of the credit allowed under this section if the consideration
8 for the credit falls below 80 percent of the amount of the credit
9 after the California Tax Credit Allocation Committee reservation.

10 (s) The California Tax Credit Allocation Committee may
11 prescribe rules, guidelines, or procedures necessary or appropriate
12 to carry out the purposes of this section, including any guidelines
13 regarding the allocation of the credit allowed under this section.
14 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
15 3 of Title 2 of the Government Code shall not apply to any rule,
16 guideline, or procedure prescribed by the California Tax Credit
17 Allocation Committee pursuant to this section.

18 ~~(t)~~

19 (t) Any unused credit may continue to be carried forward, as
20 provided in subdivision (l), until the credit has been exhausted.

21 ~~This~~

22 (u) This section shall remain in effect on and after December
23 1, 1990, for as long as Section 42 of the Internal Revenue Code,
24 relating to low-income housing ~~credits~~, credit, remains in effect.

25 ~~(s)~~

26 (v) The amendments to this section made by ~~the act adding this~~
27 ~~subdivision~~ Chapter 1222 of the Statutes of 1993 shall apply only
28 to taxable years beginning on or after January 1, 1994, except that
29 paragraph (1) of subdivision (q), as amended, shall apply to taxable
30 years beginning on or after January 1, 1993.

31 SEC. 7. Section 23610.7 is added to the Revenue and Taxation
32 Code, to read:

33 23610.7. (a) (1) For taxable years beginning on or after
34 January 1, 2017, there shall be allowed to a taxpayer a credit
35 against the "tax," as defined by Section 23036, for a qualified
36 low-income building in an amount equal to the amount computed
37 in accordance with Section 42 of the Internal Revenue Code,
38 relating to low-income housing credit as modified by this section.

39 (2) In determining the amount of credit allowed pursuant to this
40 section, the following shall apply:

- 1 (A) *The eligible basis of a building shall be equal to the project's*
2 *total cost basis.*
- 3 (B) *The applicable percentage shall be:*
- 4 (1) *For a project with units for low-income households, 130*
5 *percent.*
- 6 (2) *For a project with units for median-income households with*
7 *incomes between 80 percent and 99 percent of the area median*
8 *income, 108 percent.*
- 9 (3) *For a project with units for median-income households with*
10 *incomes of 100 percent of the area median income, 76 percent.*
- 11 (b) *For purposes of this section:*
- 12 (1) *"Low-income household" means a household with an income*
13 *that is greater than 60 percent and not higher than 80 percent of*
14 *the area median household income.*
- 15 (2) *"Median-income household" means a household with an*
16 *income that is greater than 80 percent but not higher than 100*
17 *percent of the area median household income.*
- 18 (3) *"Qualified low-income building" has the same meaning as*
19 *in Section 42(c)(2) of the Internal Revenue Code, relating to*
20 *qualified low-income housing building, and also means the*
21 *qualified low-income building is eligible for a tax credit pursuant*
22 *to Section 42 of the Internal Revenue Code, relating to low-income*
23 *housing credit, except that Section 42(g) of the Internal Revenue*
24 *Code, relating to qualified low-income housing project, shall not*
25 *apply and instead the following requirements shall be met:*
- 26 (A) *The project is for the acquisition or substantial rehabilitation*
27 *of a building at least 20 years old or is a new development.*
- 28 (B) *The project includes no more than 50 percent of its units*
29 *that are eligible for the tax credit allowed pursuant to Section*
30 *23610.5.*
- 31 (C) *Any units reserved for a tax credit allowed pursuant to this*
32 *section shall not supplant existing affordable housing units not*
33 *eligible for a tax credit pursuant to this section, including any*
34 *units for households with an income that is less than that of a*
35 *low-income household.*
- 36 (D) *The project will allocate at least 20 percent of its units to*
37 *low-income households and median-income households.*
- 38 (c) (1) *This section shall not be construed to require a taxpayer*
39 *to have been previously or currently allocated a tax credit pursuant*

1 to Section 42 of the Internal Revenue Code, relating low-income
2 housing credit.

3 (2) This section shall not be construed to preclude a taxpayer,
4 allowed a credit pursuant to this section, from being allocated a
5 credit pursuant to Section 23610.5 or Section 42 of the Internal
6 Revenue Code, relating to low-income housing credit.

7 (d) An applicant for the credit allowed pursuant to this section
8 must demonstrate to the California Tax Credit Allocation
9 Committee that, within the city in which the project is situated, the
10 area median income for the average rental unit is above the area
11 median income for the project.

12 (e) (1) In the case where the credit allowed under this section
13 exceeds the “tax,” the excess may be carried over to reduce the
14 “tax” in the following year, and succeeding 14 years if necessary,
15 until the credit has been exhausted.

16 (2) The credit shall be claimed in the same manner, with regard
17 to the credit period, as a credit claimed pursuant to Section
18 23610.5.

19 (3) The credit allowed pursuant to this section shall have a
20 compliance period of 55 consecutive taxable years at the affordable
21 rate or at substantially below-market rate beginning with the first
22 taxable year of the credit period with respect thereto, administered
23 in the same manner as under Section 23610.5.

24 (f) The California Tax Credit Allocation Committee shall
25 allocate, on a first-come-first-served basis, the credit allowed by
26 this section. The aggregate amount of credit that may be allocated
27 in any fiscal year pursuant to this section and Sections 12206.1
28 and 17058.1 shall be an amount equal to the sum of paragraphs
29 (1) and (2).

30 (1) One hundred million dollars (\$100,000,000) for the 2016–17
31 fiscal year, and for each fiscal year thereafter.

32 (2) The unallocated credit amount, if any, from the preceding
33 fiscal year.

34 (g) (1) The California Tax Credit Allocation Committee shall
35 establish guidelines to specify that a taxpayer may be allowed a
36 tax credit pursuant to this section, Section 23610.5, and Section
37 42 of the Internal Revenue Code, relating to low-income housing
38 credit, subject to the requirements of these sections.

39 (2) The California Tax Credit Allocation Committee and the
40 Department of Insurance may adopt regulations, rules, guidelines,

1 *or procedures necessary or appropriate to carry out the purposes*
2 *of this section, including guidelines to conform the credit allowed*
3 *by this section to any procedures established pursuant to Section*
4 *23610.5.*

5 *(3) The Administrative Procedure Act (Chapter 3.5 (commencing*
6 *with Section 11340) of Part 1 of Division 3 of Title 2 of the*
7 *Government Code) does not apply to this subdivision.*

8 *(h) Section 41 does not apply to the credit allowed by this*
9 *section.*

10 *SEC. 8. This act provides for a tax levy within the meaning of*
11 *Article IV of the Constitution and shall go into immediate effect.*

12 ~~SECTION 1. It is the intent of the Legislature to enact~~
13 ~~legislation that would create a new tax credit for working~~
14 ~~individuals.~~