

# ANALYSIS OF ORIGINAL BILL

## Franchise Tax Board

Author: Dymally Analyst: Angela Raygoza Bill Number: AB 884  
Related Bills: See Legislative History Telephone: 845-7814 Introduced Date: February 22, 2007  
Attorney: Dan Biedler Sponsor: \_\_\_\_\_

**SUBJECT:** Low-Income Housing Credit/No Less Than 5% Of Credits Available For Small Developments Of Less Than 35 Units And No Less Than 15% Of Federal Ceiling For Urban Infill Development Areas

### SUMMARY

This bill would increase the amount of low-income housing credits that are set-aside for small developments and create an allocation for urban infill and neighborhood blight projects.

This bill contains other provisions relating to the allocation of the credit that is administered by The California Tax Credit Allocation Committee (TCAC). These provisions do not impact the department and will not be discussed in this analysis.

### PURPOSE OF THE BILL

It appears the intent of this bill is to increase the amount of low-income housing credit that may be allocated for small developments and begin allocating credits to urban infill projects.

### EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative January 1, 2008.

### POSITION

Pending.

### ANALYSIS

#### FEDERAL/STATE LAW

Current federal law allows a tax credit for the costs of constructing, rehabilitating, or acquiring low-income housing. The credit amount varies depending on several factors, including when the housing was placed in service and whether it was federally subsidized. The credit is claimed over 10 years. TCAC has the authority to oversee the process and allocate the credit.

#### Board Position:

\_\_\_\_\_ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
\_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
\_\_\_\_\_ N      \_\_\_\_\_ OUA        X   PENDING

#### Department Director

#### Date

Selvi Stanislaus

4/2/07

Current state law generally conforms to federal law with respect to the low-income housing credit, except that the state low-income housing tax credit is claimed over four taxable years, is limited to projects located in California, and is allocated in amounts equal to the sum of all the following:

- For taxable years ending 2002 and thereafter, \$70 million increased by the percentage of the Consumer Price Index, for the preceding calendar year,
- The unused housing credit ceiling, if any, for the preceding calendar years, and
- The amount of housing credit ceiling returned in the calendar year.

TCAC is required to give preference to projects that satisfy threshold requirements and meet additional criteria. TCAC provides listings of qualified taxpayers to the Franchise Tax Board.

### THIS BILL

This bill would authorize not less than 15% of the tax credits to be allocated to urban infill development areas that eliminate blight.

In addition, this bill would increase the amount of allocations for low-income housing tax credits from up to 2% to not less than 5% for small developments of less than 35 units.

This bill would allow new developers to form a joint venture with an experienced partner to demonstrate the project development team has sufficient experience and financial capacity.

The bill also adds specified legislative appointments to the TCAC.

### IMPLEMENTATION CONSIDERATIONS

Implementation of this bill would not significantly impact the department's programs and operations.

### **LEGISLATIVE HISTORY**

SB 565 (Migden, Stats. 2005, Ch 416), contained language similar to the language of this bill. The low-income housing credit language was removed from the bill prior to its enactment.

SB 73 (Dunn, Stats. 2001, Ch. 668) increased the aggregate allocation amount for the low-income housing credit to \$70 million for each calendar year after 2001.

AB 1626 (Torklason & Migden, Stats. 2000, Ch. 3) increased the aggregate allocation amount for the low-income housing credit to \$50 million for each calendar year after 1999.

AB 97 (Torklason, Stats. 1999, Ch. 983) authorized TCAC to allocate the credit and that it would remain in effect as long as the federal low-income housing credit is in effect.

## **OTHER STATES' INFORMATION**

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California's economy, business entity types, and tax laws.

The change proposed by this bill would not alter the underlying tax aspects of the credit so that a comparison with other states' tax laws would not be informative.

## **FISCAL IMPACT**

This bill would not impact the department's costs.

## **ECONOMIC IMPACT**

Because this bill would only modify how the credit allocations are made, without increasing the allocation amounts, this bill would have no impact on state income tax revenues.

## **LEGISLATIVE STAFF CONTACT**

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