

State of California

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Legislative Change No. 08-14
Bill Number: SB 585 Author: Lowenthal Chapter Number: **08-382**

Laws Affecting Franchise Tax Board: Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code

Date Filed with the Secretary of State: September 27, 2008

SUBJECT:

Low-Income Housing Tax Credit (LIHC) Allocation

Senate Bill 585 (Lowenthal), as enacted on September 27, 2008, made the following changes to laws impacting the Franchise Tax Board:

Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code are amended.

This act requires a project that receives a preliminary reservation of the LIHC on or after January 1, 2009, and before January 1, 2016, to be allocated to the partners of a partnership owning a low-income housing project, in accordance with a partnership agreement, regardless of how the federal LIHC is allocated to the partners or whether the allocation of the credit under the terms of the agreement has a substantial economic effect.

This act requires a deferral of any loss or deduction attributable to the sale, transfer, exchange, abandonment, or any other disposition of a partnership interest where the credit was allocated without substantial economic effect. The loss would be deferred until the first taxable year immediately following the end of the ten-year credit period for which the federal credit is allowed.

This act also makes the provision to permit allocation of credits to a partner without substantial economic effect and to defer losses or deductions attributable to the sale or disposition of a partnership interest operative on or after January 1, 2016.

This act contains provisions to preserve the changes made by this bill and SB 1247 (Lowenthal, Stat. 2008, Ch. 521). Because SB 1247 contains the provisions from SB 585 and was chaptered after this bill, the provisions of this bill ceased to be operative when the provisions of SB 1247 became operative.

This act is a tax levy and is effective immediately and specifically operative for projects that receive a preliminary reservation of the state LIHC on or after January 1, 2009, and before January 1, 2016.

This act will not require any reports by the department to the legislature.

Assistant Bureau Director

Patrice Gau-Johnson

Date

12/09/08