



Bill Analysis

Author: Senate Committee on Housing

Sponsor:
Related Bills: See Legislative History

Bill Number: SB 1072

Amended: April 6, 2026

SUBJECT

Low-Income Housing Credit (LIHC)

SUMMARY

This bill would, effective January 1, 2027, under the Personal Income Tax Law (PITL), Insurance Tax Law (ITL), and the Corporation Tax Law (CTL), modify the LIHC, and would also make several housing-related changes under the Government Code (GOV) and the Health and Safety Code (HSC).

This is the Franchise Tax Board's (FTB) first analysis of the bill and only addresses the provisions of the bill that would impact the FTB's programs or operations.

RECOMMENDATION

No position—The three-member Franchise Tax Board has not formally voted or taken a position on this bill.

SUMMARY OF AMENDMENTS

The bill as introduced repealed an obsolete code section under the GOV and removed the Senate Transportation Committee from HSC section 50676. The April 6, 2026, amendments added modifications to the LIHC as discussed in this analysis.

REASON FOR THE BILL

The reason for the bill is to modify the LIHC.

ANALYSIS

The bill would make technical changes regarding the applicable percentage of the present value of the credit for a new building that is not federally subsidized and for federally subsidized buildings.

This bill would also, under the HSC, modify the definition of “agricultural worker” and “farmworker” for purposes of the LIHC to mean an individual who derives, or prior to retirement or disability, derived a substantial portion of their income as an agricultural employee as defined in Labor Code section 1140.4(b).

Effective/Operative Date

This bill would be effective and operative January 1, 2027.

Federal/State Law

Federal Law

Current federal tax law allows a LIHC over a 10-year period for the costs of constructing, rehabilitating, or acquiring low-income housing. The LIHC amount varies depending on several factors including when the housing was placed in service and whether it was federally subsidized; and varies between a present value of 30% and 70% of the qualified basis of the qualified low-income housing.

The California Tax Credit Allocation Committee (CTCAC) allocates and administers the federal LIHC Program.

State Law

Current state tax law generally conforms to federal law by reference with respect to the LIHC, except that the state LIHC is claimed over 4 taxable years (10 years for federal), is limited to projects located in California, must be allocated and authorized by the CTCAC, rents must be maintained at low-income levels for 30 years (15 years for federal), and the CTCAC must have authorized a federal credit to the taxpayer or the taxpayer must qualify for the federal credit.

In addition, for projects that receive a preliminary reservation, a taxpayer must make an election on their application to the CTCAC in order to sell all or a portion of the LIHC allowed to one or more unrelated parties for each taxable year the credit is allowed. In general, a taxpayer who elects to sell all or a portion of their low-income housing credits cannot sell the credits for less than 80% of the amount of the credit and the taxpayer cannot elect to sell all or a portion of any credit if the taxpayer did not make an election of its application submitted to the CTCAC.

Additionally, a taxpayer may, only once, revoke an election to sell all or a portion of any credit at any time before the CTCAC allocates a final credit amount for the project at which point the election is irrevocable.

The CTCAC allocates and administers the state LIHC Program and provides to the FTB an annual report listing the taxpayers allocated the LIHCs and other relevant information.

For calendar years 2024 through 2034, the lesser of \$25 million or 5% of the amount available per calendar year as allocated by the CTCAC is to be set aside for projects to provide farmworker housing.

Implementation Considerations

The FTB has identified the following considerations for purposes of a high-level discussion; additional considerations may be identified as the bill moves through the legislative process. FTB staff is available to work with the author's office to resolve these and other considerations that may be identified.

The April 6th amendments modified the cross-reference in Revenue Taxation Code (RTC) section 12206(c)(4). The language now refers to something different than the equivalent reference in RTC section 17058(c)(5) and RTC section 23610.5(c)(5). If this is contrary to the author's intent, it is recommended that the bill be amended.

Technical Considerations

It is recommended that the bill be amended to include the following to clarify that California has automatic conformity with modification to the federal LIHC:

- In SEC. 14., Section 17058(a)(1) replace "except as otherwise provided in this section" with "as applicable for federal income tax purposes for the taxable year, except as otherwise provided in this section..."
- In SEC. 15., Section 23610.5(a)(1) replace "except as otherwise provided in this section" with "as applicable for federal income tax purposes for the taxable year, except as otherwise provided in this section..."

In addition, if the author's intent is to maintain the current conformity to the federal percentages under Internal Revenue Code section 42(h)(4)(B), the author should amend the "relating to clause" to ensure it correctly references the current relating to clause by replacing "special rule where 25 percent or more of buildings..." with "special rule where minimum percent of buildings..."

Policy Considerations

None noted.

LEGISLATIVE HISTORY

AB 2270 (Arambula, 2025/2026), under the PITL, CTL, and ITL, would modify the LIHC by requiring the CTCAC to amend regulations establishing a scoring system to define farmworker housing as large family projects. AB 2270 has been referred to the Assembly Revenue and Taxation Committee and the Assembly Housing and Community Development Committee.

AB 480 (Quirk-Silva, Chapter 492, Statutes of 2025), under the PITL, CTL, and ITL, amended the application process to allow a taxpayer to make an election, in a manner prescribed by the CTCAC, to sell all or a portion of the LIHC allowed before the CTCAC allocates the final credit amount to a project that had received a preliminary reservation beginning on or after January 1, 2016.

AB 3035 (Pellerin, et al., Chapter 524, Statutes of 2024), under the PITL and the CTL, among other things, requires any farmworker housing funds unallocated after the final funding round in the calendar year be returned in the calendar year and made a technical correction within the aggregate housing credit amount provisions.

AB 346 (Quirk-Silva, Chapter 739, Statutes of 2023), under the PITL and the CTL, allows a taxpayer to be eligible to claim the LIHC in the taxable year the building is placed in service, even if the CTCAC has not issued the certification.

AB 1439 (Garcia, Chapter 369, Statutes of 2023), under the PITL and the CTL, allows the CTCAC to consider modifying the scoring system to provide a score benefit to farmworker housing.

AB 1654 (Robert Rivas, Chapter 638, Statutes of 2022), under the PITL and the CTL, modified the criteria for the return of unallocated credits related to farmworker housing projects, and modified provisions applicable to the farmworker housing study of the LIHC.

PROGRAM BACKGROUND

None noted.

OTHER STATES' INFORMATION

None noted.

FISCAL IMPACT

FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be determined.

ECONOMIC IMPACT*Revenue Estimate*

The provisions of the bill do not impact the annual LIHC allocations. It is possible there could be a shift in credits used, but the overall revenue impact does not change.

This analysis does not account for changes in employment, personal income, or gross state product that could result from this bill or for the net final payment method of accrual.

LEGAL IMPACT

None noted.

EQUITY IMPACT

None noted.

APPOINTMENTS

None noted.

SUPPORT/OPPOSITION

Senate Revenue and Taxation Committee Report, dated April 21, 2026

Support

None received.

Opposition

None received.

ARGUMENTS

Senate Revenue and Taxation Committee Report, dated April 21, 2026

Proponents

None on file.

Opponents

None on file.

LEGISLATIVE CONTACT

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