
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 480 (Quirk-Silva) - Personal Income Tax Law: Corporation Tax Law: insurance tax law: low-income housing tax credit:

Version: February 10, 2025

Policy Vote: HOUSING 9 - 0, REV. &
TAX. 5 - 0

Urgency: No

Mandate: No

Hearing Date: August 25, 2025

Consultant: Mark McKenzie

Bill Summary: AB 480 would delete the requirement that a developer make an election to sell low-income housing tax credits (LIHTCs) to unrelated parties in its initial application, and remove the one-time limitation on a developer's decision to revoke their initial election to sell credits, as specified.

Fiscal Impact:

- The Franchise Tax Board (FTB) estimates personal income tax and corporation tax revenue losses of approximately \$30,000 in 2026-27, \$150,000 in 2027-28, and increasing annually thereafter through 2031-32 when the revenue loss peaks at about \$3 million, assuming the bill results in a small increase in the number of taxpayers electing to sell any credits received. (General Fund)
- Staff estimates that the bill would initially result in a loss of gross premiums tax revenues reported to the Department of Insurance (DOI) of approximately \$10,000 in 2026-27, \$50,000 in 2027-28, and increasing annually thereafter through 2031-32 when the revenue loss peaks at about \$1 million, assuming the bill results in a small increase in the number of taxpayers electing to sell any credits received. (General Fund)
- FTB and DOI have yet to determine the magnitude of administrative costs to implement the bill. (General Fund)
- The California Tax Credit Allocation Committee (TCAC) would incur minor and absorbable costs to revise LIHTC regulations regarding the changes to the process for a developer to elect to sell all or a portion of their LIHTCs. (Tax Credit Allocation Fee Account)

Background: Existing federal law provides for a federal LIHTC to incentivize private development of affordable rental housing. The tax credit enables low-income housing sponsors and developers to raise project equity through the allocation of tax benefits to investors. In 1987, the Legislature authorized the creation of a state LIHTC program to augment the federal tax credit program, and existing law authorizes TCAC to allocate \$70 million in state LIHTCs each year, adjusted for inflation (for 2023, the amount was nearly \$119 million, plus any amounts carried forward from the prior year). The state program is generally patterned after the federal program, but project developers or housing sponsors that receive a state credit allocation must agree to specified terms, including a minimum of 55 years of rent and tenant income restrictions. In addition, the

state LIHTC is claimed over four taxable years, rather than over 10 years for federal credits. LIHTCs can be claimed against the insurance gross premiums tax, personal income tax, or the corporation tax.

Existing law designates TCAC as the entity responsible for administering both the federal and state LIHTC programs, including the allocation of tax credits to housing sponsors through a competitive application process, and authorizes TCAC to adopt, amend, or repeal rules and regulations for the allocation of LIHTCs. If TCAC awards credits to a developer, it enters a regulatory agreement with the developer, then reserves the amount of credit for that application, and the developer forms partnership agreements with investors who provide project capital for the housing in exchange for the credits at a discount. The developer then returns to TCAC for a final credit allocation. For projects that receive a preliminary LIHTC reservation from TCAC, a developer must make an election on their initial application in order to be able to sell all or a portion of the credits to one or more unrelated parties for each taxable year that the credit is allowed. The developer may, only once, revoke that election to sell their credits at any time before TCAC allocates a final credit amount for the project, at which time the final election would be irrevocable.

Proposed Law: AB 480 would delete the requirement that a developer make an election in its initial application to TCAC to sell all or a portion of any LIHTCs to one or more unrelated parties, and instead authorize the developer to elect to sell credits in the manner prescribed by TCAC. The bill would also remove the one-time limitation on a developer's decision to revoke their initial election to sell credits, as specified. Lastly, the bill would delete a related provision that prohibits a developer from electing to sell LIHTCs if they did not make that election in the initial application submitted to TCAC.

Related Legislation: AB 346 (Quirk-Silva), Chap. 739/2023, included provisions authorizing taxpayers purchasing state LIHTCs to claim the credits in the taxable year the project is placed into service, without a certification from CTCAC.

Staff Comments: TCAC awards LIHTCs to qualified developers that often do not have sufficient tax liability to use the credits themselves. Existing law allows developers to sell those credits to private investors who use the credits to reduce their federal or state tax liability. In 2016, the Legislature created an alternative investment structure called "certificated credits," which increased the value of the credits by allowing developers to sell the credits to an investor without requiring the investor to be part of the ownership entity for the project. As noted above, existing law requires the developer to elect to sell (or "certificate") credits when applying for the state LIHTC and allows the developer to revoke that election only once before the final credit amount is allocated. This bill is intended to further increase the value of the state LIHTC for investors by creating greater flexibility in choosing whether credits are allocated or certificated, which is expected to increase private investment in low-income housing. This bill allows the election to be made any time before the final allocation of credits is made to the developer and allows the developer to revoke the election more than once.

By allowing developers more flexibility regarding the election of whether they plan to sell LIHTCs, there is likely to be an increase in the overall amount of credits that are sold to investors. Staff assumes that approximately 75% of LIHTCs that are sold to investors would be used to offset income and franchise taxes, with the remainder used against

insurance taxes (gross premiums taxes paid to CDI). As a result of the anticipated increase in the number of taxpayers electing to sell credits received, the bill would result in a personal income, corporation tax, and gross premiums tax revenue loss beginning in the 2027 taxable year, and increasing annually through 2031.

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