
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair
2025 - 2026 Regular

Bill No:	SB 1072	Hearing Date:	4/22/26
Author:	Committee on Housing	Tax Levy:	No
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Consultant:	Grinnell		

HOUSING OMNIBUS

Updates sections of state law implementing Low-Income Housing Tax Credits to account for recent federal changes, among other technical changes.

Background

Conformity. State law does not automatically conform to changes in federal tax law, except for specific retirement provisions. Instead, the Legislature must affirmatively conform to federal changes, which it can do in two different ways. First, the Legislature can pass an individual tax bill that conforms to a specific federal provision, such as the Regulated Investment Company Modernization Act (AB 1423, Perea, 2011). Second, the Legislature can enact one omnibus bill to provide that state law conforms to federal law as of a specified date. Currently, state law generally conforms to federal tax law as of January 1, 2025 (SB 711, McNerney, 2025).

Low-Income Housing Tax Credit. Housed in the office of the State Treasurer, the California Tax Credit Allocation Committee (TCAC), comprised of the State Treasurer, the State Controller, the Director of Finance, and three non-voting members, allocates state and federal Low-Income Housing Tax Credits (LIHTCs).

Housing developers design projects and apply to TCAC for credits. If TCAC grants credits, it enters into a regulatory agreement with the housing developer which sets forth income and rent restrictions. TCAC then reserves the credit for that application, at which point the housing developer often forms partnership agreements with investors who provide project capital in exchange for the credits at a discount. The developer then returns to TCAC for a final credit allocation. Investors claim the credit until exhausted, then can walk away from the partnership, and deduct the amount paid to the partnership in exchange for the tax credits as a capital loss.

TCAC awards 9% federal credits, up to a dollar threshold set in federal law, using a competitive process. TCAC awarded \$115.5 million in 9% federal LIHTCs to 58 proposed housing projects, totaling 2,953 lower-income units in 2025. Also in 2025, TCAC allocated \$639 million in annual federal 4% LIHTCs to 195 proposed housing projects, leading to 25,476 lower-income units. While federal law caps TCAC's authority to allocate federal 9% credits, TCAC can allocate unlimited 4% credits – so long as they are awarded in conjunction with tax-exempt private activity mortgage revenue bonds.

Current state law allows credits against the Personal Income Tax, Corporation Tax, and Gross Premiums Tax to subsidize investors who provide project capital to affordable rental housing projects. State Low-Income Housing Tax Credits (LIHTCs) are calculated in partial conformity

with federal LIHTCs, and complement federal credits in the hope of providing the capital necessary to pay for the construction of affordable housing. TCAC can allocate state LIHTCs to projects where they allocate federal LIHTCs. The key differences between state and federal LIHTCs are that investors claim the state credit over four taxable years instead of ten, projects must be located in California, and rents must be maintained at specified levels for 30 years instead of 15. The amount of state LIHTC annually allocated by TCAC is limited to \$70 million, adjusted for inflation, which was expanded by AB 101 (Committee on Budget, 2019) and subsequent actions taken to approve the annual Budget Act.

Federal LIHTC changes. In December 2020, Congress enacted the Consolidated Appropriations Act (PL 116-260), which, among other changes, set a minimum credit of 4% per year for the low-income housing credit, effective for allocations commencing in 2021; before then, the percentage was variable based on a determination by the Secretary of the Treasury. Congress had made a similar change to the 9% credit in 2008, which was made permanent in 2015.

In June 2025, Congress enacted H.R. 1 (Public Law 119-21, One Big Beautiful Bill Act, or “OBBBA”). In Section 70422, Congress increased states’ LIHTC ceiling, and modified a special rule that allows LIHTCs to be allocated to a project 25% funded with tax exempt bonds; the previous threshold had been 25%.

Tax credit sections in the Gross Premiums, Personal Income, and Corporation Taxes have not been updated to reflect the changes made by the CAA and H.R. 1. CTCAC wants to conform state law to federal changes and correct an errant reference.

Proposed Law

Senate Bill 1072 strikes the current state LIHTC credit percentages in the Gross Premiums, Personal Income, and Corporation Taxes that refer to applicable percentages, and instead replaces them with the explicit percentages currently set in federal law. The change applies to both the 9% and 4% credits. The bill also modifies the relative clause for the special rule for 50% or more of a building that is financed with tax-exempt bonds, to instead refer to 25%. SB 1072 also changes a cross reference and clarifies that projects where 50% or more of the units are dedicated to persons of special needs can receive a basis boost without being located in a specified area.

The measure also makes several changes to Regional Housing Needs Assessments, Housing Element Cycles, Preservation Notice Law, Affordable Housing and High Roads Jobs Act of 2021, and Housing Crisis Act. Those changes are detailed in the Senate Committee on Housing’s Committee analysis.

State Revenue Impact

No estimate.

Comments

1. **Purpose of the bill.** According to the Senate Committee on Housing, “According to the Legislative Analyst’s Office, the cost of producing one bill in 2001-2002 was \$17,890, which, adjusted for inflation, is now roughly \$33,000. The purpose of the Senate Housing Omnibus is

to make technical, non-controversial changes to sections of state law regarding housing in one bill. This allows the Legislature to make changes to statutes in one bill in a cost-effective manner. If there is no consensus on a particular item, it cannot be included. There is no known opposition to any item in this bill.”

2. Double-referred. The Senate Committee on Housing approved SB 1072 by a vote of 9 to 0 on April 21st. The Committee on Revenue & Taxation is considering the measure as the Committee of second reference.

3. Technicals. TCAC has administered state LIHTCs as if state tax credit law automatically conforms to changes Congress makes to Internal Revenue Code §42, which establishes the federal credit. To clarify automatic conformity and make other technical corrections, the Franchise Tax Board and committee staff recommend the following technical amendments.

- In Section 12206, undo the reference change from (2) – the 9% credit – to (3) – the 4% credit.
- In both Sections 14 and 15, instead of striking 50 and inserting 25, instead state “minimum”.
- In Section 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 Section 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.”

Support and Opposition (4/21/26)

Support: None received.

Opposition: None received.

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