May 3, 2019

The Honorable Anthony Portantino  
Chair, Senate Appropriations Committee  
State Capitol, Room 2206  
Sacramento, CA 95814

RE: SB 9 (Beall): Income taxes: low-income housing credits: allocation: sale of credits  
As amended on April 3, 2019 – SUPPORT

Dear Senator Portantino:

The California State Association of Counties (CSAC) is pleased to support SB 9 by Senator Beall, which indefinitely allows a taxpayer that receives a state low-income housing tax credit (LIHTC) to elect to sell all or a portion of that credit to one or more unrelated parties for each taxable year in which the credit is allowed. This bill increases the impact of the state’s existing low-income housing tax credit without any additional costs to taxpayers.

In 2016, the Legislature passed and the Governor signed legislation allowing a developer who receives state LIHTCs to sell the credits to an investor without requiring that the investor be part of the project ownership, which sunsets in January 2020. Under federal and state tax law, tax credits purchased by an investor are considered a payment of the investor’s tax rather than a reduction in his or her tax liability. As a result, purchased credits do not reduce the taxpayer’s federal deductions.

To date, the value of the tax credits has increased by 14 cents, or closer to 80 cents on the dollar, when utilizing this new structure. This increased value means more housing units for the state without any additional costs to taxpayers. SB 9 removes the January 2020 sunset provision and indefinitely allows a developer who receives state LIHTCs to sell the credits to an investor without requiring the investor to be part of the project ownership.

SB 9 will result in the development of more affordable housing across the state. For these reasons, CSAC strongly supports SB 9. If you need additional information about our position, please contact me at 916.650.8180 or clee@counties.org.

Sincerely,

Christopher Lee  
Legislative Representative

Cc: The Honorable Jim Beall, California State Senate  
Honorable Members, Senate Appropriations Committee  
Mark McKenzie, Consultant, Senate Appropriations Committee  
Heather Wood, Consultant, Senate Republican Caucus