

April 14, 2020
CALIFORNIA DEBT LIMIT COMMITTEE
ITEM 6
CARRYFORWARD DISCUSSION

Background

Under existing law, Section 146 of the Internal Revenue Code of 1986 and accompanying regulations, a governmental issuer may carryforward unused private activity volume cap for any year by filing a form 8328 with the I.R.S. The amount carried forward may be used for the following three years to issue private activity bonds. Pursuant to Section 146(f), the election must specify each “purpose” for which the volume cap will be used in the ensuing three years, and the dollar amount of unused cap to be allocated to each such purpose. Section 146(f)(4) states that an election, once made, is irrevocable.

Discussion

Staff has contacted all top issuers of Tax-Exempt QRRP Bonds. Staff has verified that the previous years of carryforward was properly used. Current competitive conditions for the 2020 CDLAC Volume Cap are rapidly depleting the Volume Cap available. CDLAC’s resources have been bound by what amount volume cap it can allocate per round and also meet the Governor and State Treasurer’s directives for more affordable housing. A majority of the issuers such as the Sacramento Housing and Redevelopment Agency (SHRA) and the Los Angeles Housing and Community Investment Department (HCIDLA) have had the carryforward applied to their projects with little to no balance remaining. The California Statewide Communities Development Authority (CSCDA) and the California Municipal Finance Authority (CMFA) have excess of carryforward from individual project allocation balances after debt issuance.

Recommendation

IRS regulations require applicants (bond issuers) to use their previous years of unused carryforward first, before they use current year Volume Cap. California Statewide Communities Development Authority (CSCDA) and California Municipal Finance Authority (CMFA) have carryforward available for their 2020 QRRP projects. CSCDA’s \$257,726,479 and CMFA’s \$99,248,134 available totals are shown in the attachments. Both bond issuers have indicated that they can use carryforward allocation for their projects in this April 14, 2020 QRRP allocation round. *Staff recommends applying CSCDA’s and CMFA’s remaining carryforward to their April 14, 2020 projects eligible for an award of allocation.*