



CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

915 Capitol Mall, Suite 485
Sacramento, CA 95814
p (916) 654-6340
f (916) 654-6033
ctcac@treasurer.ca.gov
www.treasurer.ca.gov/ctcac

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JOHN CHIANG, CHAIRMAN
State Treasurer

BETTY YEE
State Controller

MICHAEL COHEN
Director of Finance

EXECUTIVE DIRECTOR
Mark Stivers

DATE: March 8, 2017

TO: Tax Credit Stakeholders

FROM: Mark Stivers, Executive Director

RE: Exchange of 2016 Nine Percent (9%) Federal Credit and State Credit

The California Tax Credit Allocation Committee (TCAC) is proposing [emergency regulation changes](#) to the Committee for adoption at the March 15, 2017 Committee meeting. If adopted, these changes would permit (1) 2016 new construction projects with either a first or second round 9% tax credit reservation and allocation pursuing the hybrid structure, and (2) 2016 new construction projects with a second round 9% tax credit reservation and allocation, to return their 2016 9% Federal Credit (and State Credit, if applicable) in exchange for a new reservation and allocation of 2017 9% Federal Credit (and State Credit, if applicable). Returning and exchanging 2016 9% Federal Credit adds a year to the placed in service deadline.

1) Hybrid Structure and Exchange of 2016 Credits for 2017 Credits

- If pursuing the hybrid structure referenced in Section 10325.5(a), the applicant shall make the election to exchange their 2016 9% Federal Credit (and State Credit, if applicable) at the time the revised 9% and new 4% applications are submitted. The revised applications must be received by TCAC no later than March 17, 2017.
- Upon acceptance of the four percent (4%) tax credit reservation, the reservation and allocation of 9% Federal Credit (and State Credit, if applicable) shall be deemed cancelled by mutual consent pursuant to a written agreement executed by TCAC.
- TCAC concurrently shall issue a new reservation letter and carryover allocation agreement associated with the 2017 9% Federal Credit (and State Credit, if applicable) to the project in an amount equal to or less than the amount of Federal and State Credits returned by the project to TCAC, in accordance with the revised 9% reservation.

2) Exchange of 2016 Credits for 2017 Credits Only

- If NOT pursuing the hybrid structure, but electing to exchange their 2016 9% Federal Credit (and State Credit, if applicable), the applicant shall make the election in the form of a written request submitted and received by TCAC no later than October 31, 2017.
- The reservation and allocation of 9% Federal Credit (and State Credit, if applicable) shall be deemed cancelled by mutual consent pursuant to a written agreement executed by TCAC.
- TCAC concurrently shall issue a new reservation letter and carryover allocation agreement associated with the 2017 9% Federal Credit (and State Credit, if applicable) to the project in an amount equal to or less than the amount of Federal and State Credits returned by the project to TCAC.

Election to Certificate 2017 State Credits

(All Projects Electing to Exchange 2016 State Credit for 2017 State Credit)

Applicants electing to exchange their 2016 State Credit for 2017 State Credit shall make an irrevocable election to certificate or not certificate their State Credit. The election shall accompany the exchange requests described above. In the case of an exchange of state and federal credits without pursuit of the hybrid structure, the letter making such election will be deemed the “new” application.