

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
ADDENDUM TO INITIAL STATEMENT OF REASONS**

Title 14, California Code of Regulations, Division 17
New Chapter 3, Regulations 11010 – 11012

State Historic Rehabilitation Tax Credits

This Addendum to the Initial Statement of Reasons (ISOR) is being published to explain modifications and reasons for these modifications and provides additional information to further clarify the regulatory proposal. This document does not replace the ISOR.

GENERAL OVERVIEW

Changes that are sufficiently related include the following:

Title

The title was reorganized listing the California Code of Regulations, then the title, division, and chapter.

Regulation Reference

The word “Section” was changed to “Regulation” for each regulation being proposed.

Acronyms

“RTC” was replaced with “Revenue and Taxation Code” throughout the regulations.

Client Reference

“Taxpayer” was replaced with “applicant” throughout the regulations for consistency, except for the first paragraph, as that is language from the statute.

Project Reference

“Eligible” was replaced with “approved” throughout the regulations, to clarify that OHP determines if a project is eligible and approves the project. CTCAC shall allocate program tax credits to approved projects.

Regulation 11010. State Historic Rehabilitation Tax Credit Authority and Function

References to the State Historic Rehabilitation Tax Credit program were added to the first paragraph, adding “This program is called” and “(SHRTC) program and the program tax credits” and deleting “and following project eligibility approval from”. In addition, language clarifying the purpose of the proposed regulations was changed, so that “These regulations implement and make more specific CTCAC’s responsibility for

awarding and allocating the program tax credits.” replaces “These regulations establish procedures for awarding these credits to qualifying Applicants which authorize CTCAC to award those state tax credits”.

Under Credits, “section” is made plural for accuracy.

Regulation 11011. Definitions

“Certified Historic Structure” and its definition were removed as unnecessary.

“Eligible” was replaced with “Approved” under “Eligible Project” for clarity.

A new definition for “OHP Regulations” or “OHP Regulation” was added and defined as “the regulations promulgated by OHP and located in title 14 of the California Code of Regulations to administer the SHRTC program.”

Missing quotation marks were added to terms for consistency.

Regulation 11012. Joint Application and Compliance Process

Subdivision (a):

- The words “program tax” was added in front of credit for consistency.
- The words “available under RTC sections 17053.91 and 23691” were deleted as they are redundant.
- The words “CTCAC and OHP joint” was added before reference to SHRTC application forms and “state tax credit” was deleted for clarity regarding the form.
- In referencing the application form v. 5/24, an edit was made to “incorporating by reference”, adding “herein and available on the SHRTC webpage” as additional information.
- Edits were made to delete provisions detailing OHP’s role in the application process and replaced with “Consistent with OHP Regulations, applications for program tax credits include the Initial Project Application form v. 5/24 and the Completed Project Application form v. 5/24.” to clarify the form to be used.
- Edits were made removing the Qualified Residence per project award amount because a reference to Revenue and Taxation Code 17053.91 and 23691 was added under 11012(b), as these code sections indicated the tax credit allocation amounts applicants can be approved for. Therefore, the following was removed:
 - “The per project award amount for Qualified Residence projects requested in the Initial Project Application shall only be allowed in an amount equal to

or more than five thousand dollars (\$5,000) but not exceeding twenty-five thousand dollars (\$25,000). A taxpayer shall only be allowed a credit pursuant to this paragraph once every 10 taxable years.”

- “Applicants may apply at any time, without specific rounds or deadlines and shall meet all requirements prescribed in the joint application,” was replaced with “In addition to any requirements of this Chapter, Applicants shall meet all requirements prescribed in the OHP Regulations,” to clarify that applicants should look to OHP regulations for program terms.
- This paragraph was removed to avoid confusion between a complete application and a Completed Project Application:
 - “A complete application is one that includes all required information and documentation listed in the joint application form established by OHP and CTCAC.”

Subdivision (b) was revised to clarify the Initial Project Application process and OHP and CTCAC’s role and eliminate redundancy. “For any Approved Project, OHP shall forward the Initial Project Application to CTCAC for an initial tax credit allocation determination, consistent with OHP Regulations and Revenue and Taxation Code sections 17053.91 and 23691.” was added, “each eligible project” was deleted, an “s” was added to “application”, “after receiving it” was replaced with “of receipt”, “and notify the applicant and OHP of any initial tax credit allocation determination after such allocation determination is approved by the Committee at a public general” was added, “All award recommendations will be present to the Committee for approval at a scheduled” was deleted, and “CTCAC shall notify the applicant and OHP after a tax credit allocation is made. <https://www.treasurer.ca.gov/ctcac/meeting/index.asp>” was deleted.

New subdivision (c) was added to clarify CTCAC’s involvement at the Completed Application stage and reads as: “After receipt of any Completed Project Application from OHP, CTCAC shall review the Completed Project Application to determine a final approved program tax credit allocation, consistent with OHP Regulations and Revenue and Taxation Code sections 17053.91 and 23691. “If deemed eligible by OHP and the required documents are submitted, then CTCAC shall award an allocation available under RTC sections 17053.91 and 23691, as described in OHP regulations section 4859.01(c).” was deleted, as that is redundant to the addition made above.

Former subdivision (c) was retitled subdivision (d) and language was added to clarify under new Subdivision (d)(1) the timeline for submitting the processing fee to CTCAC, adding “OHP notifies the applicant that it forwarded” and removing “is submitted” and “joint application” was changed to “Initial Project Application.” Similarly, language was added to new subdivision (d)(2) to clarify the program tax credit and timeline for submitting the administrative fee to CTCAC. “Program” was added before tax credit and “after the applicant receives notification from OHP that it forwarded the Completed Project Application to CTCAC” was added and “of allocation” was deleted.

Former subdivision (d) was renamed subdivision (e) and was revised to clarify the taxpayer's obligations and the date from which the two-year requirement starts. "The" was changed to "Any", "program tax" was added before "credit, qualified residence was capitalized as that is a defined term, "not already owning and occupying the Qualified Residence as the applicant's Primary Residence" was added, "use" was changed to "occupy", principal residence was capitalized as this is a defined term, "as defined in RTC 19585" was deleted, "applicant submits the Completed Project Application v. 5/24 to OHP was added, and "rehabilitation of the residence and shall verify through their qualified tax return that the qualified residence is used as the principal residence. Failure to do so will result in the recapture of the allocation credits. CTCAC will provide FTB an annual list of the taxpayers that were allocated a credit." was deleted.

New subdivision (f) "CTCAC may request any additional information from the applicant necessary to determine compliance with this Chapter and Revenue and Taxation Code sections 17053.91 and 23691." was added to grant CTCAC authority to request any additional information it needs to determine compliance with the SHRTC program.