Assembly Bill No. 150

CHAPTER 82

An act to amend Sections 38.10, 6363.9, 6363.10, 6902.7, 17053.88.5, 17053.91, 17055, 17059.2, 23688.5, 23689, and 23691 of, to add Sections 6902.9, 6902.10, and 19551.3 to, to add and repeal Sections 17052.10, 17053.71, 17053.80, 23628, and 23629 of, and to add and repeal Part 10.4 (commencing with Section 19900) of Division 2 of, the Revenue and Taxation Code, and to repeal Section 23 of Chapter 8 of the Statutes of 2020, relating to taxation, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[Approved by Governor July 16, 2021. Filed with Secretary of State July 16, 2021.]

LEGISLATIVE COUNSEL'S DIGEST

AB 150, Committee on Budget. Sales and Use Tax Law: Personal Income Tax Law: Corporation Tax Law: Budget Act of 2021.

(1) (A) Existing sales and use tax laws impose a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. The Sales and Use Tax Law provides various exemptions from those taxes, including, until July 1, 2023, an exemption for the sale of, or the storage, use, or other consumption of, diapers for infants, toddlers, and children and menstrual hygiene products, as defined.

In compliance with a state constitutional requirement, existing law requires the Department of Finance, beginning on May 15, 2020, to estimate the total dollar amount of revenue that would have been credited to the Local Revenue Fund 2011 for a fiscal year if not otherwise exempted under the sales and use tax exemptions for diapers for infants, toddlers, and children and menstrual hygiene products and requires the Controller to transfer that amount from the General Fund to the Local Revenue Fund 2011, a continuously appropriated fund, no later than June 30 of each fiscal year.

This bill would indefinitely extend the sales and use tax exemptions for the sale of, or the storage, use, or other consumption of, diapers for infants, toddlers, and children and menstrual hygiene products. By extending the above-described transfers of estimated total dollar amount of revenues that would have been credited to the Local Revenue Fund 2011 by the Controller from the General Fund to the Local Revenue Fund 2011, a continuously appropriated fund, the bill would make an appropriation.

The Bradley-Burns Uniform Local Sales and Use Tax Law authorizes counties and cities to impose local sales and use taxes in conformity with the Sales and Use Tax Law, and existing laws authorize districts, as specified,

to impose transactions and use taxes in accordance with the Transactions and Use Tax Law, which generally conforms to the Sales and Use Tax Law. Amendments to the Sales and Use Tax Law are automatically incorporated into the local tax laws.

Existing law requires the state to reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions.

This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made for purposes of that section, and the state shall not reimburse any local agencies for sales and use tax revenues lost by them pursuant to this bill as required by that section.

(B) Existing law requires the Legislative Analyst's Office, on or before July 1, 2022, to submit specified reports to the Assembly Committee on Revenue and Taxation and to the Senate Governance and Finance Committee relating to the effectiveness of the sales and use tax exemptions for diapers for infants, toddlers, and children and menstrual hygiene products.

This bill would repeal the requirement to submit those reports.

(2) The Personal Income Tax Law and the Corporation Tax Law authorize a credit against the personal income and corporate income taxes for each taxable year beginning on or after January 1, 2020, and before January 1, 2021, to a qualified small business employer that receives a tentative credit reservation, in an amount equal to $1,000 for each net increase in qualified employees, not to exceed $100,000 for any qualified small business employer. Existing law authorizes a qualified small business employer that received a tentative credit reservation to irrevocably elect to apply the credit against qualified sales and use taxes imposed on the qualified small business employer in reporting periods commencing on January 1, 2021, and until April 30, 2026, as specified. Existing law requires a qualified small business employer to submit an application to the California Department of Tax and Fee Administration for a tentative credit reservation under these provisions that includes, among other things, whether the qualified small business employer is making the irrevocable election and requires the department to allocate the credit reservations on a first-come-first-served basis not to cumulatively exceed $100,000,000. Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would authorize a credit against the personal income and corporate income taxes for each taxable year beginning on or after January 1, 2021, and before January 1, 2022, to a qualified small business employer that receives a tentative credit reservation, in an amount equal to $1,000 for each net increase in qualified employees, not to exceed $150,000 for any qualified small business employer. The bill would authorize a qualified small business employer that received a tentative credit reservation to irrevocably elect to apply the credit against qualified sales and use taxes imposed on the qualified small business employer in reporting periods commencing on January 1, 2022, and until April 30, 2027, as specified. The bill would require a qualified small business employer to submit an

application to the California Department of Tax and Fee Administration for a tentative credit reservation under these provisions that includes, among other things, whether the qualified small business employer is making the irrevocable election. The bill would require the department to allocate the credit reservations on a first-come-first-served basis not to cumulatively exceed the amount equal to $70,000,000 plus any unallocated and available amount remaining from the existing credit described above.

This bill would allow a credit under the Personal Income Tax Law and the Corporation Tax Law for each taxable year beginning on or after January 1, 2022, and before January 1, 2027, to a qualified taxpayer that employs an eligible individual during the taxable year, in an amount between $2,500 and $10,000 per eligible individual, not to exceed $30,000 per taxpayer per taxable year, depending on the amount of hours worked by the eligible individual, and subject to specified conditions and limitations. The bill would define various terms for purposes of the credit, including defining "eligible individual" as a person who is homeless and meets other specified requirements. The bill would require the qualified taxpayer to request a credit reservation from the Franchise Tax Board, as provided, to be eligible for the credit with respect to an eligible individual. The bill would limit the total aggregate amount of the credit that may be allocated by credit reservations per calendar year to all qualified taxpayers under both the Personal Income Tax Law and the Corporation Tax Law to $30,000,000, plus the unallocated credit amount, if any, from the preceding calendar year. The bill would require a continuum of care, as defined, or a community-based service provider that is connected to a specified local information system, to issue certifications to eligible individuals and eligible employers, so that they may be eligible for the credit. By increasing the duties of local continuum of care, the bill would impose a state-mandated local program.

This bill would also include additional information with respect to the credits described above required for any bill authorizing a new tax expenditure.

(3) The Personal Income Tax Law and the Corporation Tax Law allow a credit against the taxes imposed by those laws, for taxable years beginning on or after January 1, 2017, and before January 1, 2022, for qualified taxpayers in an amount equal to 15% of the qualified value of fresh fruits or vegetables and specified raw agricultural products or processed foods donated to a food bank. In accordance with specified requirements imposed on bills containing new tax expenditures, existing law requires the Franchise Tax Board to report to the Legislature on or before December 1, 2019, and each December 1 thereafter until January 1, 2021, regarding the utilization of those tax credits and requires specified data to be included in the report.

This bill would extend the authorization for those tax credits to a taxable year beginning before January 1, 2027. The bill would extend the requirement of the reports until January 1, 2026.

(4) The Personal Income Tax Law and the Corporation Tax Law allow a credit against the taxes imposed by those laws, for taxable years beginning

on or after January 1, 2017, and before January 1, 2026, a credit for rehabilitation of certified historic structures, as defined, and, under the Personal Income Tax Law, for a qualified residence, as defined. Existing law requires any bill authorizing a new tax expenditure, as defined, to include exclusions from income, to contain, among other things, specific goals, purposes, and objectives that the tax credit will achieve, detailed performance indicators, and data collection requirements.

This bill would extend the operative dates of the above described credit through taxable years beginning before January 1, 2027. The bill would include additional information required for any bill authorizing a new tax expenditure.

(5) The Personal Income Tax Law and the Corporation Tax Law allow a credit (CalCompetes tax credit) against the taxes imposed under those laws, for each taxable year beginning on and after January 1, 2014, and before January 1, 2030, in an amount as provided in a written agreement between the Governor's Office of Business and Economic Development and the taxpayer, approved by the California Competes Tax Credit Committee, and based on specified factors, including the number of jobs the taxpayer will create or retain in the state and the amount of investment in the state by the taxpayer. Existing law requires any bill authorizing a new tax credit to contain, among other things, specific goals, purposes, and objectives that the tax credit will achieve, detailed performance indicators, and data collection requirements.

This bill would increase the aggregate amount of credit that may be allocated under the CalCompetes tax credit for the 2021–22 fiscal year to $290,000,000. The bill would also make nonsubstantive changes to remove obsolete provisions of law. The bill also would include additional information required for any bill authorizing a new income tax credit.

(6) The Personal Income Tax Law, in modified conformity with federal law, generally imposes a tax on the income of residents in the state, as specified, and allows various credits against the taxes imposed by that law. The Personal Income Tax Law also imposes an annual tax on every limited partnership, limited liability partnership, and limited liability company doing business in this state, as specified, in an amount equal to the minimum franchise tax. The Corporation Tax Law imposes an annual tax on "S" corporations at a rate of 1.5% of its net income, or if greater, the minimum franchise tax, as specified. Existing law requires any bill introduced on or after January 1, 2020, authorizing certain tax expenditures, as defined, to contain, among other things, specific goals, purposes, and objectives the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill would enact the Small Business Relief Act which, for taxable years beginning on or after January 1, 2021, and before January 1, 2026, would authorize a partnership or "S" corporation that meets certain other requirements to elect to pay an elective tax at a rate based on its net income, as specified, for the taxable year. The bill would repeal the act on December 1, 2026, or make inoperative and repeal the act on an earlier date if a

specified federal law is repealed. The bill would authorize the Franchise Tax Board to adopt regulations to implement the elective tax and exempt those regulations from the rulemaking provisions of the Administrative Procedure Act. The bill, for taxable years beginning on or after January 1, 2021, and before January 1, 2026, would allow a credit against the personal income tax to a taxpayer, other than a partnership, that is a partner, shareholder, or member of an entity that elects to pay the elective tax authorized by the bill, in an amount equal to a specified percentage of the partner's, shareholder's, or member's pro rata share or distributive share, as applicable, of income subject to the elective tax paid by the entity. The bill would also provide findings to comply with the additional information requirement for any bill authorizing a new tax expenditure.

(7) Existing law establishes the State Department of Health Care Services within the California Health and Human Services Agency. Existing law sets forth the department's powers and duties relating to, among other things, public health, licensing and certification of certain health facilities, and the state Medi-Cal program.

The Personal Income Tax Law, beginning on or after January 1, 2015, in modified conformity with federal income tax laws, allows an earned income tax credit, the California Earned Income Tax Credit (CalEITC), against personal income tax and a payment from the Tax Relief and Refund Account for an allowable credit in excess of tax liability to an eligible individual that is equal to that portion of the earned income tax credit allowed by federal law as determined by the earned income tax credit adjustment factor, as specified.

Existing law provides that it is a misdemeanor for the Franchise Tax Board or specified state employees to disclose or make known any information in a return, report, or document filed under income tax laws, but authorizes the Franchise Tax Board to disclose this information to specified agencies for specified purposes. Existing law makes any unwarranted disclosure or use of the information by those agencies a misdemeanor.

This bill would require the State Department of Health Care Services to exchange data with the Franchise Tax Board upon request, including sufficient identifying information to allow the department and the board to assess the extent to which the department and the board can identify individuals enrolled in Medi-Cal who may be eligible for the CalEITC and the federal Earned Income Tax Credit. The bill would require the data provided to remain confidential and be used only for specified purposes related to increasing the number of eligible claims for the CalEITC and the federal Earned Income Tax Credit.

(8) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement

for those costs shall be made pursuant to the statutory provisions noted above.

(9) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 38.10 of the Revenue and Taxation Code is amended to read:

38.10. (a) The Legislative Analyst shall, on an annual basis beginning January 1, 2021, collaborate with the California Tax Credit Allocation Committee and the Office of Historic Preservation to review the effectiveness of the tax credits allowed by Sections 17053.91 and 23691. The review shall include, but is not limited to, an analysis of the demand for the tax credit, the types and uses of projects receiving the tax credit, the jobs created by the use of the tax credits, and the economic impact of the tax credits.

(b) This section shall remain in effect only until January 1, 2027, and as of that date is repealed.

SEC. 2. Section 6363.9 of the Revenue and Taxation Code is amended to read:

6363.9. On and after January 1, 2020, there are exempted from the taxes imposed by this part the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, diapers designed, manufactured, processed, fabricated, or packaged for use by infants, toddlers, and children.

SEC. 3. Section 6363.10 of the Revenue and Taxation Code is amended to read:

6363.10. (a) On and after January 1, 2020, there are exempted from the taxes imposed by this part the gross receipts from the sale in this state of, and the storage, use, or other consumption in this state of, menstrual hygiene products.

(b) For purposes of this section, "menstrual hygiene products" shall only include the following:

(1) Tampons.

(2) Sanitary napkins primarily designed and labeled for menstrual hygiene use.

(3) Menstrual sponges.

(4) Menstrual cups.

SEC. 4. Section 6902.7 of the Revenue and Taxation Code is amended to read:

6902.7. (a) For purposes of this section:

(1) "Qualified small business employer" means a person that is a qualified small business employer within the meaning of paragraph (3) of subdivision (b) of Section 17053.72 or paragraph (3) of subdivision (b) of Section 23627.

(2) "Credit amount" means an amount equal to the credit amount that would otherwise be allowed to a qualified small business employer pursuant to Section 17053.72 or 23627, but for the irrevocable election made pursuant to Section 6902.8.

(3) "Qualified sales or use taxes" means any sales and use taxes imposed by Part 1 (commencing with Section 6001) and Section 35 of Article XIII of the California Constitution, local sales and use taxes imposed in accordance with the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)), and local transactions and use taxes imposed in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)).

(b) The department shall allow a qualified small business employer that received a tentative credit reservation pursuant to Section 6902.8 and that made an irrevocable election pursuant to Section 6902.8 to apply the small business hiring credit amount against qualified sales and use taxes imposed on the qualified small business employer, as follows:

(1) For monthly filers, the credit shall apply to amounts due and payable for the month commencing on March 1, 2021, ending on March 31, 2021, and due April 30, 2021.

(2) For quarterly filers, the credit shall apply to amounts due and payable for the quarter commencing on January 1, 2021, ending on March 31, 2021, and due April 30, 2021.

(3) For annual filers, fiscal year filers, or a qualified small business owner on any other reporting basis, the credit shall apply to amounts due and payable on the first return due on or after April 30, 2021.

(c) Any excess credit shall be carried over and shall not be refunded, as follows:

(1) In the case where the credit amount exceeds the sales and use taxes due and payable as described in subdivision (b), the department shall apply the excess credit against amounts due and payable for periods following those described in subdivision (b) on returns due and filed on or before April 30, 2026.

(2) Any remaining excess credit amount after April 30, 2026, shall not be refunded and shall be forfeited.

(d) No interest shall be paid on any amount credited pursuant to subdivisions (b) or (c).

(e) Section 6961 shall apply to any credit, or part thereof, that is erroneously allowed pursuant to this section.

(f) Notwithstanding Section 7056, the department shall provide information to the Franchise Tax Board, in a form and manner agreed upon by the department and the Franchise Tax Board, regarding the qualified small business employers that have been assigned a credit allowed under Sections 17053.72 and 23627, and have made an irrevocable election pursuant to Section 6902.8, and the credit amount claimed by each qualified small business employer.

(g) The department may prescribe, adopt, and enforce any emergency regulations as necessary to implement, administer, and enforce its duties

under this section. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding any other law, the emergency regulations adopted by the department may remain in effect for two years from adoption.

(h) The Small Business Hiring Credit Fund is hereby created in the State Treasury for the sole purpose of applying the small business hiring credits allowed by this section and Section 6902.9. Any unused money remaining in the fund shall be transferred to the General Fund by June 1, 2027.

SEC. 5. Section 6902.9 is added to the Revenue and Taxation Code, to read:

6902.9. (a) For purposes of this section:

(1) "Converted entity" means a qualified small business employer that changed its business form to a different entity type and continues its operation.

(2) "Credit amount" means an amount equal to the credit amount that would otherwise be allowed to a qualified small business employer pursuant to Section 17053.71 or 23628 but for the irrevocable election made pursuant to Section 6902.10.

(3) "Qualified sales or use taxes" means sales and use taxes imposed by Part 1 (commencing with Section 6001) and Section 35 of Article XIII of the California Constitution, local sales and use taxes imposed in accordance with the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)), and local transactions and use taxes imposed in accordance with the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)).

(4) "Qualified small business employer" has the same meaning as defined in Section 17053.71 or 23628.

(b) The department shall allow a qualified small business employer that received a tentative credit reservation pursuant to Section 6902.10 and that made an irrevocable election pursuant to Section 6902.10 to apply the small business hiring credit amount against qualified sales and use taxes imposed on the qualified small business employer as follows:

(1) For monthly filers, the credit shall apply to amounts due and payable for the month commencing on March 1, 2022, ending on March 31, 2022, and due on April 30, 2022.

(2) For quarterly filers, the credit shall apply to amounts due and payable for the quarter commencing on January 1, 2022, ending on March 31, 2022, and due on April 30, 2022, including prepayments for the quarter required pursuant to Article 1.1 (commencing with Section 6470) of Chapter 5.

(3) For annual filers, fiscal year filers, or a qualified small business employer or converted entity on any other reporting basis, the credit shall

apply to amounts due and payable on the first return due on or after April 30, 2022.

(c) Any excess credit shall be carried over and shall not be refunded as follows:

(1) If the credit amount exceeds the sales and use taxes due and payable, as described in subdivision (b), the department shall apply the excess credit against amounts due and payable for periods following those described in subdivision (b) on returns due and filed on or before April 30, 2027, including prepayments required pursuant to Article 1.1 (commencing with Section 6470) of Chapter 5.

(2) Any remaining excess credit amount after April 30, 2027, shall not be refunded and shall be forfeited.

(d) A qualified small business employer that becomes a converted entity subsequent to making the election to apply the credit against qualified sales and use taxes pursuant to Section 6902.10 may transfer any small business hiring credit and excess credit amounts to the converted entity and apply those amounts against the qualified sales and use taxes of the converted entity as specified in subdivisions (b) and (c).

(e) Interest shall not be paid on an amount credited pursuant to subdivision (b), (c), or (d).

(f) Section 6961 shall apply to a credit, or part thereof, that is erroneously allowed pursuant to this section.

(g) Notwithstanding Section 7056, the department shall provide information to the Franchise Tax Board, in a form and manner agreed upon by the department and the Franchise Tax Board, regarding both of the following:

(1) The qualified small business employers and converted entities that have been assigned a credit allowed under Sections 17053.71 and 23628 and have made an irrevocable election pursuant to Section 6902.10.

(2) The credit amount claimed by each qualified small business employer and converted entity.

(h) (1) Notwithstanding Section 13018 of the Unemployment Insurance Code, the Employment Development Department shall, upon request, provide the department in the form and manner agreed upon by the department and the Employment Development Department, any and all information deemed necessary by the department to administer and enforce this section and Section 6902.10.

(2) The department may share information provided pursuant to this subdivision with the Franchise Tax Board, upon request, as necessary to administer and enforce Sections 17053.71 and 23628.

(i) The department may prescribe, adopt, and enforce emergency regulations as necessary to implement, administer, and enforce its duties under this section. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an

emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding any other law, the emergency regulations adopted by the department may remain in effect for two years from adoption.

SEC. 6. Section 6902.10 is added to the Revenue and Taxation Code, to read:

6902.10. (a) Unless the context otherwise requires, the definitions set forth in Sections 17053.71 and 23628 govern the construction of this section.

(b) A qualified small business employer shall submit an application to the department in a form and manner prescribed by the department for a tentative credit reservation amount for the small business hiring tax credit allowed to a qualified small business employer pursuant to Section 17053.71 or 23628, or both.

(c) The application shall include all of the following:

(1) The net increase in qualified employees, as determined pursuant to subdivision (c) of Section 17053.71 or subdivision (c) of Section 23628.

(2) (A) If the credit will be applied under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001), or both.

(B) If the qualified small business employer makes an irrevocable election to apply the credit against qualified sales and use taxes pursuant to Section 6902.9 in lieu of claiming the credit allowed by Section 17053.71 or 23628. An election under this subparagraph shall be allowed only for a qualified small business employer with an active seller's permit or active certificate of registration-use tax. The election shall not be amended by the qualified small business employer or converted entity.

(3) If the applicant makes the election to apply the credit against qualified sales and use taxes as described in subparagraph (B) of paragraph 2, the qualified small business employer's active seller's permit number or active certificate of registration-use tax number.

(4) Valid state employer identification number of the qualified small business employer.

(5) Any other information and documentation as deemed necessary by the department.

(d) (1) Qualified small business employers shall submit, and the department shall accept, applications for tentative credit reservation amounts during the period beginning November 1, 2021, and ending November 30, 2021, or an earlier date determined by the department when the maximum cumulative total allocation limit in subdivision (e) is reached.

(2) Applications shall not be accepted by the department after November 30, 2021, or any other date determined by the department.

(3) The date and time an application is received shall be determined by the department. The determination of the department with respect to the date and time an application is received shall not be reviewed in any administrative or judicial proceeding.

(e) (1) The aggregate amount of credit that may be allocated pursuant to Sections 6902.9, 17053.71, and 23628 shall not exceed the cumulative

total of seventy million dollars ($70,000,000) plus any amount of credit not allocated, and not required to be allocated, pursuant to subdivision (e) of Section 6902.8.

(2) The department shall allocate a tentative credit reservation to qualified small business employers on a first-come-first-served basis. For each application received, the total amount of credit available for allocation shall be reduced by an amount equal to the allocated tentative credit reservation amount.

(3) The tentative credit reservation amount per qualified small business employer shall be equal to the amount calculated pursuant to subparagraph (A) minus the amount calculated pursuant to subparagraph (B).

(A) The amount, not exceeding one hundred fifty thousand dollars ($150,000), that is equal to the net increase in qualified employees, as reported on the application, multiplied by one thousand dollars ($1,000).

(B) If the qualified small business employer received a tentative credit reservation amount pursuant to Section 6902.8, either of the following:

(i) For a qualified small business employer that made an irrevocable election pursuant to Section 6902.8 to apply the credit against qualified sales and use taxes pursuant to Section 6902.7, the credit amounts allocated to the qualified small business employer pursuant to Sections 6902.7 and 6902.8.

(ii) For a qualified small business employer that elected to apply the credit under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001), or both, the tentative credit reservation amount received by the qualified small business employer pursuant to Section 6902.8.

(4) The department shall, within 30 days of receiving the application, notify the applicant of the tentative credit reservation amount. The amount allocated shall not constitute a determination by the department with respect to any of the requirements of this section or eligibility for the credit authorized by Section 6902.9, 17053.71, or 23628.

(5) The department shall periodically provide on its website the aggregate allocated tentative credit reservation amount under Sections 6902.9, 17053.71, and 23628 and the remaining credit amount available for allocation.

(6) The department may revise, on or before March 30, 2022, a qualified small business employer’s election to apply a credit against qualified sales and use taxes and instead apply the credit to taxes administered pursuant to Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001), or both, if the qualified small business employer’s seller’s permit or certificate of registration-use tax has been suspended, revoked, canceled, or closed.

(7) (A) The department shall cancel or reduce a qualified small business employer’s tentative credit reservation amount if the qualified small business employer fails to provide application information or documentation required by subdivision (c) to the department within 15 calendar days after the department requests the information.

(B) Notwithstanding subparagraph (A), the department may reduce a qualified small business employer's tentative credit reservation amount for clerical errors or upon request by the applicant.

(8) (A) Tentative credit reservation amounts that become available on and after December 1, 2021, and before April 1, 2022, shall be made available to qualified small business employers and converted entities that applied for a tentative credit reservation amount pursuant to subdivision (a) but did not receive a tentative credit reservation amount because the aggregate amount of tentative credit reservations applied for pursuant to Sections 6902.9, 17053.71, and 23628 exceeded the cumulative total described in paragraph (1).

(B) Tentative credit reservation amounts made available pursuant to subparagraph (A) shall be made available to qualified small business employers and converted entities on a first-come-first-served basis based on the order in which the application was received.

(f) Notwithstanding Section 7056, the department shall provide the Franchise Tax Board, in the form and manner agreed upon by the department and the Franchise Tax Board, any and all information provided by each applicant pursuant to subdivision (c) and any other information deemed necessary by the department and the Franchise Tax Board to administer and enforce this section and Sections 17053.71 and 23268.

(g) The department may prescribe, adopt, and enforce emergency regulations as necessary to implement, administer, and enforce its duties under this section. Any emergency regulation prescribed, adopted, or enforced pursuant to this section shall be adopted in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, and, for purposes of that chapter, including Section 11349.6 of the Government Code, the adoption of the regulation is an emergency and shall be considered by the Office of Administrative Law as necessary for the immediate preservation of the public peace, health and safety, and general welfare. Notwithstanding any other law, the emergency regulations adopted by the department may remain in effect for two years from adoption.

SEC. 7. Section 17052.10 is added to the Revenue and Taxation Code, to read:

17052.10. (a) For taxable years beginning on or after January 1, 2021, and before January 1, 2026, there shall be allowed to a qualified taxpayer a credit against the "net tax," as defined in Section 17039, in an amount equal to the qualified amount.

(b) For purposes of this section:

(1) "Electing qualified entity" means a qualified entity, as defined by Section 19902, that has elected to pay the elective tax under Part 10.4 (commencing with Section 19900).

(2) "Qualified amount" means an amount equal to 9.3 percent of the qualified taxpayer's pro rata share or distributive share, as applicable, of qualified net income subject to the election made by an electing qualified entity under Part 10.4 (commencing with Section 19900).

(3) (A) "Qualified taxpayer" means a taxpayer, as defined in Section 17004, excluding partnerships, that is a partner, shareholder, or member of an electing qualified entity that consented to have their pro rata share or distributive share of income, as determined under Part 10 (commencing with Section 17001) and Part 11 (commencing with Section 23001), subject to tax under this part included in the qualified net income of the electing qualified entity.

(B) "Qualified taxpayer" does not include a business entity that is disregarded for federal tax purposes, as described in Section 23038, or its partners or members.

(c) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following taxable year, and succeeding four years, if necessary, until the credit is exhausted.

(d) (1) Any disallowance of a credit under this section due to any of the following conditions shall be treated as a mathematical error appearing on the return:

(A) Timely payment was not made under subdivision (b) of Section 19904.

(B) Payments made for the taxable year exceed the elective tax computed under Part 10.4 (commencing with Section 19900).

(C) No election was made or allowed under Part 10.4 (commencing with Section 19900).

(2) Any amount of tax resulting from such disallowance may be assessed by the Franchise Tax Board in the same manner as provided by Section 19051.

(e) (1) The Franchise Tax Board may adopt regulations that are necessary or appropriate to implement this section.

(2) Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any regulation, rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(f) For the purposes of complying with Section 41, the Legislature finds and declares that the goal of this tax credit is to provide tax relief to small businesses facing unprecedented economic hurdles due to COVID-19.

(g) This section shall remain in effect only until December 1, 2026, and as of that date is repealed.

SEC. 8. Section 17053.71 is added to the Revenue and Taxation Code, to read:

17053.71. (a) (1) For each taxable year beginning on or after January 1, 2021, and before January 1, 2022, there shall be allowed a small business hiring credit against the "net tax," as defined in Section 17039, to a qualified small business employer that receives a tentative credit reservation under Section 6902.10, in an amount calculated pursuant to paragraph (2).

(2) The amount of the credit allowed by this subdivision shall be equal to the amount calculated pursuant to subparagraph (A) minus the amount calculated pursuant to subparagraph (B).

(A) One thousand dollars ($1,000) for each net increase in qualified employees, as specified in subdivision (c), not to exceed one hundred fifty thousand dollars ($150,000).

(B) If the qualified small business employer received a tentative credit reservation amount pursuant to Section 6902.8, either of the following applies:

(i) For a qualified small business employer that made an irrevocable election pursuant to Section 6902.8 to apply the credit against qualified sales and use taxes pursuant to Section 6902.7, the credit amounts allocated to the qualified small business employer pursuant to Sections 6902.7 and 6902.8.

(ii) For a qualified small business employer that elected to apply the credit under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001), or both, the tentative credit reservation amount received by the qualified small business employer pursuant to Section 6902.8.

(b) For purposes of this section:

(1) "Monthly full-time equivalent" means either of the following:

(A) For a qualified employee paid hourly qualified wages, "monthly full-time equivalent" means the total number of hours employed per month for the qualified small business employer by the qualified employee, not to exceed 167 hours per month per qualified employee, divided by 167.

(B) In the case of a salaried qualified employee, "monthly full-time equivalent" means the total number of weeks employed per month for the qualified small business employer by the qualified employee divided by 4.33 multiplied by the time base the qualified employee was employed.

(2) (A) "Qualified employee" means an employee who is paid qualified wages by a qualified small business employer.

(B) "Qualified employee" shall not include an employee whose qualified wages are included in calculating any other credit allowed under this part, except for the credit allowed under Section 17053.72.

(3) (A) "Qualified small business employer" means a taxpayer that as of December 31, 2020, employed a total of 500 or fewer qualified employees and meets one of the following requirements:

(i) Has a decrease of 20 percent or more in gross receipts determined by comparing gross receipts for the period beginning on January 1, 2020, and ending on December 31, 2020, to the gross receipts for the period beginning on January 1, 2019, and ending on December 31, 2019.

(ii) Is a fiscal year filer that has a decrease of 20 percent or more in gross receipts determined by comparing either of the following:

(I) The gross receipts for fiscal year 2019–20 to the gross receipts from fiscal year 2018–19.

(II) The average of gross receipts for fiscal year 2019–20 and fiscal year 2020–21 to the gross receipts from fiscal year 2018–19.

(iii) For a taxpayer that first commences business after January 1, 2019, but on or before January 1, 2020, has a decrease of 20 percent or more in gross receipts in the second quarter of 2020 determined by comparing gross

receipts from January 1, 2020, through February 28, 2020, multiplied by 1.5 to the gross receipts for the period beginning on April 1, 2020, and ending on June 30, 2020.

(B) "Qualified small business employer" does not include a taxpayer required to be included in a combined report under Section 25101 or 25110 or authorized to be included in a combined report under Section 25101.15.

(4) "Qualified wages" means wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(5) "Time base" means the fraction of full-time employment that the qualified employee is employed.

(6) "Weeks employed" means the total number of calendar days that a qualified employee was employed by the qualified small business employer during the month, divided by seven, not to exceed 4.33.

(c) The net increase in qualified employees of a qualified small business employer shall be equal to the amount calculated pursuant to paragraph (2) minus the amount calculated pursuant to paragraph (1).

(1) The average monthly full-time equivalent qualified employees employed during the three-month period beginning on April 1, 2020, and ending on June 30, 2020, by the qualified small business employer. The average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all three months and dividing the total by three.

(2) The lesser of either of the following:

(A) The average monthly full-time equivalent qualified employees employed during the 12-month period beginning on July 1, 2020, and ending on June 30, 2021, by the qualified small business employer. The average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all 12 months and dividing the total by 12.

(B) The average monthly full-time equivalent qualified employees employed during the three-month period beginning on April 1, 2021, and ending on June 30, 2021, by the qualified small business employer. The average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all three months and dividing the total by three.

(d) If the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and succeeding four years if necessary, until the credit is exhausted.

(e) A deduction otherwise allowed under this part for qualified wages shall be reduced by the amount of the credit allowed under this section.

(f) For purposes of this section all of the following shall apply:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single qualified small business employer.

(2) If a qualified small business employer changes its business form to a different entity type after receiving a tentative credit reservation under Section 6902.10 and continues operation, the new entity shall be allowed the credit, and the determination of the amount of the credit under this section with respect to qualified wages paid or incurred by the qualified small business employer shall apply to the new entity as if those qualified wages were paid or incurred by the new entity.

(g) Notwithstanding Section 23803, an "S" corporation that makes the election under Section 6902.10 shall be allowed to apply the full credit amount against qualified sales and use tax, and no amount of credit shall be allowed to reduce the shareholder's liability under this part.

(h) (1) A credit under this section or Section 23628 shall be allowed only for credits claimed on timely filed original returns.

(2) The date a return is received shall be determined by the Franchise Tax Board.

(3) (A) The determinations of the Franchise Tax Board with respect to whether a return has been timely filed for purposes of this subdivision may not be reviewed in any administrative or judicial proceeding.

(B) A disallowance of a credit claimed due to a determination under this subdivision or the application of the limitation specified in Section 6902.10 shall be treated as a mathematical error appearing on the return. An amount of tax resulting from that disallowance may be assessed by the Franchise Tax Board in the same manner as provided by Section 19051.

(i) (1) The Franchise Tax Board may adopt regulations necessary or appropriate to carry out the purposes of this section.

(2) The Franchise Tax Board may adopt rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any regulation, rule, guideline, procedure, or other guidance adopted by the Franchise Tax Board pursuant to this section.

(j) Notwithstanding Section 19542, the Franchise Tax Board may provide to the California Department of Tax and Fee Administration, only to the extent allowed under federal law, information related to the credit allowed by Section 6902.9, this section, and Section 23628, including, but not limited to, the qualified small business employer names, amounts of tax credits allowed under each section, amount of gross receipts, and the net increase in qualified employees.

(k) This section shall remain in effect only until December 1, 2022, and as of that date is repealed.

SEC. 9. Section 17053.80 is added to the Revenue and Taxation Code, to read:

17053.80. (a) (1) For each taxable year beginning on or after January 1, 2022, and before January 1, 2027, there shall be allowed to a qualified taxpayer that employs an eligible individual a credit against the "net tax," as defined in Section 17039, an amount as determined pursuant to paragraph

(2), not to exceed thirty thousand dollars ($30,000) per taxpayer per taxable year.

(2) A qualified taxpayer shall be allowed the credit pursuant to this section in the following amounts per taxable year:

(A) Two thousand five hundred dollars ($2,500) for each eligible individual that works at least 500 hours, but fewer than 1,000 hours, for the eligible employer during the taxable year in which the credit is claimed.

(B) Five thousand dollars ($5,000) for each eligible individual that works at least 1,000 hours, but fewer than 1,500 hours, for the eligible employer during the taxable year in which the credit is claimed.

(C) Seven thousand five hundred dollars ($7,500) for each eligible individual that works at least 1,500 hours, but fewer than 2,000 hours, for the eligible employer during the taxable year in which the credit is claimed.

(D) Ten thousand dollars ($10,000) for each eligible individual that works at least 2,000 hours for the eligible employer during the taxable year in which the credit is claimed.

(b) For purposes of this section:

(1) "Continuum of care" has the same meaning as in Section 578.3 of Title 24 of the Code of Federal Regulations.

(2) "Coordinated entry system" means a centralized or coordinated assessment system developed pursuant to Section 578.7 of Title 24 of the Code of Federal Regulations, designed to coordinate homelessness program participant intake, assessment, and provision of referrals.

(3) "Eligible employer" means a taxpayer that meets all of the following requirements:

(A) Pays wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(B) Pays at least 120 percent of minimum wage.

(C) Provides to the Franchise Tax Board, upon request, a copy of the certification received for each eligible individual for each tax year that the credit is claimed for that eligible individual by that eligible employer.

(4) "Eligible individual" means a person who meets both of the following criteria:

(A) The person is homeless on the date of the hire or anytime during the 180-day period immediately before the hire, or someone who is receiving supportive services from a homeless services provider as designated by a local continuum of care or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System.

(B) The person has been issued a certification pursuant to paragraph (2) of subdivision (c), and that certification has not expired.

(5) "Homeless Management Information System" has the same meaning as in Section 578.3 of Title 24 of the Code of Federal Regulations. "Homeless Management Information System" includes the use of a comparable database by a victim services provider or legal services provider that is permitted by the federal government under Part 576 (commencing with Section 576.1) of Title 24 of the Code of Federal Regulations.

(6) "Person is homeless" means the same as "homeless" as defined in Section 578.3 of Title 24 of the Code of Federal Regulations.

(7) "Minimum wage" means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(8) "Qualified taxpayer" means an eligible employer that pays wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code to an eligible individual.

(c) (1) A credit shall not be allowed under this section unless the eligible employer submits to the Franchise Tax Board, upon request, an eligible employer certification issued by a continuum of care, or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System, or other program as specified by the Franchise Tax Board.

(2) A continuum of care or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System, in coordination with the Franchise Tax Board, shall issue certifications to eligible individuals and to eligible employers.

(3) A certification issued pursuant to this subdivision shall expire one year after issuance.

(d) (1) The total aggregate amount of the credit that may be allocated by credit reservations per calendar year to all qualified taxpayers pursuant to this section and Section 23628 shall not exceed thirty million dollars ($30,000,000), plus the unallocated credit amount, if any, from the preceding calendar year.

(2) A qualified taxpayer shall claim the credit on a timely filed original return of the qualified taxpayer and only with respect to an eligible individual for whom the qualified taxpayer has received a credit reservation.

(3) (A) To be eligible for the credit allowed by this section with respect to an eligible individual, a qualified taxpayer shall, upon hiring an eligible individual, request a credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirements as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.

(B) To obtain a credit reservation with respect to an eligible individual, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, social security number, how many hours the eligible individual is expected to work for the next 12 months, and the start date of employment.

(4) The Franchise Tax Board shall do both of the following:

(A) Approve a tentative credit reservation with respect to an eligible individual hired during a taxable year.

(B) Subject to the annual cap established as provided in paragraph (1), allocate an aggregate amount of credits under this section and Section 23628, and allocate any carryover of unallocated credits from prior years.

(e) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following taxable year, and succeeding two years if necessary, until the credit is exhausted.

(f) If the credit allowed by this section is claimed by the qualified taxpayer, a deduction otherwise allowed under this part for any amount of wages paid or incurred by the qualified taxpayer as a trade or business expense to an eligible individual shall be reduced by the amount of the credit allowed by this section.

(g) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(h) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 10. Section 17053.88.5 of the Revenue and Taxation Code is amended to read:

17053.88.5. (a) In the case of a qualified taxpayer who donates qualified donation items to a food bank located in California under Chapter 5 (commencing with Section 58501) of Part 1 of Division 21 of the Food and Agricultural Code, for taxable years beginning on or after January 1, 2017, and before January 1, 2027, there shall be allowed as a credit against the "net tax," defined by Section 17039, an amount equal to 15 percent of the qualified value of those qualified donation items.

(b) For purposes of this section:

(1) "Qualified donation item" means fresh fruits or fresh vegetables and the following raw agricultural products or processed foods:

(A) All of the following:

(i) "Fruits, nuts, or vegetables" as defined in Section 42510 of the Food and Agricultural Code.

(ii) "Meat food product" as defined in Section 18665 of the Food and Agricultural Code.

(iii) "Poultry" as defined in Section 18675 of the Food and Agricultural Code.

(iv) "Eggs" as defined in Section 75027 of the Food and Agricultural Code.

(v) "Fish" as defined in Section 58609 of the Food and Agricultural Code.

(B) All of the following food as defined in Section 109935 of the Health and Safety Code:

(i) Rice.

(ii) Beans.

(iii) Fruits, nuts, and vegetables in canned, frozen, dried, dehydrated, and 100 percent juice forms.

(iv) Any cheese, milk, yogurt, butter, and dehydrated milk meeting the requirements in Division 15 (commencing with Section 32501) of the Food and Agricultural Code.

(v) Infant formula subject to Section 114094.5 of the Health and Safety Code.

(vi) Vegetable oil and olive oil.

(vii) Soup, pasta sauce, and salsa.

(viii) Bread and pasta.

(ix) Canned meats and canned seafood.

(2) (A) "Qualified taxpayer" means the person responsible for planting a crop, managing the crop, and harvesting the crop from the land.

(B) (i) "Qualified taxpayer" also means the person responsible for growing or raising a qualified donation item, or harvesting, packing, or processing a qualified donation item, provided that person is not a retailer.

(ii) As used in this subparagraph, "retailer" means a person primarily engaged in the business of making retail sales directly to the public.

(3) (A) "Qualified value" shall be calculated by using the weighted average wholesale price based on the qualified taxpayer's total like grade wholesale sales of the donated item sold within the calendar month of the qualified taxpayer's donation.

(B) If no wholesale sales of the donated item have occurred in the calendar month of the qualified taxpayer's donation, the "qualified value" shall be equal to the nearest regional wholesale market price for the calendar month of the donation based upon the same grade products as published by the United States Department of Agriculture's Agricultural Marketing Service or its successor.

(c) If the credit allowed by this section is claimed by the qualified taxpayer, any deduction otherwise allowed under this part for that amount of the cost paid or incurred by the qualified taxpayer that is eligible for the credit shall be reduced by the amount of the credit provided in subdivision (a).

(d) The qualified taxpayer shall provide to the food bank the qualified value of the qualified donation items and information regarding the origin of where the qualified donation items were grown, processed, or both grown and processed. Upon receipt of the qualified donation items, the food bank shall provide a certificate to the qualified taxpayer. The certificate shall contain a statement signed and dated by a person authorized by that food bank that the item is donated under Chapter 5 (commencing with Section 58501) of Part 1 of Division 21 of the Food and Agricultural Code. The certificate shall also contain the type and quantity of items donated, the name of the qualified taxpayer or qualified taxpayers, the name and address of the food bank, and, as provided by the qualified taxpayer, the qualified value of the qualified donation items and their origins. Upon the request of the Franchise Tax Board, the qualified taxpayer shall provide a copy of the certification to the Franchise Tax Board.

(e) The credit allowed by this section may be claimed only on a timely filed original return.

(f) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and for the six succeeding years if necessary, until the credit has been exhausted.

(g) In accordance with Section 41, the purpose of the credit is to increase donations to food banks. Using the information available to the Franchise Tax Board from the certificates required under subdivision (d) and subdivision (d) of Section 23688.5, the Franchise Tax Board shall report to the Legislature on or before December 1, 2019, and each December 1 thereafter until the inoperative date specified in subdivision (h), regarding the utilization of the credit authorized by this section and Section 23688.5. The Franchise Tax Board shall also include in the report the qualified value of the qualified donation items, the county in which the qualified donation items originated, and the month the donation was made.

(h) (1) A report required to be submitted pursuant to subdivision (g) shall be submitted in compliance with Section 9795 of the Government Code.

(2) The requirement for submitting a report imposed under subdivision (g) is inoperative on January 1, 2026, pursuant to Section 10231.5 of the Government Code.

(i) This section shall be repealed on December 1, 2027.

(j) The amendments made to this section by Chapter 431 of the Statutes of 2019 shall apply to taxable years beginning on or after January 1, 2020.

SEC. 11. Section 17053.91 of the Revenue and Taxation Code is amended to read:

17053.91. For each taxable year beginning on or after January 1, 2021, and before January 1, 2027, there shall be allowed to a taxpayer that receives a tax credit allocation a credit against the "net tax," as defined in Section 17039, in an amount determined in accordance with Section 47 of the Internal Revenue Code, except as follows:

(a) (1) In lieu of the percentage specified in Section 47(a) of the Internal Revenue Code, except as provided in paragraph (2), the applicable percentage shall be 20 percent of the qualified rehabilitation expenditures with respect to a certified historic structure.

(2) The applicable percentage shall be 25 percent of the qualified rehabilitation expenditures with respect to a certified historic structure if that certified historic structure meets one of the following criteria:

(A) The structure is located on federal surplus property, if obtained by a local agency under Section 54142 of the Government Code, on surplus state real property, as defined by Section 11011.1 of the Government Code, or on surplus land, as defined by subdivision (b) of Section 54221 of the Government Code.

(B) The rehabilitated structure includes affordable housing for lower-income households, as defined by Section 50079.5 of the Health and Safety Code.

(C) The structure is located in a designated census tract, as defined in paragraph (7) of subdivision (b) of Section 17053.73.

(D) The rehabilitated structure is a part of a military base reuse authority established pursuant to Title 7.86 (commencing with Section 67800) of the Government Code.

(E) The structure is a transit-oriented development that is a higher density, mixed-use development within a walking distance of one-half mile of a transit station.

(3) (A) The credit shall be allowed for qualified rehabilitation expenditures for a qualified residence determined by the California Tax Credit Allocation Committee and the Office of Historic Preservation to rehabilitate the historic character and improve the integrity of the residence in the year of completion in the percentages specified in paragraphs (1) and (2), as applicable, except that the credit 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.

(B) Section 47(c)(1)(B)(ii) of the Internal Revenue Code, relating to special rule for phased rehabilitation, shall not apply.

(b) For purposes of this section, the following definitions shall apply:

(1) "Certified historic structure" has the same meaning as defined in Section 47(c)(3) of the Internal Revenue Code, that is a structure in this state and is listed on the California Register of Historical Resources.

(2) "Qualified residence" has the same meaning as that term is defined in Section 163(h)(4) of the Internal Revenue Code, that will be owned and occupied by an individual taxpayer who has a modified adjusted gross income, as defined by Section 86(b)(2) of the Internal Revenue Code, of two hundred thousand dollars ($200,000) or less, as the taxpayer's principal residence or what will be the taxpayer's principal residence within two years after the rehabilitation of the residence.

(3) (A) "Qualified rehabilitation expenditure" has the same meaning as that term is defined in Section 47(c)(2) of the Internal Revenue Code, except that qualified rehabilitation expenditures may include expenditures in connection with the rehabilitation of a building without regard to whether any portion of the building is or is reasonably expected to be tax-exempt use property.

(B) "Qualified rehabilitation expenditure" has the same meaning as that term is defined in Section 47(c)(2) of the Internal Revenue Code and also means rehabilitation expenditures incurred by the taxpayer with respect to a qualified residence for the rehabilitation of the exterior of the building or rehabilitation necessary for the functioning of the home, including, but not limited to, rehabilitation of the electrical, plumbing, or foundation of the qualified residence.

(c) (1) To be eligible for the credit allowed by this section, a taxpayer shall request a tax credit allocation from the California Tax Credit Allocation Committee, in conjunction with the Office of Historic Preservation.

(2) To obtain a tax credit allocation, the taxpayer shall provide necessary information, as determined by the Office of Historic Preservation and the California Tax Credit Allocation Committee.

(3) A tax credit allocation provided to a taxpayer shall not constitute a determination by the California Tax Credit Allocation Committee with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(4) The Office of Historic Preservation shall establish in regulations the time period that a taxpayer who receives a tax credit allocation must commence rehabilitation after the issuance of the tax credit allocation. If rehabilitation is not commenced within the time period established by the office, the tax credit allocation shall be forfeited and the credit amount associated with the tax credit allocation shall be treated as an unused allocation tax credit amount.

(d) A deduction shall not be allowed under this part for any expense for which a credit for that expense is allowed by this section.

(e) If a credit is allowed under this section with respect to any property, the basis of that property shall be reduced by the amount of the credit allowed.

(f) (1) A credit allowed under this section shall be claimed in the first taxable year in which the structure is placed in service.

(2) In the case where the credit allowed by this section exceeds the "net tax," the excess may be carried over to reduce the "net tax" in the following year, and the seven succeeding years, if necessary, until the credit is exhausted.

(g) For purposes of this section, the Office of Historic Preservation shall do all of the following:

(1) Adopt regulations to implement the requirements of this section. The regulations shall comply with the requirements of the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(2) Establish a written application, on a form jointly prescribed by the office and the California Tax Credit Allocation Committee, for the allocation of the tax credit. The written application shall require the applicant to include a summary of the expected economic benefits of the project. The economic benefits shall include, but are not limited to, all of the following:

(A) The number of jobs created by the rehabilitation project, both during and after the rehabilitation of the structure.

(B) The expected increase in state and local tax revenues derived from the rehabilitation project, including those from increased wages and property taxes.

(C) Any additional incentives or contributions included in the rehabilitation project from federal, state, or local governments.

(D) For the qualified rehabilitation expenditures with respect to a qualified residence, the rehabilitation has a public benefit, as determined jointly with the Office of Historic Preservation.

(3) Establish a process to determine that applicants meet the requirements of this section and to ensure that the rehabilitation project meets the Secretary of the Interior's Standards for Rehabilitation, as found in Part 67 of Title 36 of the Code of Federal Regulations.

(4) Establish a process to approve, or reject, all tax credit allocation applications.

(h) For purposes of this section, the California Tax Credit Allocation Committee shall do all of the following:

(1) Establish a process jointly with the Office of Historic Preservation to implement the provisions of this section.

(2) (A) Subject to the annual cap established as provided in subdivision (i), allocate on a first-come-first-served basis an aggregate amount of credits under this section and Section 23691, and allocate any carryover of unallocated credits from prior years.

(B) A taxpayer shall be allocated a tax credit pursuant to the taxpayer's tax credit allocation upon receipt by the California Tax Credit Allocation Committee of a cost certification for the qualified rehabilitation expenditures. For projects with qualified rehabilitation expenditures in excess of two hundred fifty thousand dollars ($250,000), the cost certification shall be issued by a licensed certified public accountant.

(3) Certify tax credits allocated to taxpayers.

(4) Provide the Franchise Tax Board an annual list of the taxpayers that were allocated a credit pursuant to this section and Section 23691, including each taxpayer's taxpayer identification number, and the amount allocated to each taxpayer.

(5) Establish procedures for the recapture of amounts allocated for a tax credit allowed to a taxpayer for the rehabilitation of a qualified residence if the taxpayer does not use the qualified residence as their principal residence within two years after the rehabilitation of the residence.

(i) (1) The aggregate amount of credits that may be allocated in any calendar year pursuant to this section and Section 23691 shall be an amount equal to the sum of all of the following:

(A) Fifty million dollars ($50,000,000) in tax credits for the 2021 calendar year and each calendar year thereafter, through and including the 2027 calendar year.

(B) The unused allocation tax credit amount, if any, for the preceding calendar year.

(2) Notwithstanding the foregoing, the California Tax Credit Allocation Committee shall set aside ten million dollars ($10,000,000) of tax credits that may be allocated each calendar year for taxpayers in the aggregate, pursuant to this paragraph and paragraph (2) of subdivision (i) of Section 23691, as follows:

(A) Two million dollars ($2,000,000) of tax credits, in the aggregate, for taxpayers with qualified rehabilitation expenditures for a certified historic structure that is a qualified residence. To the extent that this amount is not fully allocated in any calendar year, the unused portion shall become available in subsequent calendar years for allocation to other taxpayers with qualified rehabilitation expenditures for a certified historic structure that is a qualified residence.

(B) Eight million dollars ($8,000,000) of tax credits, in the aggregate, for taxpayers with qualified rehabilitation expenditures of less than one

million dollars ($1,000,000) for any other certified historic building that is not a qualified residence. To the extent that this amount is not fully allocated in any calendar year, the unused portion shall become available in subsequent calendar years for allocation to other taxpayers, except those taxpayers subject to subparagraph (A).

(j) In the case of any application for tax credits by an entity treated as a partnership for income tax purposes:

(1) Credits awarded to a partnership shall be allocated to the partners of that partnership in accordance with the partnership agreement, regardless of how the federal historic rehabilitation tax credit with respect to the project is allocated to the partners, or whether the allocation of the credit under the terms of the partnership agreement has substantial economic effect, within the meaning of Section 704(b) of the Internal Revenue Code.

(2) To the extent the allocation of the credit to a partner under this section lacks substantial economic effect, any loss or deduction otherwise allowable under this part that is attributable to the sale or other disposition of that partner's partnership interest made prior to the expiration of the tax credit recapture period for the project described in paragraph (1) shall not be allowed in the taxable year in which the sale or other disposition occurs, but shall instead be deferred until, and treated as if, it occurred in the first taxable year immediately following the taxable year in which the tax credit recapture period expires for the project described in paragraph (1). The credits awarded to a partnership shall be allocated to the partners of that partnership in accordance with the partnership agreement.

(k) For purposes of this section, the provisions of subsection (a) of Section 50 of the Internal Revenue Code shall apply.

(*l*) Notwithstanding any other provision of this part, a credit allowed pursuant to this section may reduce the tax imposed under Section 17041 or 17048 plus the tax imposed under Section 17504, relating to the separate tax on lump-sum distributions, below the tentative minimum tax.

(m) This section shall remain in effect regardless of the expiration or repeal of Section 47 of the Internal Revenue Code, relating to rehabilitation credit.

(n) The California Tax Credit Allocation Committee and the Office of Historic Preservation may charge a reasonable fee in an amount that does not exceed the reasonable costs incurred by the California Tax Credit Allocation Committee and the Office of Historic Preservation in fulfilling the responsibilities described in paragraphs (4) and (5) of subdivision (g) and subdivision (h) and paragraphs (4) and (5) of subdivision (g) and subdivision (h) of Section 23691.

(o) (1) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

(2) Unless otherwise specified in any bill providing for appropriations related to the Budget Act, for taxable years beginning on or after January 1, 2021, and before January 1, 2027, the amount of credit allowed pursuant to this section shall be zero dollars ($0).

SEC. 12. Section 17055 of the Revenue and Taxation Code is amended to read:

17055. (a) An individual who is a nonresident or a part-year resident shall be allowed all credits provided under this part against the "net tax," as defined by Section 17039, except those described in subdivision (b) and in Section 17053.5, relating to the renter's credit, and Section 18002, relating to taxes paid to another state, in the same proportion as the ratio that "taxable income of a nonresident or part-year resident" computed under paragraph (1) of subdivision (i) of Section 17041 bears to "total taxable income," as defined in Section 17301.5.

(b) Credits allowed under this part which are conditional upon a transaction occurring wholly within California and the credit allowed under Section 17052.10 shall be allowed in their entirety.

SEC. 13. Section 17059.2 of the Revenue and Taxation Code is amended to read:

17059.2. (a) (1) For each taxable year beginning on and after January 1, 2014, and before January 1, 2030, there shall be allowed as a credit against the "net tax," as defined in Section 17039, an amount as determined by the committee pursuant to paragraph (2) and approved pursuant to Section 18410.2.

(2) The credit under this section shall be allocated by GO-Biz with respect to the 2013–14 fiscal year through and including the 2022–23 fiscal year. The amount of credit allocated to a taxpayer with respect to a fiscal year pursuant to this section shall be as set forth in a written agreement between GO-Biz and the taxpayer and shall be based on the following factors:

(A) The number of jobs the taxpayer will create or retain in this state.

(B) The compensation paid or proposed to be paid by the taxpayer to its employees, including wages and fringe benefits.

(C) The amount of investment in this state by the taxpayer.

(D) The extent of unemployment or poverty in the area according to the United States Census in which the taxpayer's project or business is proposed or located.

(E) The incentives available to the taxpayer in this state, including incentives from the state, local government, and other entities.

(F) The incentives available to the taxpayer in other states.

(G) The duration of the proposed project and the duration the taxpayer commits to remain in this state.

(H) The overall economic impact in this state of the taxpayer's project or business.

(I) The strategic importance of the taxpayer's project or business to the state, region, or locality.

(J) The opportunity for future growth and expansion in this state by the taxpayer's business.

(K) The extent to which the anticipated benefit to the state exceeds the projected benefit to the taxpayer from the tax credit.

(L) For a credit allocated beginning with the 2018–19 fiscal year, the training opportunities offered by the taxpayer to its employees.

(3) The written agreement entered into pursuant to paragraph (2) shall include:

(A) Terms and conditions that include the taxable year or years for which the credit allocated shall be allowed, a minimum compensation level, and a minimum job retention period.

(B) Provisions indicating whether the credit is to be allocated in full upon approval or in increments based on mutually agreed upon milestones when satisfactorily met by the taxpayer.

(C) Provisions that allow the committee to recapture the credit, in whole or in part, if the taxpayer fails to fulfill the terms and conditions of the written agreement.

(b) For purposes of this section:

(1) "Committee" means the California Competes Tax Credit Committee established pursuant to Section 18410.2.

(2) "GO-Biz" means the Governor's Office of Business and Economic Development.

(c) For purposes of this section, GO-Biz shall do the following:

(1) Give priority to a taxpayer whose project or business is located or proposed to be located in an area of high unemployment or poverty.

(2) Negotiate with a taxpayer the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer.

(3) Provide the negotiated written agreement to the committee for its approval pursuant to Section 18410.2.

(4) Inform the Franchise Tax Board of the terms and conditions of the written agreement upon approval of the written agreement by the committee.

(5) Inform the Franchise Tax Board of any recapture, in whole or in part, of a previously allocated credit upon approval of the recapture by the committee.

(6) Post on its internet website all of the following:

(A) The name of each taxpayer allocated a credit pursuant to this section.

(B) The estimated amount of the investment by each taxpayer.

(C) The estimated number of jobs created or retained.

(D) The amount of the credit allocated to the taxpayer.

(E) The amount of the credit recaptured from the taxpayer, if applicable.

(F) The primary location where the taxpayer has committed to increasing the net number of jobs or make investments. The primary location shall be listed by city or, in the case of unincorporated areas, by county.

(G) Information that identifies each tax credit award that was given a priority for being located in a high unemployment or poverty area, pursuant to paragraph (1).

(7) For allocation periods beginning with the 2018–19 fiscal year, when determining whether to enter into a written agreement with a taxpayer pursuant to this section, GO-Biz shall consider the extent to which the credit will influence the taxpayer's ability, willingness, or both, to create jobs in this state that might not otherwise be created in the state by the taxpayer or

any other taxpayer. GO-Biz may also consider other factors, including, but not limited to, the following:

(A) The financial solvency of the taxpayer and the taxpayer's ability to finance its proposed expansion.

(B) The taxpayer's current and prior compliance with federal and state laws.

(C) Current and prior litigation involving the taxpayer.

(D) The reasonableness of the fee arrangement between the taxpayer and any third party providing any services related to the credit allowed pursuant to this section.

(E) Any other factors GO-Biz deems necessary to ensure that the administration of the credit allowed pursuant to this section is a model of accountability and transparency and that the effective use of the limited amount of credit available is maximized.

(d) For purposes of this section, the Franchise Tax Board shall do all of the following:

(1) (A) Except as provided in subparagraph (B), review the books and records of all taxpayers allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and GO-Biz.

(B) In the case of a taxpayer that is a "small business," as defined in Section 17053.73, review the books and records of the taxpayer allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and GO-Biz when, in the sole discretion of the Franchise Tax Board, a review of those books and records is appropriate or necessary in the best interests of the state.

(2) Notwithstanding Section 19542, notify GO-Biz of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination.

(e) In the case where the credit allowed under this section exceeds the "net tax," as defined in Section 17039, for a taxable year, the excess credit may be carried over to reduce the "net tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(f) Any recapture, in whole or in part, of a credit approved by the committee pursuant to Section 18410.2 shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from that recapture shall be assessed by the Franchise Tax Board in the same manner as provided by Section 19051. The amount of tax resulting from the recapture shall be added to the tax otherwise due by the taxpayer for the taxable year in which the committee's recapture determination occurred.

(g) (1) The aggregate amount of credit that may be allocated in any fiscal year pursuant to this section and Section 23689 shall be an amount equal to the sum of subparagraphs (A), (B), and (C), less the amount specified in subparagraphs (D) and (E):

(A) Thirty million dollars ($30,000,000) for the 2013–14 fiscal year, one hundred fifty million dollars ($150,000,000) for the 2014–15 fiscal year,

two hundred million dollars ($200,000,000) for each fiscal year from 2015–16 to 2017–18, inclusive, one hundred eighty million dollars ($180,000,000) for each fiscal year from 2018–19 to 2020–21, inclusive, two hundred ninety million dollars ($290,000,000) for the 2021–22 fiscal year, and one hundred eighty million dollars ($180,000,000) for the 2022–23 fiscal year.

(B) The unallocated credit amount, if any, from the preceding fiscal year.

(C) The amount of any previously allocated credits that have been recaptured.

(D) The amount estimated by the Director of Finance, in consultation with the Franchise Tax Board and the California Department of Tax and Fee Administration, to be necessary to limit the aggregation of the estimated amount of exemptions claimed pursuant to Section 6377.1 and of the amounts estimated to be claimed pursuant to this section and Sections 17053.73, 23626, and 23689 to no more than seven hundred fifty million dollars ($750,000,000) for either the current fiscal year or the next fiscal year.

(i) The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee of the estimated annual allocation authorized by this paragraph. Any allocation pursuant to these provisions shall be made no sooner than 30 days after written notification has been provided to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or the Chairperson's designee, may determine.

(ii) In no event shall the amount estimated in this subparagraph be less than zero dollars ($0).

(E) (i) For the 2015–16 fiscal year and each fiscal year thereafter, the amount of credit estimated by the Director of Finance to be allowed to all qualified taxpayers for that fiscal year pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636.

(ii) If the amount available per fiscal year pursuant to this section and Section 23689 is less than the aggregate amount of credit estimated by the Director of Finance to be allowed to qualified taxpayers pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636, the aggregate amount allowed pursuant to Section 23636 shall not be reduced and, in addition to the reduction required by clause (i), the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 for the next fiscal year shall be reduced by the amount of that deficit.

(iii) It is the intent of the Legislature that the reductions specified in this subparagraph of the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 shall continue if the repeal dates of the credits allowed by this section and Section 23689 are removed or extended.

(2) (A) In addition to the other amounts determined pursuant to paragraph (1), the Director of Finance may increase the aggregate amount of credit that may be allocated pursuant to this section and Section 23689 by up to twenty-five million dollars ($25,000,000) per fiscal year through the 2022–23 fiscal year. The amount of any increase made pursuant to this paragraph, when combined with any increase made pursuant to paragraph (2) of subdivision (g) of Section 23689, shall not exceed twenty-five million dollars ($25,000,000) per fiscal year through the 2022–23 fiscal year.

(B) It is the intent of the Legislature that the Director of Finance increase the aggregate amount under subparagraph (A) in order to mitigate the reduction of the amount available due to the credit allowed to all qualified taxpayers pursuant to subparagraph (A) or (B) of paragraph (1) of subdivision (c) of Section 23636.

(3) Each fiscal year through the 2017–18 fiscal year, 25 percent of the aggregate amount of the credit that may be allocated pursuant to this section and Section 23689 shall be reserved for small business, as defined in Section 17053.73 or 23626.

(4) Each fiscal year, no more than 20 percent of the aggregate amount of the credit that may be allocated pursuant to this section shall be allocated to any one taxpayer.

(h) GO-Biz may prescribe rules and regulations as necessary to carry out the purposes of this section. Any rule or regulation prescribed pursuant to this section may be by adoption of an emergency regulation in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(i) A written agreement between GO-Biz and a taxpayer with respect to the credit authorized by this section shall comply with existing law on the date the agreement is executed.

(j) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2029–30 fiscal year, inclusive.

(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(k) This section is repealed on December 1, 2030.

SEC. 14. Section 19551.3 is added to the Revenue and Taxation Code, to read:

19551.3. Notwithstanding any other law, the State Department of Health Care Services shall exchange data with the Franchise Tax Board upon request, including, but not limited to, sufficient identifying information to

allow the State Department of Health Care Services and the Franchise Tax Board to assess the extent to which the State Department of Health Care Services and the Franchise Tax Board can identify individuals enrolled in Medi-Cal who may be eligible for the California Earned Income Tax Credit and the federal Earned Income Tax Credit. The data provided pursuant to this section shall remain confidential and shall be used only for the following purposes:

(a) To analyze and develop a plan to increase the number of eligible claims of the California Earned Income Tax Credit and the federal Earned Income Tax Credit.

(b) To reduce any barriers to tax filing for nonfilers of tax returns who may be eligible for the California Earned Income Tax Credit and the federal Earned Income Tax Credit.

(c) To develop an outline of the changes needed to increase collaboration and coordination among state agencies to inform the greatest number of individuals eligible for the California Earned Income Tax Credit or the federal Earned Income Tax Credit of their eligibility.

SEC. 15. Part 10.4 (commencing with Section 19900) is added to Division 2 of the Revenue and Taxation Code, to read:

PART 10.4. SMALL BUSINESS RELIEF ACT

19900. (a) (1) For taxable years beginning on or after January 1, 2021, and before January 1, 2026, a qualified entity doing business in this state, as defined in Section 23101, and that is required to file a return under Section 18633, 18633.5, or subdivision (a) of Section 18601, may elect to annually pay an elective tax according to or measured by its qualified net income, defined in paragraph (2), computed at the rate of 9.3 percent for the taxable year for which the election is made.

(2) For purposes of this section, the "qualified net income" of a qualified entity means the sum of the pro rata share or distributive share of income subject to tax under Part 10 (commencing with Section 17001) for the taxable year of each qualified taxpayer, as defined in Section 17052.10.

(b) (1) The elective tax authorized by this part shall be in addition to, and not in place of, any other tax or fee required to be paid under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001).

(2) The elective tax described in this part shall be assessed and collected under Part 10.2 (commencing with Section 18401).

(3) Unless the context otherwise requires, the definitions set forth in this part and those in Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), or Part 11 (commencing with Section 23001) shall apply.

(c) (1) The qualified entity may include in its qualified net income the pro rata share or distributive share of the income of any of its partners, shareholders, or members upon their consent. A partner, shareholder, or

member that does not consent does not prevent the qualified entity from making an election to pay the elective tax.

(2) All partners, shareholders, and members of the qualified entity shall be bound by the election made under this part for the taxable year.

(d) The election shall be irrevocable and shall be made on an original, timely filed return required under Part 10.2 (commencing with Section 18401) for the taxable year of the election in the form and manner as prescribed by the Franchise Tax Board.

19902. (a) For purposes of this part, "qualified entity" means an entity that meets both of the following requirements for the taxable year:

(1) The entity is taxed as a partnership or "S" corporation.

(2) The entity's partners, shareholders, or members in that taxable year are exclusively corporations, as defined in Section 23038, or taxpayers as defined in Section 17004, excluding partnerships.

(b) "Qualified entity" shall not include any of the following:

(1) Publicly traded partnerships, as defined in Section 7704 of the Internal Revenue Code, as it read on January 1, 2021, as modified by Section 17008.5.

(2) An entity that is permitted or required to be in a combined reporting group, as defined in paragraph (3) of subdivision (b) of Section 25106.5 of Title 18 of the California Code of Regulations.

19904. (a) The elective tax authorized by this part shall be due and payable as follows:

(1) For taxable years beginning on or after January 1, 2021, and before January 1, 2022, on or before the due date of the original return that the qualified entity is required to file pursuant to Part 10.2 (commencing with Section 18401) without regard to any extension of time for filing the return, for the taxable year of the election made pursuant to Section 19900.

(2) For each taxable year beginning on or after January 1, 2022, and before January 1, 2026, as follows:

(A) On or before June 15th of the taxable year of the election, an amount equal to, or greater than, either 50 percent of the elective tax paid the prior taxable year or one thousand dollars ($1,000), whichever is greater.

(B) On or before the due date of the original return that the qualified entity is required to file pursuant to Part 10.2 (commencing with Section 18401) without regard to any extension of time for filing the return for the taxable year of the election made pursuant to Section 19900, an amount equal to the amount of the elective tax under subdivision (a) of Section 19900, less the payment made on or before June 15th of the taxable year pursuant to subparagraph (A).

(b) For each taxable year beginning on or after January 1, 2022, and before January 1, 2026, if no payment is made as required in subparagraph (A) of paragraph (2) of subdivision (a) in the form and manner as prescribed by the Franchise Tax Board, the qualified entity may not make the election under Section 19900 for that taxable year.

(c) This part shall not change any filing requirements under Part 10 (commencing with Section 17001), Part 10.2 (commencing with Section 18401), or Part 11 (commencing with Section 23001).

(d) (1) The Franchise Tax Board may adopt regulations that are necessary or appropriate to implement this part.

(2) The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to any regulation, rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this part.

19906. (a) Except as provided in subdivision (b), this part shall remain in effect only until December 1, 2026, and as of that date is repealed.

(b) If before December 1, 2026, Section 164(b)(6) of the Internal Revenue Code, relating to the limitation on individual deductions for taxable years 2018 through 2025, as it read on January 1, 2021, is repealed, this part would become inoperative for taxable years beginning on or after the January 1 after Section 164(b)(6) of the Internal Revenue Code, as it read on January 1, 2021, is repealed, and shall be repealed December 1 of that taxable year.

SEC. 16. Section 23628 is added to the Revenue and Taxation Code, to read:

23628. (a) (1) For each taxable year beginning on or after January 1, 2021, and before January 1, 2022, there shall be allowed a small business hiring credit against the "tax," as defined in Section 23036, to a qualified small business employer that receives a tentative credit reservation under Section 6902.10, in an amount calculated pursuant to paragraph (2).

(2) The amount of credit determined by this subdivision shall be equal to the amount calculated pursuant to subparagraph (A) minus the amount calculated pursuant to subparagraph (B).

(A) One thousand dollars ($1,000) for each net increase in qualified employees, as specified in subdivision (c), not to exceed one hundred fifty thousand dollars ($150,000).

(B) If the qualified small business employer received a tentative credit reservation amount pursuant to Section 6902.8, either of the following applies:

(i) For a qualified small business employer that made an irrevocable election pursuant to Section 6902.8 to apply the credit against qualified sales and use taxes pursuant to Section 6902.7, the credit amounts allocated to the qualified small business employer pursuant to Sections 6902.7 and 6902.8.

(ii) For a qualified small business employer that elected to apply the credit under Part 10 (commencing with Section 17001) or Part 11 (commencing with Section 23001), or both, the tentative credit reservation amount received by the qualified small business employer pursuant to Section 6902.8.

(b) For purposes of this section:

(1) "Monthly full-time equivalent" means either of the following:

(A) In the case of a qualified employee paid hourly qualified wages, "monthly full-time equivalent" means the total number of hours employed

per month for the qualified small business employer by the qualified employee, not to exceed 167 hours per month per qualified employee, divided by 167.

(B) In the case of a salaried qualified employee, "monthly full-time equivalent" means the total number of weeks employed per month for the qualified small business employer by the qualified employee divided by 4.33 multiplied by the time base the qualified employee was employed.

(2) (A) "Qualified employee" means an employee who is paid qualified wages by a qualified small business employer.

(B) "Qualified employee" shall not include an employee whose qualified wages are included in calculating any other credit allowed under this part, except for the credit allowed under Section 23627.

(3) (A) "Qualified small business employer" means a taxpayer that as of December 31, 2020, employed a total of 500 or fewer qualified employees and meets either of the following requirements:

(i) Has a decrease of 20 percent or more in gross receipts determined by comparing gross receipts beginning on January 1, 2020, and ending on December 31, 2020, to the gross receipts beginning on January 1, 2019, and ending on December 31, 2019.

(ii) Is a fiscal year filer that has a decrease of 20 percent or more in gross receipts determined by comparing either of the following:

(I) The gross receipts for fiscal year 2019–20 to the gross receipts from fiscal year 2018–19.

(II) The average of gross receipts for fiscal year 2019–20 and fiscal year 2020–21 to the gross receipts from fiscal year 2018–19.

(iii) For a taxpayer that first commences business after January 1, 2019, but on or before January 1, 2020, has a decrease of 20 percent or more in gross receipts in the second quarter of 2020 determined by comparing gross receipts from January 1, 2020, through February 28, 2020, multiplied by 1.5 to the gross receipts for the period beginning on April 1, 2020, and ending on June 30, 2020.

(B) "Qualified small business employer" does not include a taxpayer required to be included in a combined report under Section 25101 or 25110 or authorized to be included in a combined report under Section 25101.15.

(4) "Qualified wages" means wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(5) "Time base" means the fraction of full-time employment that the qualified employee is employed.

(6) "Weeks employed" means the total number of calendar days that a qualified employee was employed by the qualified small business employer during the month, divided by seven, not to exceed 4.33.

(c) The net increase in qualified employees of a qualified small business employer shall be equal to the amount calculated pursuant to paragraph (2) minus the amount calculated pursuant to paragraph (1).

(1) The average monthly full-time equivalent qualified employees employed during the three-month period beginning on April 1, 2020, and ending on June 30, 2020, by the qualified small business employer. The

average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all three months and dividing the total by three.

(2) The lesser of either of the following:

(A) The average monthly full-time equivalent qualified employees employed during the 12-month period beginning on July 1, 2020 and ending on June 30, 2021, by the qualified small business employer. The average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all 12 months and dividing the total by 12.

(B) The average monthly full-time equivalent qualified employees employed during the three-month period beginning on April 1, 2021 and ending on June 30, 2021, by the qualified small business employer. The average monthly full-time equivalent qualified employees is determined by adding the total monthly full-time equivalent qualified employees employed by the qualified small business employer for all three months and dividing the total by three.

(d) If the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and succeeding four years if necessary, until the credit is exhausted.

(e) A deduction otherwise allowed under this part for qualified wages shall be reduced by the amount of the credit allowed under this section.

(f) For purposes of this section:

(1) All employees of the trades or businesses that are treated as related under Section 267, 318, or 707 of the Internal Revenue Code shall be treated as employed by a single qualified small business employer.

(2) If a qualified small business employer changes its business form to a different entity type after receiving a tentative credit reservation under Section 6902.10 and continues operation, the new entity shall be allowed the credit, and the determination of the amount of the credit under this section with respect to qualified wages paid or incurred by the qualified small business employer shall apply to the new entity as if those qualified wages were paid or incurred by the new entity.

(g) Notwithstanding Section 23803, an "S" corporation that makes the election under Section 6902.10 shall be allowed to apply the full credit amount against qualified sales and use tax, and no amount of credit shall be allowed to reduce the shareholder's liability under Part 10 (commencing with Section 17001).

(h) (1) A credit under this section or Section 17053.71 shall be allowed only for credits claimed on timely filed original returns.

(2) The date a return is received shall be determined by the Franchise Tax Board.

(3) (A) The determinations of the Franchise Tax Board with respect to whether a return has been timely filed for purposes of this subdivision may not be reviewed in any administrative or judicial proceeding.

(B) A disallowance of a credit claimed due to a determination under this subdivision or the application of the limitation specified in Section 6902.10 shall be treated as a mathematical error appearing on the return. An amount of tax resulting from that disallowance may be assessed by the Franchise Tax Board in the same manner as provided by Section 19051.

(i) (1) The Franchise Tax Board may prescribe any regulations necessary or appropriate to carry out the purposes of this section.

(2) The Franchise Tax Board may adopt rules, guidelines, procedures, or other guidance to carry out the purposes of this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any regulation, rule, guideline, procedure, or other guidance adopted by the Franchise Tax Board pursuant to this section.

(j) Notwithstanding Section 19542, the Franchise Tax Board may provide to the California Department of Tax and Fee Administration, only to the extent allowed under federal law, information related to the credit allowed by Section 6902.9, this section, and Section 17053.71, including, but not limited to, the qualified small business employer names, amounts of tax credits allowed under each section, amount of gross receipts, and the net increase in qualified employees.

(k) This section shall remain in effect only until December 1, 2022, and as of that date is repealed.

SEC. 17. Section 23629 is added to the Revenue and Taxation Code, to read:

23629. (a) (1) For each taxable year beginning on or after January 1, 2022, and before January 1, 2027, there shall be allowed to a qualified taxpayer that employs an eligible individual a credit against the "tax," as defined in Section 23036, an amount as determined pursuant to paragraph (2), not to exceed thirty thousand dollars ($30,000) per taxpayer per taxable year.

(2) A qualified taxpayer shall be allowed the credit pursuant to this section in the following amounts per taxable year:

(A) Two thousand five hundred dollars ($2,500) for each eligible individual that works at least 500 hours, but fewer than 1,000 hours, for the eligible employer during the taxable year in which the credit is claimed.

(B) Five thousand dollars ($5,000) for each eligible individual that works at least 1,000 hours, but fewer than 1,500 hours, for the eligible employer during the taxable year in which the credit is claimed.

(C) Seven thousand five hundred dollars ($7,500) for each eligible individual that works at least 1,500 hours, but fewer than 2,000 hours, for the eligible employer during the taxable year in which the credit is claimed.

(D) Ten thousand dollars ($10,000) for each eligible individual that works at least 2,000 hours for the eligible employer during the taxable year in which the credit is claimed.

(b) For purposes of this section:

(1) "Continuum of care" has the same meaning as in Section 578.3 of Title 24 of the Code of Federal Regulations.

(2) "Coordinated entry system" means a centralized or coordinated assessment system developed pursuant to Section 578.7 of Title 24 of the Code of Federal Regulations, designed to coordinate homelessness program participant intake, assessment, and provision of referrals.

(3) "Eligible employer" means a taxpayer that meets all of the following requirements:

(A) Pays wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code.

(B) Pays at least 120 percent of minimum wage.

(C) Provides to the Franchise Tax Board, upon request, a copy of the certification received for each eligible individual for each tax year that the credit is claimed for that eligible individual by that eligible employer.

(4) "Eligible individual" means a person who meets both of the following criteria:

(A) The person is homeless on the date of the hire or anytime during the 180-day period immediately before the hire, or someone who is receiving supportive services from a homeless services provider as designated by a local continuum of care or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System.

(B) The person has been issued a certification pursuant to paragraph (2) of subdivision (c), and that certification has not expired.

(5) "Homeless Management Information System" has the same meaning as in Section 578.3 of Title 24 of the Code of Federal Regulations. "Homeless Management Information System" includes the use of a comparable database by a victim services provider or legal services provider that is permitted by the federal government under Part 576 of Title 24 of the Code of Federal Regulations.

(6) "Person is homeless" means the same as "homeless" as defined in Section 578.3 of Title 24 of the Code of Federal Regulations.

(7) "Minimum wage" means the wage established pursuant to Chapter 1 (commencing with Section 1171) of Part 4 of Division 2 of the Labor Code.

(8) "Qualified taxpayer" means an eligible employer that pays wages subject to withholding under Division 6 (commencing with Section 13000) of the Unemployment Insurance Code to an eligible individual.

(c) (1) A credit shall not be allowed under this section unless the eligible employer submits to the Franchise Tax Board, upon request, an eligible employer certification issued by a continuum of care, or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System, or other program as specified by the Franchise Tax Board.

(2) A continuum of care or a community-based service provider that is connected to the local coordinated entry system or to a local Homeless Management Information System, in coordination with the Franchise Tax Board, shall issue certifications to eligible individuals and to eligible employers.

(3) A certification issued pursuant to this subdivision shall expire one year after issuance.

(d) (1) The total aggregate amount of the credit that may be allocated by credit reservations per calendar year to all qualified taxpayers pursuant to this section and Section 17053.80 shall not exceed thirty million dollars ($30,000,000), plus the unallocated credit amount, if any, from the preceding calendar year.

(2) A qualified taxpayer shall claim the credit on a timely filed original return of the qualified taxpayer and only with respect to an eligible individual for whom the qualified taxpayer has received a credit reservation.

(3) (A) To be eligible for the credit allowed by this section with respect to an eligible individual, a qualified taxpayer shall, upon hiring an eligible individual, request a credit reservation from the Franchise Tax Board within 30 days of complying with the Employment Development Department's new hire reporting requirements as provided in Section 1088.5 of the Unemployment Insurance Code, in the form and manner prescribed by the Franchise Tax Board.

(B) To obtain a credit reservation with respect to an eligible individual, the qualified taxpayer shall provide necessary information, as determined by the Franchise Tax Board, including the name, social security number, how many hours the eligible individual is expected to work for the next 12 months, and the start date of employment.

(4) The Franchise Tax Board shall do both of the following:

(A) Approve a tentative credit reservation with respect to an eligible individual hired during a taxable year.

(B) Subject to the annual cap established as provided in paragraph (1), allocate an aggregate amount of credits under this section and Section 17053.80, and allocate any carryover of unallocated credits from prior years.

(e) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following taxable year, and succeeding two years if necessary, until the credit is exhausted.

(f) If the credit allowed by this section is claimed by the qualified taxpayer, a deduction otherwise allowed under this part for any amount of wages paid or incurred by the qualified taxpayer as a trade or business expense to an eligible individual shall be reduced by the amount of the credit allowed by this section.

(g) The Franchise Tax Board may prescribe rules, guidelines, or procedures necessary or appropriate to carry out the purposes of this section, including any guidelines regarding the allocation of the credit allowed under this section. Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any rule, guideline, or procedure prescribed by the Franchise Tax Board pursuant to this section.

(h) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

SEC. 18. Section 23688.5 of the Revenue and Taxation Code is amended to read:

23688.5. (a) In the case of a qualified taxpayer who donates qualified donation items to a food bank located in California under Chapter 5 (commencing with Section 58501) of Part 1 of Division 21 of the Food and Agricultural Code, for taxable years beginning on or after January 1, 2017, and before January 1, 2027, there shall be allowed as a credit against the "tax," defined by Section 23036, an amount equal to 15 percent of the qualified value of those qualified donation items.

(b) For purposes of this section:

(1) "Qualified donation item" means fresh fruits or fresh vegetables and the following raw agricultural products or processed foods:

(A) All of the following:

(i) "Fruits, nuts, or vegetables" as defined in Section 42510 of the Food and Agricultural Code.

(ii) "Meat food product" as defined in Section 18665 of the Food and Agricultural Code.

(iii) "Poultry" as defined in Section 18675 of the Food and Agricultural Code.

(iv) "Eggs" as defined in Section 75027 of the Food and Agricultural Code.

(v) "Fish" as defined in Section 58609 of the Food and Agricultural Code.

(B) All of the following food as defined in Section 109935 of the Health and Safety Code:

(i) Rice.

(ii) Beans.

(iii) Fruits, nuts, and vegetables in canned, frozen, dried, dehydrated, and 100 percent juice forms.

(iv) Any cheese, milk, yogurt, butter, and dehydrated milk meeting the requirements in Division 15 (commencing with Section 32501) of the Food and Agricultural Code.

(v) Infant formula subject to Section 114094.5 of the Health and Safety Code.

(vi) Vegetable oil and olive oil.

(vii) Soup, pasta sauce, and salsa.

(viii) Bread and pasta.

(ix) Canned meats and canned seafood.

(2) (A) "Qualified taxpayer" means the person responsible for planting a crop, managing the crop, and harvesting the crop from the land.

(B) (i) "Qualified taxpayer" also means the person responsible for growing or raising a qualified donation item, or harvesting, packing, or processing a qualified donation item, provided that person is not a retailer.

(ii) As used in this subparagraph, "retailer" means a person primarily engaged in the business of making retail sales directly to the public.

(3) (A) "Qualified value" shall be calculated by using the weighted average wholesale price based on the qualified taxpayer's total like grade wholesale sales of the donated item sold within the calendar month of the qualified taxpayer's donation.

(B) If no wholesale sales of the donated item have occurred in the calendar month of the qualified taxpayer's donation, the "qualified value" shall be equal to the nearest regional wholesale market price for the calendar month of the donation based upon the same grade products as published by the United States Department of Agriculture's Agricultural Marketing Service or its successor.

(c) If the credit allowed by this section is claimed by the qualified taxpayer, any deduction otherwise allowed under this part for that amount of the cost paid or incurred by the qualified taxpayer that is eligible for the credit shall be reduced by the amount of the credit provided in subdivision (a).

(d) The qualified taxpayer shall provide to the food bank the qualified value of the qualified donation items and information regarding the origin of where the qualified donation items were grown, processed, or both grown and processed. Upon receipt of the qualified donation items, the food bank shall provide a certificate to the qualified taxpayer. The certificate shall contain a statement signed and dated by a person authorized by that food bank that the item is donated under Chapter 5 (commencing with Section 58501) of Part 1 of Division 21 of the Food and Agricultural Code. The certificate shall also contain the type and quantity of items donated, the name of the qualified taxpayer or the qualified taxpayers, the name and address of the food bank, and, as provided by the qualified taxpayer, the qualified value of the qualified donation items and their origins. Upon the request of the Franchise Tax Board, the qualified taxpayer shall provide a copy of the certification to the Franchise Tax Board.

(e) The credit allowed by this section may be claimed only on a timely filed original return.

(f) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and for the six succeeding years if necessary, until the credit has been exhausted.

(g) This section shall be repealed on December 1, 2027.

(h) The amendments made to this section by Chapter 431 of the Statutes of 2019 shall apply to taxable years beginning on or after January 1, 2020.

SEC. 19. Section 23689 of the Revenue and Taxation Code is amended to read:

23689. (a) (1) For each taxable year beginning on and after January 1, 2014, and before January 1, 2030, there shall be allowed as a credit against the "tax," as defined in Section 23036, an amount as determined by the committee pursuant to paragraph (2) and approved pursuant to Section 18410.2.

(2) The credit under this section shall be allocated by GO-Biz with respect to the 2013–14 fiscal year through and including the 2022–23 fiscal year. The amount of credit allocated to a taxpayer with respect to a fiscal year pursuant to this section shall be as set forth in a written agreement between GO-Biz and the taxpayer and shall be based on the following factors:

(A) The number of jobs the taxpayer will create or retain in this state.

(B) The compensation paid or proposed to be paid by the taxpayer to its employees, including wages and fringe benefits.

(C) The amount of investment in this state by the taxpayer.

(D) The extent of unemployment or poverty in the area according to the United States Census in which the taxpayer's project or business is proposed or located.

(E) The incentives available to the taxpayer in this state, including incentives from the state, local government, and other entities.

(F) The incentives available to the taxpayer in other states.

(G) The duration of the proposed project and the duration the taxpayer commits to remain in this state.

(H) The overall economic impact in this state of the taxpayer's project or business.

(I) The strategic importance of the taxpayer's project or business to the state, region, or locality.

(J) The opportunity for future growth and expansion in this state by the taxpayer's business.

(K) The extent to which the anticipated benefit to the state exceeds the projected benefit to the taxpayer from the tax credit.

(L) For a credit allocated beginning with the 2018–19 fiscal year, the training opportunities offered by the taxpayer to its employees.

(3) The written agreement entered into pursuant to paragraph (2) shall include:

(A) Terms and conditions that include the taxable year or years for which the credit allocated shall be allowed, a minimum compensation level, and a minimum job retention period.

(B) Provisions indicating whether the credit is to be allocated in full upon approval or in increments based on mutually agreed upon milestones when satisfactorily met by the taxpayer.

(C) Provisions that allow the committee to recapture the credit, in whole or in part, if the taxpayer fails to fulfill the terms and conditions of the written agreement.

(b) For purposes of this section:

(1) "Committee" means the California Competes Tax Credit Committee established pursuant to Section 18410.2.

(2) "GO-Biz" means the Governor's Office of Business and Economic Development.

(c) For purposes of this section, GO-Biz shall do the following:

(1) Give priority to a taxpayer whose project or business is located or proposed to be located in an area of high unemployment or poverty.

(2) Negotiate with a taxpayer the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer.

(3) Provide the negotiated written agreement to the committee for its approval pursuant to Section 18410.2.

(4) Inform the Franchise Tax Board of the terms and conditions of the written agreement upon approval of the written agreement by the committee.

(5) Inform the Franchise Tax Board of any recapture, in whole or in part, of a previously allocated credit upon approval of the recapture by the committee.

(6) Post on its internet website all of the following:

(A) The name of each taxpayer allocated a credit pursuant to this section.

(B) The estimated amount of the investment by each taxpayer.

(C) The estimated number of jobs created or retained.

(D) The amount of the credit allocated to the taxpayer.

(E) The amount of the credit recaptured from the taxpayer, if applicable.

(F) The primary location where the taxpayer has committed to increasing the net number of jobs or make investments. The primary location shall be listed by city or, in the case of unincorporated areas, by county.

(G) Information that identifies each tax credit award that was given a priority for being located in a high unemployment or poverty area, pursuant to paragraph (1).

(7) For allocation periods beginning with the 2018–19 fiscal year, when determining whether to enter into a written agreement with a taxpayer pursuant to this section, GO-Biz shall consider the extent to which the credit will influence the taxpayer's ability, willingness, or both, to create jobs in this state that might not otherwise be created in the state by the taxpayer or any other taxpayer. GO-Biz may also consider other factors, including, but not limited to, the following:

(A) The financial solvency of the taxpayer and the taxpayer's ability to finance its proposed expansion.

(B) The taxpayer's current and prior compliance with federal and state laws.

(C) Current and prior litigation involving the taxpayer.

(D) The reasonableness of the fee arrangement between the taxpayer and any third party providing any services related to the credit allowed pursuant to this section.

(E) Any other factors GO-Biz deems necessary to ensure that the administration of the credit allowed pursuant to this section is a model of accountability and transparency and that the effective use of the limited amount of credit available is maximized.

(d) For purposes of this section, the Franchise Tax Board shall do all of the following:

(1) (A) Except as provided in subparagraph (B), review the books and records of all taxpayers allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and GO-Biz.

(B) In the case of a taxpayer that is a "small business," as defined in Section 23626, review the books and records of the taxpayer allocated a credit pursuant to this section to ensure compliance with the terms and conditions of the written agreement between the taxpayer and GO-Biz when, in the sole discretion of the Franchise Tax Board, a review of those books and records is appropriate or necessary in the best interests of the state.

(2) Notwithstanding Section 19542, notify GO-Biz of a possible breach of the written agreement by a taxpayer and provide detailed information regarding the basis for that determination.

(e) In the case where the credit allowed under this section exceeds the "tax," as defined in Section 23036, for a taxable year, the excess credit may be carried over to reduce the "tax" in the following taxable year, and succeeding five taxable years, if necessary, until the credit has been exhausted.

(f) Any recapture, in whole or in part, of a credit approved by the committee pursuant to Section 18410.2 shall be treated as a mathematical error appearing on the return. Any amount of tax resulting from that recapture shall be assessed by the Franchise Tax Board in the same manner as provided by Section 19051. The amount of tax resulting from the recapture shall be added to the tax otherwise due by the taxpayer for the taxable year in which the committee's recapture determination occurred.

(g) (1) The aggregate amount of credit that may be allocated in any fiscal year pursuant to this section and Section 17059.2 shall be an amount equal to the sum of subparagraphs (A), (B), and (C), less the amount specified in subparagraphs (D) and (E):

(A) Thirty million dollars ($30,000,000) for the 2013–14 fiscal year, one hundred fifty million dollars ($150,000,000) for the 2014–15 fiscal year, two hundred million dollars ($200,000,000) for each fiscal year from 2015–16 to 2017–18, inclusive, one hundred eighty million dollars ($180,000,000) for each fiscal year from 2018–19 to 2020–21, inclusive, two hundred ninety million dollars ($290,000,000) for the 2021–22 fiscal year, and one hundred eighty million dollars ($180,000,000) for the 2022–23 fiscal year.

(B) The unallocated credit amount, if any, from the preceding fiscal year.

(C) The amount of any previously allocated credits that have been recaptured.

(D) The amount estimated by the Director of Finance, in consultation with the Franchise Tax Board and the California Department of Tax and Fee Administration, to be necessary to limit the aggregation of the estimated amount of exemptions claimed pursuant to Section 6377.1 and of the amounts estimated to be claimed pursuant to this section and Sections 17053.73, 17059.2, and 23626 to no more than seven hundred fifty million dollars ($750,000,000) for either the current fiscal year or the next fiscal year.

(i) The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee of the estimated annual allocation authorized by this paragraph. Any allocation pursuant to these provisions shall be made no sooner than 30 days after written notification has been provided to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or the Chairperson's designee, may determine.

(ii) In no event shall the amount estimated in this subparagraph be less than zero dollars ($0).

(E) (i) For the 2015–16 fiscal year and each fiscal year thereafter, the amount of credit estimated by the Director of Finance to be allowed to all qualified taxpayers for that fiscal year pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636.

(ii) If the amount available per fiscal year pursuant to this section and Section 17059.2 is less than the aggregate amount of credit estimated by the Director of Finance to be allowed to qualified taxpayers pursuant to subparagraph (A) or subparagraph (B) of paragraph (1) of subdivision (c) of Section 23636, the aggregate amount allowed pursuant to Section 23636 shall not be reduced and, in addition to the reduction required by clause (i), the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 for the next fiscal year shall be reduced by the amount of that deficit.

(iii) It is the intent of the Legislature that the reductions specified in this subparagraph of the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 shall continue if the repeal dates of the credits allowed by this section and Section 17059.2 are removed or extended.

(2) (A) In addition to the other amounts determined pursuant to paragraph (1), the Director of Finance may increase the aggregate amount of credit that may be allocated pursuant to this section and Section 17059.2 by up to twenty-five million dollars ($25,000,000) per fiscal year through the 2022–23 fiscal year. The amount of any increase made pursuant to this paragraph, when combined with any increase made pursuant to paragraph (2) of subdivision (g) of Section 17059.2, shall not exceed twenty-five million dollars ($25,000,000) per fiscal year through the 2022–23 fiscal year.

(B) It is the intent of the Legislature that the Director of Finance increase the aggregate amount under subparagraph (A) in order to mitigate the reduction of the amount available due to the credit allowed to all qualified taxpayers pursuant to subparagraph (A) or (B) of paragraph (1) of subdivision (c) of Section 23636.

(3) Each fiscal year through the 2017–18 fiscal year, 25 percent of the aggregate amount of the credit that may be allocated pursuant to this section and Section 17059.2 shall be reserved for “small business,” as defined in Section 17053.73 or 23626.

(4) Each fiscal year, no more than 20 percent of the aggregate amount of the credit that may be allocated pursuant to this section shall be allocated to any one taxpayer.

(h) GO-Biz may prescribe rules and regulations as necessary to carry out the purposes of this section. Any rule or regulation prescribed pursuant to this section may be by adoption of an emergency regulation in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(i) (1) A written agreement between GO-Biz and a taxpayer with respect to the credit authorized by this section shall not restrict, broaden, or otherwise

alter the ability of the taxpayer to assign that credit or any portion thereof in accordance with Section 23663.

(2) A written agreement between GO-Biz and a taxpayer with respect to the credit authorized by this section must comply with existing law on the date the agreement is executed.

(j) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of credits that will be claimed under this section with respect to each fiscal year from the 2013–14 fiscal year to the 2029–30 fiscal year, inclusive.

(2) The Franchise Tax Board shall annually provide to the Joint Legislative Budget Committee, by no later than March 1, a report of the total dollar amount of the credits claimed under this section with respect to the relevant fiscal year. The report shall compare the total dollar amount of credits claimed under this section with respect to that fiscal year with the department's estimate with respect to that same fiscal year. If the total dollar amount of credits claimed for the fiscal year is less than the estimate for that fiscal year, the report shall identify options for increasing annual claims of the credit so as to meet estimated amounts.

(k) This section is repealed on December 1, 2030.

SEC. 20. Section 23691 of the Revenue and Taxation Code is amended to read:

23691. For each taxable year beginning on or after January 1, 2021, and before January 1, 2027, there shall be allowed to a taxpayer that receives a tax credit allocation a credit against the "tax," as defined in Section 23036, in an amount determined in accordance with Section 47 of the Internal Revenue Code, except as follows:

(a) (1) In lieu of the percentage specified in Section 47(a) of the Internal Revenue Code, except as provided in paragraph (2), the applicable percentage shall be 20 percent of the qualified rehabilitation expenditures with respect to a certified historic structure.

(2) The applicable percentage shall be 25 percent of the qualified rehabilitation expenditures with respect to a certified historic structure if that certified historic structure meets one of the following criteria:

(A) The structure is located on federal surplus property, if obtained by a local agency under Section 54142 of the Government Code, on surplus state real property, as defined by Section 11011.1 of the Government Code, or on surplus land, as defined by subdivision (b) of Section 54221 of the Government Code.

(B) The rehabilitated structure includes affordable housing for lower-income households, as defined by Section 50079.5 of the Health and Safety Code.

(C) The structure is located in a designated census tract, as defined in paragraph (7) of subdivision (b) of Section 17053.73.

(D) The rehabilitated structure is a part of a military base reuse authority established pursuant to Title 7.86 (commencing with Section 67800) of the Government Code.

(E) The structure is a transit-oriented development that is a higher density, mixed-use development within a walking distance of one-half mile of a transit station.

(b) For purposes of this section, the following definitions shall apply:

(1) "Certified historic structure" has the same meaning as defined in Section 47(c)(3) of the Internal Revenue Code, that is a structure in this state and is listed on the California Register of Historical Resources.

(2) "Qualified rehabilitation expenditure" has the same meaning as that term is defined in Section 47(c)(2) of the Internal Revenue Code, except that qualified rehabilitation expenditures may include expenditures in connection with the rehabilitation of a building without regard to whether any portion of the building is or is reasonably expected to be tax-exempt use property.

(c) (1) To be eligible for the credit allowed by this section, a taxpayer shall request a tax credit allocation from the California Tax Credit Allocation Committee, in conjunction with the Office of Historic Preservation.

(2) To obtain a tax credit allocation, the taxpayer shall provide necessary information, as determined by the Office of Historic Preservation and the California Tax Credit Allocation Committee.

(3) A tax credit allocation provided to a taxpayer shall not constitute a determination by the California Tax Credit Allocation Committee with respect to any of the requirements of this section regarding a taxpayer's eligibility for the credit authorized by this section.

(4) The Office of Historic Preservation shall establish in regulations the time period that a taxpayer who receives a tax credit allocation must commence rehabilitation after the issuance of the tax credit allocation. If rehabilitation is not commenced within the time period established by the office, the tax credit allocation shall be forfeited and the credit amount associated with the tax credit allocation shall be treated as an unused allocation tax credit amount.

(d) A deduction shall not be allowed under this part for any expense for which a credit for that expense is allowed by this section.

(e) If a credit is allowed under this section with respect to any property, the basis of that property shall be reduced by the amount of the credit allowed.

(f) (1) A credit allowed under this section shall be claimed in the first taxable year in which the structure is placed in service.

(2) In the case where the credit allowed by this section exceeds the "tax," the excess may be carried over to reduce the "tax" in the following year, and the seven succeeding years, if necessary, until the credit is exhausted.

(g) For purposes of this section, the Office of Historic Preservation shall do all of the following:

(1) Adopt regulations to implement the requirements of this section. The regulations shall comply with the requirements of the rulemaking provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

(2) Establish a written application, on a form jointly prescribed by the office and the California Tax Credit Allocation Committee, for the allocation of the tax credit. The written application shall require the applicant to include a summary of the expected economic benefits of the project. The economic benefits shall include, but are not limited to, all of the following:

(A) The number of jobs created by the rehabilitation project, both during and after the rehabilitation of the structure.

(B) The expected increase in state and local tax revenues derived from the rehabilitation project, including those from increased wages and property taxes.

(C) Any additional incentives or contributions included in the rehabilitation project from federal, state, or local governments.

(3) Establish a process to determine that applicants meet the requirements of this section and to ensure that the rehabilitation project meets the Secretary of the Interior's Standards for Rehabilitation, as found in Part 67 of Title 36 of the Code of Federal Regulations.

(4) Establish a process to approve, or reject, all tax credit allocation applications.

(h) For purposes of this section, the California Tax Credit Allocation Committee shall do all of the following:

(1) Establish a process jointly with the Office of Historic Preservation to implement the provisions of this section.

(2) (A) Subject to the annual cap established as provided in subdivision (i), allocate on a first-come-first-served basis an aggregate amount of credits under this section and Section 17053.91, and allocate any carryover of unallocated credits from prior years.

(B) A taxpayer shall be allocated a tax credit pursuant to the taxpayer's tax credit allocation upon receipt by the California Tax Credit Allocation Committee of a cost certification for the qualified rehabilitation expenditures. For projects with qualified rehabilitation expenditures in excess of two hundred fifty thousand dollars ($250,000), the cost certification shall be issued by a licensed certified public accountant.

(3) Certify tax credits allocated to taxpayers.

(4) Provide the Franchise Tax Board an annual list of the taxpayers that were allocated a credit pursuant to this section and Section 17053.91 including each taxpayer's taxpayer identification number, and the amount allocated to each taxpayer.

(i) (1) The aggregate amount of credits that may be allocated in any calendar year pursuant to this section and Section 17053.91 shall be an amount equal to the sum of all of the following:

(A) Fifty million dollars ($50,000,000) in tax credits for the 2021 calendar year and each calendar year thereafter, through and including the 2027 calendar year.

(B) The unused allocation tax credit amount, if any, for the preceding calendar year.

(2) Notwithstanding the foregoing, the California Tax Credit Allocation Committee shall set aside eight million dollars ($8,000,000) of tax credits

that may be allocated each calendar year for taxpayers in the aggregate, pursuant to this paragraph and subparagraph (B) of paragraph (2) of subdivision (i) of Section 17053.91, with qualified rehabilitation expenditures of less than one million dollars ($1,000,000). To the extent that this amount is not fully allocated in any calendar year, the unused portion shall become available in subsequent calendar years for allocation to other taxpayers, except those taxpayers subject to subparagraph (A) of paragraph (2) of subdivision (i) of Section 17053.91.

(j) In the case of any application for tax credits by an entity treated as a partnership for income tax purposes:

(1) Credits awarded to a partnership shall be allocated to the partners of that partnership in accordance with the partnership agreement, regardless of how the federal historic rehabilitation tax credit with respect to the project is allocated to the partners, or whether the allocation of the credit under the terms of the partnership agreement has substantial economic effect, within the meaning of Section 704(b) of the Internal Revenue Code.

(2) To the extent the allocation of the credit to a partner under this section lacks substantial economic effect, any loss or deduction otherwise allowable under this part that is attributable to the sale or other disposition of that partner's partnership interest made prior to the expiration of the tax credit recapture period for the project described in paragraph (1) shall not be allowed in the taxable year in which the sale or other disposition occurs, but shall instead be deferred until, and treated as if, it occurred in the first taxable year immediately following the taxable year in which the tax credit recapture period expires for the project described in paragraph (1). The credits awarded to a partnership shall be allocated to the partners of that partnership in accordance with the partnership agreement.

(k) For purposes of this section, the provisions of subsection (a) of Section 50 of the Internal Revenue Code shall apply.

(*l*) Notwithstanding any other provision of this part, a credit allowed pursuant to this section may reduce the "tax" below the tentative minimum tax, as defined by paragraph (1) of subdivision (a) of Section 23455.

(m) This section shall remain in effect regardless of the expiration or repeal of Section 47 of the Internal Revenue Code, relating to rehabilitation credit.

(n) The California Tax Credit Allocation Committee and the Office of Historic Preservation may charge a reasonable fee in an amount that does not exceed the reasonable costs incurred by the California Tax Credit Allocation Committee and the Office of Historic Preservation in fulfilling the responsibilities described in paragraphs (4) and (5) of subdivision (g) and subdivision (h) and paragraphs (4) and (5) of subdivision (g) and subdivision (h) of Section 17053.91.

(o) (1) This section shall remain in effect only until December 1, 2027, and as of that date is repealed.

(2) Unless otherwise specified in any bill providing for appropriations related to the Budget Act, for taxable years beginning on or after January

1, 2021, and before January 1, 2027, the amount of credit allowed pursuant to this section shall be zero dollars ($0).

SEC. 21. Section 23 of Chapter 8 of the Statutes of 2020, as added by Section 12 of Chapter 34 of the Statutes of 2019, is repealed.

SEC. 22. Notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made by this act for purposes of Section 2230 of the Revenue and Taxation Code and the state shall not reimburse any local agency for any sales and use tax revenues lost by it as a result of the amendments to Sections 6369.9 and 6369.10 of the Revenue and Taxation Code made by this act as required by Section 2230 of the Revenue and Taxation Code.

SEC. 23. (a) For purposes of complying with Section 41 of the Revenue and Taxation Code, the purpose of the small business hiring credits allowed by Sections 6902.9, 17053.71, and 23628 of the Revenue and Taxation Code, as added by this act (hereafter "the credits" for purposes of this section), is to provide financial relief for the economic disruptions resulting from COVID-19 that have resulted in unprecedented job losses.

(b) To measure if the credits achieve their intended purpose, the following performance indicators shall be used:

(1) The number of applications received for tentative credit reservation.

(2) The net increase in number of qualified employees represented on applications for tentative credit reservation.

(3) The average credit amount on tax returns claiming the credit.

(c) (1) By January 1, 2024, or earlier if data is available, the Franchise Tax Board shall report to the Legislature the information under subdivision (b) for credits claimed under Sections 17053.71 and 23628 of the Revenue and Taxation Code, respectively, and the California Department of Tax and Fee Administration shall report to the Legislature for credits claimed under Section 6902.9 of the Revenue and Taxation Code.

(2) A report submitted pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

(3) The disclosure provisions of this subdivision shall be treated as an exception to Section 19542 under Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2 of the Revenue and Taxation Code.

SEC. 24. For purposes of complying with Section 41 of the Revenue and Taxation Code, with respect to Sections 17053.91 and 23691 of the Revenue and Taxation Code as amended by this act (hereafter "the credits" for purposes of this section):

(a) The specific goals, purposes, and objectives that the credits allowed by this act will achieve are as follows:

(1) Leveraging private investment.

(2) Creating construction jobs and other ongoing jobs.

(3) Creating economic activity.

(b) Detailed performance indicators for the Legislature to use in determining whether the credits allowed by this act meet those goals, purposes, and objectives:

(1) The amount of private sector investment enabled by allocation of the credits allowed by this act for the taxable year beginning on or after January 1, 2026, and before January 1, 2027.

(2) The number of construction jobs created as a result of this investment.

(c) The data collection requirements for determining whether the credits are meeting, failing to meet, or exceeding those specific goals, purposes, and objectives are as follows:

(1) To assist the Legislature in measuring the determining whether the tax credits allowed by this act meet the goals, purposes, and objectives specified in subdivision (a), and in carrying out their duties under Section 38.10 of the Revenue and Taxation Code, the Legislative Analyst may request information from the California Tax Credit Allocation Committee and the Office of Historic Preservation relating to projects approved for the tax credits allowed by this act for the taxable year beginning on or after January 1, 2026, and before January 1, 2027.

(2) The California Tax Credit Allocation Committee and the Office of Historic Preservation shall provide any data requested by the Legislative Analyst pursuant to this subdivision.

SEC. 25. For the purposes of complying with Section 41 of the Revenue and Taxation Code, with respect to Sections 17059.2 and 23689 of the Revenue and Taxation Code as amended by this act, (hereafter "the credits" for purposes of this section) the Legislature finds and declares all of the following:

(a) The specific goal, purpose, and objective that the credits will achieve is to encourage business operations in the state.

(b) Detailed performance indicators for the Legislature to use in determining whether the credits meet the goal, purpose, and objective described in subdivision (a) are the number of taxpayers that have claimed credits under the act, and the amount of the credit claimed.

(c) The Legislative Analyst's Office shall collaborate with the Franchise Tax Board to review whether the demand for these credits justified the additional allocation of credits, and if the characteristics of the credits allocated under the additional allocation of credits differed significantly from the credits typically allocated. The review shall include, but is not limited to, an analysis of the demand for the additional credits allocated in the 2020–21 fiscal year authorized by this act and the economic impact of those credits. The Legislative Analyst's Office shall report its review to the Legislature by January 1, 2023, and in compliance with Section 9795 of the Government Code.

(d) The data collection requirements for determining whether the credits meet, fail to meet, or exceed the specific goal, purpose, and objective described in subdivision (a) are:

(1) To assist the Legislature in determining whether the credits meet the specific goal, purpose, and objective described in subdivision (a), and in order to carry out its duties pursuant to subdivision (c), the Legislative Analyst's Office may request information from the Franchise Tax Board.

(2) (A) The Franchise Tax Board shall provide any data requested by the Legislative Analyst's Office pursuant to this subdivision.

(B) The disclosure provisions of this paragraph shall be treated as an exception to Section 19542 under Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2 of Division 2 of the Revenue and Taxation Code.

SEC. 26. For purposes of complying with Section 41 of the Revenue and Taxation Code, with respect to Sections 17053.80 and 23629 of the Revenue and Taxation Code as added by this act (hereafter "the credits" for purposes of this section), the Legislature finds and declares the following:

(a) The goal of the credits is to encourage employers to hire and retain individuals from the homeless population who have been found to face systemic barriers to employment.

(b) (1) The effectiveness of the credits shall be measured by an annual written report created by the Franchise Tax Board that contains all of the following information:

(A) The number of employers who applied for credit reservations in the second calendar year prior to the year the report is posted.

(B) The aggregate amount of credits reserved in the second calendar year prior to the year the report is posted.

(C) The aggregate amount of credits claimed on tax returns during the preceding calendar year.

(2) (A) On or before April 1, 2024, and annually thereafter while the credits are in effect, the Franchise Tax Board shall post on its internet website the written report required by paragraph (1). The disclosure provisions of paragraph shall be treated as an exception to Section 19542 under Article 2 (commencing with Section 19542) of Chapter 7 of Part 10.2 of Division 2 of the Revenue and Taxation Code.

(B) A letter indicating that the report is posted on the Franchise Tax Board internet website shall be delivered to the Chief Clerk of the Assembly and the Secretary of the Senate within four calendar days of the report being posted. The Chief Clerk of the Assembly and the Secretary of the Senate shall distribute the notice as they deem appropriate.

SEC. 27. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

SEC. 28. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.

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