

AMENDED IN ASSEMBLY MAY 1, 2008

AMENDED IN SENATE JANUARY 7, 2008

SENATE BILL

No. 585

Introduced by Senator Lowenthal

February 22, 2007

~~An act to amend Sections 22507.8, 22511.7, 22511.8, and 40203.5 of the Vehicle Code, relating to parking for persons with disabilities. An act to amend Sections 12206, 17058, and 23610.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 585, as amended, Lowenthal. ~~Vehicles: disabled parking. Farmworker housing assistance tax credits.~~

Existing law establishes a low-income housing tax credit program, administered by the California Tax Credit Allocation Committee, which provides procedures and requirements for the allocation of state tax credit amounts among low-income housing projects based on federal law. Existing law also establishes a farmworker housing assistance program and prescribes requirements for claiming tax credits under the program, including a requirement that expenditures upon which the amount of the credit is based shall be eligible costs, as defined, and a limitation on the amount of development fees that may be included as eligible costs.

This bill would, in the case of a partnership, require the allocation of the credits, on or after January 1, 2009, and before January 1, 2016, to partners based upon the partnership agreement, regardless of how the federal low-income housing tax credit, as provided, is allocated to the partners, or whether the allocation of the credit under the terms of

the agreement has substantial economic effect, as specified. This bill would make findings and declarations with regard to the public interest served by this credit as proposed to be amended by this bill.

This bill would take effect immediately as a tax levy.

~~(1) Existing law authorizes a vehicle equipped with a special license plate, placard, or temporary placard indicating the person is a disabled person, disabled veteran, or an organization or agency involved in the transportation of disabled persons or disabled veterans, as specified, to exercise certain parking privileges, including parking or leaving standing a vehicle in a stall or parking place designated for a disabled person or disabled veteran. Existing law requires these spaces to be distinguished by signs and markings placed pursuant to certain specifications, including signs indicating a minimum fine of \$250 for unauthorized parking in those spaces.~~

~~This bill would revise the provisions regarding signs to delete surplus language.~~

~~(2) Under existing law, it is unlawful for a person to park or leave standing a vehicle in a stall or parking place designated for a disabled person or disabled veteran, unless the vehicle displays a special license plate or placard, as specified.~~

~~Existing law requires certain parking facilities under the jurisdiction or control of state agencies to reserve stalls or parking places for the exclusive use of a vehicle that displays the special license plate or placard.~~

~~This bill would make it unlawful for a person to park or leave standing a vehicle in a stall or space designated for disabled persons or disabled veterans in a state parking facility, unless the vehicle displays the special license plate or placard.~~

~~(3) Existing law requires the governing body of a jurisdiction that issues parking violation notices to establish a schedule of parking penalties for parking violations and late payment penalties to be collected as civil penalties.~~

~~This bill would require a governing body to establish a civil penalty of not less than \$250 for unlawfully parking or leaving standing a vehicle in a stall or parking place designated for a disabled person or disabled veteran. The bill would authorize an agency issuing a notice of the violation to suspend the imposition of the penalty in specified circumstances. The bill would allow the payment of the penalty in installments if certain conditions are met.~~

~~Because this bill would place additional duties on local agencies by requiring a governing body to establish and administer the specified minimum civil penalty, the bill would impose a state-mandated local program.~~

~~(4) 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 these statutory provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: *yes-no*.

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

1 SECTION 1. Section 12206 of the Revenue and Taxation Code
2 is amended to read:

3 12206. (a) (1) There shall be allowed as a credit against the
4 “tax” (as defined by Section 12201) a state low-income housing
5 tax credit in an amount equal to the amount determined in
6 subdivision (c), computed in accordance with Section 42 of the
7 Internal Revenue Code, except as otherwise provided in this
8 section.

9 (2) “Taxpayer,” for purposes of this section, means the sole
10 owner in the case of a “C” corporation, the partners in the case of
11 a partnership, and the shareholders in the case of an “S”
12 corporation.

13 (3) “Housing sponsor,” for purposes of this section, means the
14 sole owner in the case of a “C” corporation, the partnership in the
15 case of a partnership, and the “S” corporation in the case of an “S”
16 corporation.

17 (b) (1) The amount of the credit allocated to any housing
18 sponsor shall be authorized by the California Tax Credit Allocation
19 Committee, or any successor thereof, based on a project’s need
20 for the credit for economic feasibility in accordance with the
21 requirements of this section.

22 (A) The low-income housing project shall be located in
23 California and shall meet either of the following requirements:

1 (i) The project's housing sponsor shall have been allocated by
2 the California Tax Credit Allocation Committee a credit for federal
3 income tax purposes under Section 42 of the Internal Revenue
4 Code.

5 (ii) It shall qualify for a credit under Section 42(h)(4)(B) of the
6 Internal Revenue Code.

7 (B) The California Tax Credit Allocation Committee shall not
8 require fees for the credit under this section in addition to those
9 fees required for applications for the tax credit pursuant to Section
10 42 of the Internal Revenue Code. The committee may require a
11 fee if the application for the credit under this section is submitted
12 in a calendar year after the year the application is submitted for
13 the federal tax credit.

14 (C) (i) *For a project to which the state low-income housing tax*
15 *credit, allowed pursuant to subdivision (a), is allocated on or after*
16 *January 1, 2009, and before January 1, 2016, the credit shall be*
17 *allocated to the partners of a partnership owning the project in*
18 *accordance with the partnership agreement, regardless of how*
19 *the federal low-income housing tax credit with respect to the*
20 *project is allocated to the partners, or whether the allocation of*
21 *the credit under the terms of the agreement has substantial*
22 *economic effect, within the meaning of Section 704(b) of the*
23 *Internal Revenue Code.*

24 (ii) *This subparagraph shall cease to be operative with respect*
25 *to credits allocated to projects on or after January 1, 2016.*

26 (2) (A) The California Tax Credit Allocation Committee shall
27 certify to the housing sponsor the amount of tax credit under this
28 section allocated to the housing sponsor for each credit period.

29 (B) In the case of a partnership or an "S" corporation, the
30 housing sponsor shall provide a copy of the California Tax Credit
31 Allocation Committee certification to the taxpayer.

32 (C) The taxpayer shall attach a copy of the certification to any
33 return upon which a tax credit is claimed under this section.

34 (D) In the case of a failure to attach a copy of the certification
35 for the year to the return in which a tax credit is claimed under this
36 section, no credit under this section shall be allowed for that year
37 until a copy of that certification is provided.

38 (E) All elections made by the taxpayer pursuant to Section 42
39 of the Internal Revenue Code shall apply to this section.

1 (F) No credit shall be allocated under this section to buildings
2 located in a difficult development area or a qualified census tract
3 as defined in Section 42 of the Internal Revenue Code for which
4 the eligible basis of a new building or the rehabilitation expenditure
5 of an existing building is 130 percent of that amount pursuant to
6 Section 42(d)(5)(C) of the Internal Revenue Code, unless the
7 committee reduces the amount of federal credit, with the approval
8 of the applicant, so that the combined amount of federal and state
9 credit shall not exceed the total credit allowable pursuant to this
10 section and Section 42(b) of the Internal Revenue Code, computed
11 without regard to Section 42(d)(5)(C) of the Internal Revenue
12 Code.

13 (c) Section 42(b) of the Internal Revenue Code shall be modified
14 as follows:

15 (1) In the case of any qualified low-income building that receives
16 an allocation after 1989 and is a new building not federally
17 subsidized, the term “applicable percentage” means the following:

18 (A) For each of the first three years, the percentage prescribed
19 by the Secretary of the Treasury for new buildings that are not
20 federally subsidized for the taxable year, determined in accordance
21 with the requirements of Section 42(b)(2) of the Internal Revenue
22 Code, in lieu of the percentage prescribed in Section 42(b)(1)(A)
23 of the Internal Revenue Code.

24 (B) For the fourth year, the difference between 30 percent and
25 the sum of the applicable percentages for the first three years.

26 (2) In the case of any qualified low-income building that receives
27 an allocation after 1989 and that is a new building that is federally
28 subsidized or that is an existing building that is “at risk of
29 conversion,” the term “applicable percentage” means the following:

30 (A) For each of the first three years, the percentage prescribed
31 by the Secretary of the Treasury for new buildings that are federally
32 subsidized for the taxable year.

33 (B) For the fourth year, the difference between 13 percent and
34 the sum of the applicable percentages for the first three years.

35 (3) For purposes of this section, the term “at risk of conversion,”
36 with respect to an existing property means a property that satisfies
37 all of the following criteria:

38 (A) The property is a multifamily rental housing development
39 in which at least 50 percent of the units receive governmental
40 assistance pursuant to any of the following:

1 (i) New construction, substantial rehabilitation, moderate
2 rehabilitation, property disposition, and loan management set-aside
3 programs, or any other program providing project-based assistance
4 pursuant to Section 8 of the United States Housing Act of 1937,
5 Section 1437f of Title 42 of the United States Code, as amended.

6 (ii) The Below-Market-Interest-Rate Program pursuant to
7 Section 221(d)(3) of the National Housing Act, Sections
8 1715l(d)(3) and (5) of Title 12 of the United States Code.

9 (iii) Section 236 of the National Housing Act, Section 1715z-1
10 of Title 12 of the United States Code.

11 (iv) Programs for rent supplement assistance pursuant to Section
12 101 of the Housing and Urban Development Act of 1965, Section
13 1701s of Title 12 of the United States Code, as amended.

14 (v) Programs pursuant to Section 515 of the Housing Act of
15 1949, Section 1485 of Title 42 of the United States Code, as
16 amended.

17 (vi) The low-income housing credit program set forth in Section
18 42 of the Internal Revenue Code.

19 (B) The restrictions on rent and income levels will terminate or
20 the federal insured mortgage on the property is eligible for
21 prepayment anytime within five years before or after the date of
22 application to the California Tax Credit Allocation Committee.

23 (C) The entity acquiring the property enters into a regulatory
24 agreement that requires the property to be operated in accordance
25 with the requirements of this section for a period equal to the
26 greater of 55 years or the life of the property.

27 (D) The property satisfies the requirements of Section 42(e) of
28 the Internal Revenue Code regarding rehabilitation expenditures,
29 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
30 apply.

31 (d) The term “qualified low-income housing project” as defined
32 in Section 42(c)(2) of the Internal Revenue Code is modified by
33 adding the following requirements:

34 (1) The taxpayer shall be entitled to receive a cash distribution
35 from the operations of the project, after funding required reserves,
36 which, at the election of the taxpayer, is equal to:

37 (A) An amount not to exceed 8 percent of the lesser of:

38 (i) The owner equity which shall include the amount of the
39 capital contributions actually paid to the housing sponsor and shall
40 not include any amounts until they are paid on an investor note.

1 (ii) Twenty percent of the adjusted basis of the building as of
2 the close of the first taxable year of the credit period.

3 (B) The amount of the cashflow from those units in the building
4 that are not low-income units. For purposes of computing cashflow
5 under this subparagraph, operating costs shall be allocated to the
6 low-income units using the “floor space fraction,” as defined in
7 Section 42 of the Internal Revenue Code.

8 (C) Any amount allowed to be distributed under subparagraph
9 (A) that is not available for distribution during the first five years
10 of the compliance period may accumulate and be distributed any
11 time during the first 15 years of the compliance period but not
12 thereafter.

13 (2) The limitation on return shall apply in the aggregate to the
14 partners if the housing sponsor is a partnership and in the aggregate
15 to the shareholders if the housing sponsor is an “S” corporation.

16 (3) The housing sponsor shall apply any cash available for
17 distribution in excess of the amount eligible to be distributed under
18 paragraph (1) to reduce the rent on rent-restricted units or to
19 increase the number of rent-restricted units subject to the tests of
20 Section 42(g)(1) of the Internal Revenue Code.

21 (e) The provisions of Section 42(f) of the Internal Revenue Code
22 shall be modified as follows:

23 (1) The term “credit period” as defined in Section 42(f)(1) of
24 the Internal Revenue Code is modified by substituting “four taxable
25 years” for “10 taxable years.”

26 (2) The special rule for the first taxable year of the credit period
27 under Section 42(f)(2) of the Internal Revenue Code shall not apply
28 to the tax credit under this section.

29 (3) Section 42(f)(3) of the Internal Revenue Code is modified
30 to read:

31 If, as of the close of any taxable year in the compliance period,
32 after the first year of the credit period, the qualified basis of any
33 building exceeds the qualified basis of that building as of the close
34 of the first year of the credit period, the housing sponsor, to the
35 extent of its tax credit allocation, shall be eligible for a credit on
36 the excess in an amount equal to the applicable percentage
37 determined pursuant to subdivision (c) for the four-year period
38 beginning with the later of the taxable years in which the increase
39 in qualified basis occurs.

1 (f) The provisions of Section 42(h) of the Internal Revenue
2 Code shall be modified as follows:

3 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
4 applicable and instead the following provisions shall be applicable:

5 The total amount for the four-year credit period of the housing
6 credit dollars allocated in a calendar year to any building shall
7 reduce the aggregate housing credit dollar amount of the California
8 Tax Credit Allocation Committee for the calendar year in which
9 the allocation is made.

10 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
11 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
12 not be applicable.

13 (g) The aggregate housing credit dollar amount that may be
14 allocated annually by the California Tax Credit Allocation
15 Committee pursuant to this section, Section 17058, and Section
16 23610.5 shall be an amount equal to the sum of all the following:

17 (1) Seventy million dollars (\$70,000,000) for the 2001 calendar
18 year, and, for the 2002 calendar year and each calendar year
19 thereafter, seventy million dollars (\$70,000,000) increased by the
20 percentage, if any, by which the Consumer Price Index for the
21 preceding calendar year exceeds the Consumer Price Index for the
22 2001 calendar year. For the purposes of this paragraph, the term
23 “Consumer Price Index” means the last Consumer Price Index for
24 all urban consumers published by the federal Department of Labor.

25 (2) The unused housing credit ceiling, if any, for the preceding
26 calendar years.

27 (3) The amount of housing credit ceiling returned in the calendar
28 year. For purposes of this paragraph, the amount of housing credit
29 dollar amount returned in the calendar year equals the housing
30 credit dollar amount previously allocated to any project that does
31 not become a qualified low-income housing project within the
32 period required by this section or to any project with respect to
33 which an allocation is canceled by mutual consent of the California
34 Tax Credit Allocation Committee and the allocation recipient.

35 (h) The term “compliance period” as defined in Section 42(i)(1)
36 of the Internal Revenue Code is modified to mean, with respect to
37 any building, the period of 30 consecutive taxable years beginning
38 with the first taxable year of the credit period with respect thereto.

1 (i) (1) Section 42(j) of the Internal Revenue Code shall not be
2 applicable and the provisions in paragraph (2) shall be substituted
3 in its place.

4 (2) The requirements of this section shall be set forth in a
5 regulatory agreement between the California Tax Credit Allocation
6 Committee and the housing sponsor, which agreement shall be
7 subordinated, when required, to any lien or encumbrance of any
8 banks or other institutional lenders to the project. The regulatory
9 agreement entered into pursuant to subdivision (f) of Section
10 50199.14 of the Health and Safety Code, shall apply, providing
11 the agreement includes all of the following provisions:

12 (A) A term not less than the compliance period.

13 (B) A requirement that the agreement be filed in the official
14 records of the county in which the qualified low-income housing
15 project is located.

16 (C) A provision stating which state and local agencies can
17 enforce the regulatory agreement in the event the housing sponsor
18 fails to satisfy any of the requirements of this section.

19 (D) A provision that the regulatory agreement shall be deemed
20 a contract enforceable by tenants as third-party beneficiaries thereto
21 and which allows individuals, whether prospective, present, or
22 former occupants of the building, who meet the income limitation
23 applicable to the building, the right to enforce the regulatory
24 agreement in any state court.

25 (E) A provision incorporating the requirements of Section 42
26 of the Internal Revenue Code as modified by this section.

27 (F) A requirement that the housing sponsor notify the California
28 Tax Credit Allocation Committee or its designee and the local
29 agency that can enforce the regulatory agreement if there is a
30 determination by the Internal Revenue Service that the project is
31 not in compliance with Section 42(g) of the Internal Revenue Code.

32 (G) A requirement that the housing sponsor, as security for the
33 performance of the housing sponsor's obligations under the
34 regulatory agreement, assign the housing sponsor's interest in rents
35 that it receives from the project, provided that until there is a
36 default under the regulatory agreement, the housing sponsor is
37 entitled to collect and retain the rents.

38 (H) The remedies available in the event of a default under the
39 regulatory agreement that is not cured within a reasonable cure
40 period, include, but are not limited to, allowing any of the parties

1 designated to enforce the regulatory agreement to collect all rents
2 with respect to the project; taking possession of the project and
3 operating the project in accordance with the regulatory agreement
4 until the enforcer determines the housing sponsor is in a position
5 to operate the project in accordance with the regulatory agreement;
6 applying to any court for specific performance; securing the
7 appointment of a receiver to operate the project; or any other relief
8 as may be appropriate.

9 (j) (1) The committee shall allocate the housing credit on a
10 regular basis consisting of two or more periods in each calendar
11 year during which applications may be filed and considered. The
12 committee shall establish application filing deadlines, the maximum
13 percentage of federal and state low-income housing tax credit
14 ceiling which may be allocated by the committee in that period,
15 and the approximate date on which allocations shall be made. If
16 the enactment of federal or state law, the adoption of rules or
17 regulations, or other similar events prevent the use of two allocation
18 periods, the committee may reduce the number of periods and
19 adjust the filing deadlines, maximum percentage of credit allocated,
20 and the allocation dates.

21 (2) The committee shall adopt a qualified allocation plan, as
22 provided in Section 42(m)(1) of the Internal Revenue Code. In
23 adopting this plan, the committee shall comply with the provisions
24 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
25 Code.

26 (3) Notwithstanding Section 42(m) of the Internal Revenue
27 Code, the California Tax Credit Allocation Committee shall
28 allocate housing credits in accordance with the qualified allocation
29 plan and regulations, which shall include the following provisions:

30 (A) All housing sponsors, as defined by paragraph (3) of
31 subdivision (a), shall demonstrate at the time the application is
32 filed with the committee that the project meets the following
33 threshold requirements:

34 (i) The housing sponsor shall demonstrate there is a need and
35 demand for low-income housing in the community or region for
36 which it is proposed.

37 (ii) The project's proposed financing, including tax credit
38 proceeds, shall be sufficient to complete the project and that the
39 proposed operating income shall be adequate to operate the project
40 for the extended use period.

1 (iii) The project shall have enforceable financing commitments,
2 either construction or permanent financing, for at least 50 percent
3 of the total estimated financing of the project.

4 (iv) The housing sponsor shall have and maintain control of the
5 site for the project.

6 (v) The housing sponsor shall demonstrate that the project
7 complies with all applicable local land use and zoning ordinances.

8 (vi) The housing sponsor shall demonstrate that the project
9 development team has the experience and the financial capacity
10 to ensure project completion and operation for the extended use
11 period.

12 (vii) The housing sponsor shall demonstrate the amount of tax
13 credit that is necessary for the financial feasibility of the project
14 and its viability as a qualified low-income housing project
15 throughout the extended use period, taking into account operating
16 expenses, a supportable debt service, reserves, funds set aside for
17 rental subsidies, and required equity, and a development fee that
18 does not exceed a specified percentage of the eligible basis of the
19 project prior to inclusion of the development fee in the eligible
20 basis, as determined by the committee.

21 (B) The committee shall give a preference to those projects
22 satisfying all of the threshold requirements of subparagraph (A)
23 if both of the following apply:

24 (i) The project serves the lowest income tenants at rents
25 affordable to those tenants.

26 (ii) The project is obligated to serve qualified tenants for the
27 longest period.

28 (C) In addition to the provisions of subparagraphs (A) and (B),
29 the committee shall use the following criteria in allocating housing
30 credits:

31 (i) Projects serving large families in which a substantial number,
32 as defined by the committee, of all residential units is comprised
33 of low-income units with three and more bedrooms.

34 (ii) Projects providing single room occupancy units serving very
35 low income tenants.

36 (iii) Existing projects that are “at risk of conversion,” as defined
37 by paragraph (3) of subdivision (c).

38 (iv) Projects for which a public agency provides direct or indirect
39 long-term financial support for at least 15 percent of the total
40 project development costs or projects for which the owner’s equity

1 constitutes at least 30 percent of the total project development
2 costs.

3 (v) Projects that provide tenant amenities not generally available
4 to residents of low-income housing projects.

5 (4) For purposes of allocating credits pursuant to this section,
6 the committee shall not give preference to any project by virtue
7 of the date of submission of its application except to break a tie
8 when two or more of the projects have an equal rating.

9 (k) Section 42(l) of the Internal Revenue Code shall be modified
10 as follows:

11 The term “secretary” shall be replaced by the term “California
12 Franchise Tax Board.”

13 (l) In the case where the state credit allowed under this section
14 exceeds the “tax,” the excess may be carried over to reduce the
15 “tax” in the following year, and succeeding years if necessary,
16 until the credit has been exhausted.

17 (m) The provisions of Section 11407(a) of Public Law 101-508,
18 relating to the effective date of the extension of the low-income
19 housing credit, shall apply to calendar years after 1993.

20 (n) The provisions of Section 11407(c) of Public Law 101-508,
21 relating to election to accelerate credit, shall not apply.

22 (o) This section shall remain in effect for as long as Section 42
23 of the Internal Revenue Code, relating to low-income housing
24 credits, remains in effect.

25 *SEC. 2. Section 17058 of the Revenue and Taxation Code is*
26 *amended to read:*

27 17058. (a) (1) There shall be allowed as a credit against the
28 amount of net tax (as defined in Section 17039) a state low-income
29 housing credit in an amount equal to the amount determined in
30 subdivision (c), computed in accordance with the provisions of
31 Section 42 of the Internal Revenue Code, except as otherwise
32 provided in this section.

33 (2) “Taxpayer” for purposes of this section means the sole owner
34 in the case of an individual, the partners in the case of a partnership,
35 and the shareholders in the case of an “S” corporation.

36 (3) “Housing sponsor” for purposes of this section means the
37 sole owner in the case of an individual, the partnership in the case
38 of a partnership, and the “S” corporation in the case of an “S”
39 corporation.

1 (b) (1) The amount of the credit allocated to any housing
2 sponsor shall be authorized by the California Tax Credit Allocation
3 Committee, or any successor thereof, based on a project's need
4 for the credit for economic feasibility in accordance with the
5 requirements of this section.

6 (A) The low-income housing project shall be located in
7 California and shall meet either of the following requirements:

8 (i) The project's housing sponsor shall have been allocated by
9 the California Tax Credit Allocation Committee a credit for federal
10 income tax purposes under Section 42 of the Internal Revenue
11 Code.

12 (ii) It shall qualify for a credit under Section 42(h)(4)(B) of the
13 Internal Revenue Code.

14 (B) The California Tax Credit Allocation Committee shall not
15 require fees for the credit under this section in addition to those
16 fees required for applications for the tax credit pursuant to Section
17 42 of the Internal Revenue Code. The committee may require a
18 fee if the application for the credit under this section is submitted
19 in a calendar year after the year the application is submitted for
20 the federal tax credit.

21 (C) (i) *For a project to which the state low-income housing tax*
22 *credit, allowed pursuant to subdivision (a), is allocated on or after*
23 *January 1, 2009, and before January 1, 2016, the credit shall be*
24 *allocated to the partners of a partnership owning the project in*
25 *accordance with the partnership agreement, regardless of how*
26 *the federal low-income housing tax credit with respect to the*
27 *project is allocated to the partners, or whether the allocation of*
28 *the credit under the terms of the agreement has substantial*
29 *economic effect, within the meaning of Section 704(b) of the*
30 *Internal Revenue Code.*

31 (ii) *Any loss or deduction otherwise allowable under this part*
32 *that is attributable to the sale or other disposition of a partnership*
33 *interest made prior to the expiration of the federal credit shall not*
34 *be allowed in the taxable year in which the sale or other disposition*
35 *occurs, but shall instead be deferred until the first taxable year*
36 *immediately following the taxable year in which the federal credit*
37 *period expires for the project described in clause (i).*

38 (iii) *This subparagraph shall cease to be operative with respect*
39 *to credits allocated to projects on or after January 1, 2016.*

1 (2) (A) The California Tax Credit Allocation Committee shall
2 certify to the housing sponsor the amount of tax credit under this
3 section allocated to the housing sponsor for each credit period.

4 (B) In the case of a partnership or an “S” corporation, the
5 housing sponsor shall provide a copy of the California Tax Credit
6 Allocation Committee certification to the taxpayer.

7 (C) The taxpayer shall, upon request, provide a copy of the
8 certification to the Franchise Tax Board.

9 (D) All elections made by the taxpayer pursuant to Section 42
10 of the Internal Revenue Code shall apply to this section.

11 (E) For buildings located in designated difficult development
12 areas or qualified census tracts as defined in Section 42(d)(5)(C)
13 of the Internal Revenue Code, credits may be allocated under this
14 section in the amounts prescribed in subdivision (c), provided that
15 the amount of credit allocated under Section 42 of the Internal
16 Revenue Code is computed on 100 percent of the qualified basis
17 of the building.

18 (c) Section 42(b) of the Internal Revenue Code shall be modified
19 as follows:

20 (1) In the case of any qualified low-income building placed in
21 service by the housing sponsor during 1987, the term “applicable
22 percentage” means 9 percent for each of the first three years and
23 3 percent for the fourth year for new buildings (whether or not the
24 building is federally subsidized) and for existing buildings.

25 (2) In the case of any qualified low-income building that receives
26 an allocation after 1989 and is a new building not federally
27 subsidized, the term “applicable percentage” means the following:

28 (A) For each of the first three years, the percentage prescribed
29 by the Secretary of the Treasury for new buildings that are not
30 federally subsidized for the taxable year, determined in accordance
31 with the requirements of Section 42(b)(2) of the Internal Revenue
32 Code, in lieu of the percentage prescribed in Section 42(b)(1)(A)
33 of the Internal Revenue Code.

34 (B) For the fourth year, the difference between 30 percent and
35 the sum of the applicable percentages for the first three years.

36 (3) In the case of any qualified low-income building that receives
37 an allocation after 1989 and that is a new building that is federally
38 subsidized or that is an existing building that is “at risk of
39 conversion,” the term “applicable percentage” means the following:

1 (A) For each of the first three years, the percentage prescribed
2 by the Secretary of the Treasury for new buildings that are federally
3 subsidized for the taxable year.

4 (B) For the fourth year, the difference between 13 percent and
5 the sum of the applicable percentages for the first three years.

6 (4) For purposes of this section, the term “at risk of conversion,”
7 with respect to an existing property means a property that satisfies
8 all of the following criteria:

9 (A) The property is a multifamily rental housing development
10 in which at least 50 percent of the units receive governmental
11 assistance pursuant to any of the following:

12 (i) New construction, substantial rehabilitation, moderate
13 rehabilitation, property disposition, and loan management set-aside
14 programs, or any other program providing project-based assistance
15 pursuant to Section 8 of the United States Housing Act of 1937,
16 Section 1437f of Title 42 of the United States Code, as amended.

17 (ii) The Below-Market-Interest-Rate Program pursuant to
18 Section 221(d)(3) of the National Housing Act, Sections
19 1715l(d)(3) and (5) of Title 12 of the United States Code.

20 (iii) Section 236 of the National Housing Act, Section 1715z-1
21 of Title 12 of the United States Code.

22 (iv) Programs for rent supplement assistance pursuant to Section
23 101 of the Housing and Urban Development Act of 1965, Section
24 1701s of Title 12 of the United States Code, as amended.

25 (v) Programs pursuant to Section 515 of the Housing Act of
26 1949, Section 1485 of Title 42 of the United States Code, as
27 amended.

28 (vi) The low-income housing credit program set forth in Section
29 42 of the Internal Revenue Code.

30 (B) The restrictions on rent and income levels will terminate or
31 the federal insured mortgage on the property is eligible for
32 prepayment anytime within five years before or after the date of
33 application to the California Tax Credit Allocation Committee.

34 (C) The entity acquiring the property enters into a regulatory
35 agreement that requires the property to be operated in accordance
36 with the requirements of this section for a period equal to the
37 greater of 55 years or the life of the property.

38 (D) The property satisfies the requirements of Section 42(e) of
39 the Internal Revenue Code regarding rehabilitation expenditures,

1 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
2 apply.

3 (d) The term “qualified low-income housing project” as defined
4 in Section 42(c)(2) of the Internal Revenue Code is modified by
5 adding the following requirements:

6 (1) The taxpayer shall be entitled to receive a cash distribution
7 from the operations of the project, after funding required reserves,
8 that, at the election of the taxpayer, is equal to:

9 (A) An amount not to exceed 8 percent of the lesser of:

10 (i) The owner equity that shall include the amount of the capital
11 contributions actually paid to the housing sponsor and shall not
12 include any amounts until they are paid on an investor note.

13 (ii) Twenty percent of the adjusted basis of the building as of
14 the close of the first taxable year of the credit period.

15 (B) The amount of the cashflow from those units in the building
16 that are not low-income units. For purposes of computing cashflow
17 under this subparagraph, operating costs shall be allocated to the
18 low-income units using the “floor space fraction,” as defined in
19 Section 42 of the Internal Revenue Code.

20 (C) Any amount allowed to be distributed under subparagraph
21 (A) that is not available for distribution during the first five years
22 of the compliance period may be accumulated and distributed any
23 time during the first 15 years of the compliance period but not
24 thereafter.

25 (2) The limitation on return shall apply in the aggregate to the
26 partners if the housing sponsor is a partnership and in the aggregate
27 to the shareholders if the housing sponsor is an “S” corporation.

28 (3) The housing sponsor shall apply any cash available for
29 distribution in excess of the amount eligible to be distributed under
30 paragraph (1) to reduce the rent on rent-restricted units or to
31 increase the number of rent-restricted units subject to the tests of
32 Section 42(g)(1) of the Internal Revenue Code.

33 (e) The provisions of Section 42(f) of the Internal Revenue Code
34 shall be modified as follows:

35 (1) The term “credit period” as defined in Section 42(f)(1) of
36 the Internal Revenue Code is modified by substituting “four taxable
37 years” for “10 taxable years.”

38 (2) The special rule for the first taxable year of the credit period
39 under Section 42(f)(2) of the Internal Revenue Code shall not apply
40 to the tax credit under this section.

1 (3) Section 42(f)(3) of the Internal Revenue Code is modified
2 to read:

3 If, as of the close of any taxable year in the compliance period,
4 after the first year of the credit period, the qualified basis of any
5 building exceeds the qualified basis of that building as of the close
6 of the first year of the credit period, the housing sponsor, to the
7 extent of its tax credit allocation, shall be eligible for a credit on
8 the excess in an amount equal to the applicable percentage
9 determined pursuant to subdivision (c) for the four-year period
10 beginning with the taxable year in which the increase in qualified
11 basis occurs.

12 (f) The provisions of Section 42(h) of the Internal Revenue
13 Code shall be modified as follows:

14 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
15 applicable and instead the following provisions shall be applicable:

16 The total amount for the four-year period of the housing credit
17 dollars allocated in a calendar year to any building shall reduce
18 the aggregate housing credit dollar amount of the California Tax
19 Credit Allocation Committee for the calendar year in which the
20 allocation is made.

21 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
22 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
23 not be applicable to this section.

24 (g) The aggregate housing credit dollar amount which may be
25 allocated annually by the California Tax Credit Allocation
26 Committee pursuant to this section, Section 12206, and Section
27 23610.5 shall be an amount equal to the sum of all the following:

28 (1) Seventy million dollars (\$70,000,000) for the 2001 calendar
29 year, and, for the 2002 calendar year and each calendar year
30 thereafter, seventy million dollars (\$70,000,000) increased by the
31 percentage, if any, by which the Consumer Price Index for the
32 preceding calendar year exceeds the Consumer Price Index for the
33 2001 calendar year. For the purposes of this paragraph, the term
34 “Consumer Price Index” means the last Consumer Price Index for
35 all urban consumers published by the federal Department of Labor.

36 (2) The unused housing credit ceiling, if any, for the preceding
37 calendar years.

38 (3) The amount of housing credit ceiling returned in the calendar
39 year. For purposes of this paragraph, the amount of housing credit
40 dollar amount returned in the calendar year equals the housing

1 credit dollar amount previously allocated to any project that does
2 not become a qualified low-income housing project within the
3 period required by this section or to any project with respect to
4 which an allocation is canceled by mutual consent of the California
5 Tax Credit Allocation Committee and the allocation recipient.

6 (h) The term “compliance period” as defined in Section 42(i)(1)
7 of the Internal Revenue Code is modified to mean, with respect to
8 any building, the period of 30 consecutive taxable years beginning
9 with the first taxable year of the credit period with respect thereto.

10 (i) Section 42(j) of the Internal Revenue Code shall not be
11 applicable and the following requirements of this section shall be
12 set forth in a regulatory agreement between the California Tax
13 Credit Allocation Committee and the housing sponsor, which
14 agreement shall be subordinated, when required, to any lien or
15 encumbrance of any banks or other institutional lenders to the
16 project. The regulatory agreement entered into pursuant to
17 subdivision (f) of Section 50199.14 of the Health and Safety Code
18 shall apply, providing the agreement includes all of the following
19 provisions:

20 (1) A term not less than the compliance period.

21 (2) A requirement that the agreement be filed in the official
22 records of the county in which the qualified low-income housing
23 project is located.

24 (3) A provision stating which state and local agencies can
25 enforce the regulatory agreement in the event the housing sponsor
26 fails to satisfy any of the requirements of this section.

27 (4) A provision that the regulatory agreement shall be deemed
28 a contract enforceable by tenants as third-party beneficiaries thereto
29 and which allows individuals, whether prospective, present, or
30 former occupants of the building, who meet the income limitation
31 applicable to the building, the right to enforce the regulatory
32 agreement in any state court.

33 (5) A provision incorporating the requirements of Section 42
34 of the Internal Revenue Code as modified by this section.

35 (6) A requirement that the housing sponsor notify the California
36 Tax Credit Allocation Committee or its designee if there is a
37 determination by the Internal Revenue Service that the project is
38 not in compliance with Section 42(g) of the Internal Revenue Code.

39 (7) A requirement that the housing sponsor, as security for the
40 performance of the housing sponsor’s obligations under the

1 regulatory agreement, assign the housing sponsor’s interest in rents
2 that it receives from the project, provided that until there is a
3 default under the regulatory agreement, the housing sponsor is
4 entitled to collect and retain the rents.

5 (8) The remedies available in the event of a default under the
6 regulatory agreement that is not cured within a reasonable cure
7 period, include, but are not limited to, allowing any of the parties
8 designated to enforce the regulatory agreement to collect all rents
9 with respect to the project; taking possession of the project and
10 operating the project in accordance with the regulatory agreement
11 until the enforcer determines the housing sponsor is in a position
12 to operate the project in accordance with the regulatory agreement;
13 applying to any court for specific performance; securing the
14 appointment of a receiver to operate the project; or any other relief
15 as may be appropriate.

16 (j) (1) The committee shall allocate the housing credit on a
17 regular basis consisting of two or more periods in each calendar
18 year during which applications may be filed and considered. The
19 committee shall establish application filing deadlines, the maximum
20 percentage of federal and state low-income housing tax credit
21 ceiling that may be allocated by the committee in that period, and
22 the approximate date on which allocations shall be made. If the
23 enactment of federal or state law, the adoption of rules or
24 regulations or other similar events prevent the use of two allocation
25 periods, the committee may reduce the number of periods and
26 adjust the filing deadlines, maximum percentage of credit allocated,
27 and the allocation dates.

28 (2) The committee shall adopt a qualified allocation plan, as
29 provided in Section 42(m)(1) of the Internal Revenue Code. In
30 adopting this plan, the committee shall comply with the provisions
31 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
32 Code.

33 (3) Notwithstanding Section 42(m) of the Internal Revenue
34 Code, the California Tax Credit Allocation Committee shall
35 allocate housing credits in accordance with the qualified allocation
36 plan and regulations, which shall include the following provisions:

37 (A) All housing sponsors, as defined by paragraph (3) of
38 subdivision (a), shall demonstrate at the time the application is
39 filed with the committee that the project meets the following
40 threshold requirements:

1 (i) The housing sponsor shall demonstrate there is a need and
2 demand for low-income housing in the community or region for
3 which it is proposed.

4 (ii) The project's proposed financing, including tax credit
5 proceeds, shall be sufficient to complete the project and that the
6 proposed operating income shall be adequate to operate the project
7 for the extended use period.

8 (iii) The project shall have enforceable financing commitments,
9 either construction or permanent financing, for at least 50 percent
10 of the total estimated financing of the project.

11 (iv) The housing sponsor shall have and maintain control of the
12 site for the project.

13 (v) The housing sponsor shall demonstrate that the project
14 complies with all applicable local land use and zoning ordinances.

15 (vi) The housing sponsor shall demonstrate that the project
16 development team has the experience and the financial capacity
17 to ensure project completion and operation for the extended use
18 period.

19 (vii) The housing sponsor shall demonstrate the amount of tax
20 credit that is necessary for the financial feasibility of the project
21 and its viability as a qualified low-income housing project
22 throughout the extended use period, taking into account operating
23 expenses, a supportable debt service, reserves, funds set aside for
24 rental subsidies, and required equity, and a development fee that
25 does not exceed a specified percentage of the eligible basis of the
26 project prior to inclusion of the development fee in the eligible
27 basis, as determined by the committee.

28 (B) The committee shall give a preference to those projects
29 satisfying all of the threshold requirements of subparagraph (A)
30 if both of the following apply:

31 (i) The project serves the lowest income tenants at rents
32 affordable to those tenants.

33 (ii) The project is obligated to serve qualified tenants for the
34 longest period.

35 (C) In addition to the provisions of subparagraphs (A) and (B),
36 the committee shall use the following criteria in allocating housing
37 credits:

38 (i) Projects serving large families in which a substantial number,
39 as defined by the committee of all residential units is comprised
40 of low-income units with three and more bedrooms.

1 (ii) Projects providing single room occupancy units serving very
2 low income tenants.

3 (iii) Existing projects that are “at risk of conversion,” as defined
4 by paragraph (4) of subdivision (c).

5 (iv) Projects for which a public agency provides direct or indirect
6 long-term financial support for at least 15 percent of the total
7 project development costs or projects for which the owner’s equity
8 constitutes at least 30 percent of the total project development
9 costs.

10 (v) Projects that provide tenant amenities not generally available
11 to residents of low-income housing projects.

12 (4) For purposes of allocating credits pursuant to this section,
13 the committee shall not give preference to any project by virtue
14 of the date of submission of its application.

15 (k) Section 42(l) of the Internal Revenue Code shall be modified
16 as follows:

17 The term “secretary” shall be replaced by the term “California
18 Franchise Tax Board.”

19 (l) In the case where the credit allowed under this section
20 exceeds the net tax, the excess credit may be carried over to reduce
21 the net tax in the following year, and succeeding taxable years, if
22 necessary, until the credit has been exhausted.

23 (m) A project that received an allocation of a 1989 federal
24 housing credit dollar amount shall be eligible to receive an
25 allocation of a 1990 state housing credit dollar amount, subject to
26 all of the following conditions:

27 (1) The project was not placed in service prior to 1990.

28 (2) To the extent the amendments made to this section by the
29 Statutes of 1990 conflict with any provisions existing in this section
30 prior to those amendments, the prior provisions of law shall prevail.

31 (3) Notwithstanding paragraph (2), a project applying for an
32 allocation under this subdivision shall be subject to the
33 requirements of paragraph (3) of subdivision (j).

34 (n) The credit period with respect to an allocation of credit in
35 1989 by the California Tax Credit Allocation Committee of which
36 any amount is attributable to unallocated credit from 1987 or 1988
37 shall not begin until after December 31, 1989.

38 (o) The provisions of Section 11407(a) of Public Law 101-508,
39 relating to the effective date of the extension of the low-income
40 housing credit, shall apply to calendar years after 1989.

1 (p) The provisions of Section 11407(c) of Public Law 101-508,
2 relating to election to accelerate credit, shall not apply.

3 (q) Any unused credit may continue to be carried forward, as
4 provided in subdivision (l), until the credit has been exhausted.

5 This section shall remain in effect on and after December 1,
6 1990, for as long as Section 42 of the Internal Revenue Code,
7 relating to low-income housing credits, remains in effect.

8 (r) The amendments to this section by the act adding this
9 subdivision shall apply only to taxable years beginning on or after
10 January 1, 1994.

11 *SEC. 3. Section 23610.5 of the Revenue and Taxation Code is*
12 *amended to read:*

13 23610.5. (a) (1) There shall be allowed as a credit against the
14 “tax” (as defined by Section 23036) a state low-income housing
15 tax credit in an amount equal to the amount determined in
16 subdivision (c), computed in accordance with Section 42 of the
17 Internal Revenue Code of 1986, except as otherwise provided in
18 this section.

19 (2) “Taxpayer,” for purposes of this section, means the sole
20 owner in the case of a “C” corporation, the partners in the case of
21 a partnership, and the shareholders in the case of an “S”
22 corporation.

23 (3) “Housing sponsor,” for purposes of this section, means the
24 sole owner in the case of a “C” corporation, the partnership in the
25 case of a partnership, and the “S” corporation in the case of an “S”
26 corporation.

27 (b) (1) The amount of the credit allocated to any housing
28 sponsor shall be authorized by the California Tax Credit Allocation
29 Committee, or any successor thereof, based on a project’s need
30 for the credit for economic feasibility in accordance with the
31 requirements of this section.

32 (A) The low-income housing project shall be located in
33 California and shall meet either of the following requirements:

34 (i) The project’s housing sponsor has been allocated by the
35 California Tax Credit Allocation Committee a credit for federal
36 income tax purposes under Section 42 of the Internal Revenue
37 Code.

38 (ii) It qualifies for a credit under Section 42(h)(4)(B) of the
39 Internal Revenue Code.

1 (B) The California Tax Credit Allocation Committee shall not
2 require fees for the credit under this section in addition to those
3 fees required for applications for the tax credit pursuant to Section
4 42 of the Internal Revenue Code. The committee may require a
5 fee if the application for the credit under this section is submitted
6 in a calendar year after the year the application is submitted for
7 the federal tax credit.

8 (C) (i) *For a project to which the state low-income housing tax*
9 *credit, allowed pursuant to subdivision (a), is allocated on or after*
10 *January 1, 2009, and before January 1, 2016, the credit shall be*
11 *allocated to the partners of a partnership owning the project in*
12 *accordance with the partnership agreement, regardless of how*
13 *the federal low-income housing tax credit with respect to the*
14 *project is allocated to the partners, or whether the allocation of*
15 *the credit under the terms of the agreement has substantial*
16 *economic effect, within the meaning of Section 704(b) of the*
17 *Internal Revenue Code.*

18 (ii) *Any loss or deduction otherwise allowable under this part*
19 *that is attributable to the sale or other disposition of a partnership*
20 *interest made prior to the expiration of the federal credit shall not*
21 *be allowed in the taxable year in which the sale or other disposition*
22 *occurs, but shall instead be deferred until the first taxable year*
23 *immediately following the taxable year in which the federal credit*
24 *period expires for the project described in clause (i).*

25 (iii) *This subparagraph shall cease to be operative with respect*
26 *to credits allocated to projects on or after January 1, 2016.*

27 (2) (A) The California Tax Credit Allocation Committee shall
28 certify to the housing sponsor the amount of tax credit under this
29 section allocated to the housing sponsor for each credit period.

30 (B) In the case of a partnership or an “S” corporation, the
31 housing sponsor shall provide a copy of the California Tax Credit
32 Allocation Committee certification to the taxpayer.

33 (C) The taxpayer shall, upon request, provide a copy of the
34 certification to the Franchise Tax Board.

35 (D) All elections made by the taxpayer pursuant to Section 42
36 of the Internal Revenue Code shall apply to this section.

37 (E) For buildings located in designated difficult development
38 areas or qualified census tracts as defined in Section 42(d)(5)(C)
39 of the Internal Revenue Code, credits may be allocated under this
40 section in the amounts prescribed in subdivision (c), provided that

1 the amount of credit allocated under Section 42 of the Internal
2 Revenue Code is computed on 100 percent of the qualified basis
3 of the building.

4 (c) Section 42(b) of the Internal Revenue Code shall be modified
5 as follows:

6 (1) In the case of any qualified low-income building placed in
7 service by the housing sponsor during 1987, the term “applicable
8 percentage” means 9 percent for each of the first three years and
9 3 percent for the fourth year for new buildings (whether or not the
10 building is federally subsidized) and for existing buildings.

11 (2) In the case of any qualified low-income building that receives
12 an allocation after 1989 and is a new building not federally
13 subsidized, the term “applicable percentage” means the following:

14 (A) For each of the first three years, the percentage prescribed
15 by the Secretary of the Treasury for new buildings that are not
16 federally subsidized for the taxable year, determined in accordance
17 with the requirements of Section 42(b)(2) of the Internal Revenue
18 Code, in lieu of the percentage prescribed in Section 42(b)(1)(A).

19 (B) For the fourth year, the difference between 30 percent and
20 the sum of the applicable percentages for the first three years.

21 (3) In the case of any qualified low-income building that receives
22 an allocation after 1989 and that is a new building that is federally
23 subsidized or that is an existing building that is “at risk of
24 conversion,” the term “applicable percentage” means the following:

25 (A) For each of the first three years, the percentage prescribed
26 by the Secretary of the Treasury for new buildings that are federally
27 subsidized for the taxable year.

28 (B) For the fourth year, the difference between 13 percent and
29 the sum of the applicable percentages for the first three years.

30 (4) For purposes of this section, the term “at risk of conversion,”
31 with respect to an existing property means a property that satisfies
32 all of the following criteria:

33 (A) The property is a multifamily rental housing development
34 in which at least 50 percent of the units receive governmental
35 assistance pursuant to any of the following:

36 (i) New construction, substantial rehabilitation, moderate
37 rehabilitation, property disposition, and loan management set-aside
38 programs, or any other program providing project-based assistance
39 pursuant to Section 8 of the United States Housing Act of 1937,
40 Section 1437f of Title 42 of the United States Code, as amended.

1 (ii) The Below-Market-Interest-Rate Program pursuant to
2 Section 221(d)(3) of the National Housing Act, Sections
3 1715l(d)(3) and (5) of Title 12 of the United States Code.

4 (iii) Section 236 of the National Housing Act, Section 1715z-1
5 of Title 12 of the United States Code.

6 (iv) Programs for rent supplement assistance pursuant to Section
7 101 of the Housing and Urban Development Act of 1965, Section
8 1701s of Title 12 of the United States Code, as amended.

9 (v) Programs pursuant to Section 515 of the Housing Act of
10 1949, Section 1485 of Title 42 of the United States Code, as
11 amended.

12 (vi) The low-income housing credit program set forth in Section
13 42 of the Internal Revenue Code.

14 (B) The restrictions on rent and income levels will terminate or
15 the federally insured mortgage on the property is eligible for
16 prepayment anytime within five years before or after the date of
17 application to the California Tax Credit Allocation Committee.

18 (C) The entity acquiring the property enters into a regulatory
19 agreement that requires the property to be operated in accordance
20 with the requirements of this section for a period equal to the
21 greater of 55 years or the life of the property.

22 (D) The property satisfies the requirements of Section 42(e) of
23 the Internal Revenue Code regarding rehabilitation expenditures,
24 except that the provisions of Section 42(e)(3)(A)(ii)(I) shall not
25 apply.

26 (d) The term “qualified low-income housing project” as defined
27 in Section 42(c)(2) of the Internal Revenue Code is modified by
28 adding the following requirements:

29 (1) The taxpayer shall be entitled to receive a cash distribution
30 from the operations of the project, after funding required reserves,
31 which, at the election of the taxpayer, shall be equal to:

32 (A) An amount not to exceed 8 percent of the lesser of:

33 (i) The owner equity, which shall include the amount of the
34 capital contributions actually paid to the housing sponsor and shall
35 not include any amounts until they are paid on an investor note.

36 (ii) Twenty percent of the adjusted basis of the building as of
37 the close of the first taxable year of the credit period.

38 (B) The amount of the cashflow from those units in the building
39 that are not low-income units. For purposes of computing cashflow
40 under this subparagraph, operating costs shall be allocated to the

1 low-income units using the “floor space fraction,” as defined in
2 Section 42 of the Internal Revenue Code.

3 (C) Any amount allowed to be distributed under subparagraph
4 (A) that is not available for distribution during the first five years
5 of the compliance period may accumulate and be distributed at
6 any time during the first 15 years of the compliance period but not
7 thereafter.

8 (2) The limitation on return shall apply in the aggregate to the
9 partners if the housing sponsor is a partnership and in the aggregate
10 to the shareholders if the housing sponsor is an “S” corporation.

11 (3) The housing sponsor shall apply any cash available for
12 distribution in excess of the amount eligible to be distributed under
13 paragraph (1) to reduce the rent on rent-restricted units or to
14 increase the number of rent-restricted units subject to the tests of
15 Section 42(g)(1) of the Internal Revenue Code.

16 (e) The provisions of Section 42(f) of the Internal Revenue Code
17 shall be modified as follows:

18 (1) The term “credit period” as defined in Section 42(f)(1) of
19 the Internal Revenue Code is modified by substituting “four taxable
20 years” for “10 taxable years.”

21 (2) The special rule for the first taxable year of the credit period
22 under Section 42(f)(2) of the Internal Revenue Code shall not apply
23 to the tax credit under this section.

24 (3) Section 42(f)(3) of the Internal Revenue Code is modified
25 to read:

26 If, as of the close of any taxable year in the compliance period,
27 after the first year of the credit period, the qualified basis of any
28 building exceeds the qualified basis of that building as of the close
29 of the first year of the credit period, the housing sponsor, to the
30 extent of its tax credit allocation, shall be eligible for a credit on
31 the excess in an amount equal to the applicable percentage
32 determined pursuant to subdivision (c) for the four-year period
33 beginning with the later of the taxable years in which the increase
34 in qualified basis occurs.

35 (f) The provisions of Section 42(h) of the Internal Revenue
36 Code shall be modified as follows:

37 (1) Section 42(h)(2) of the Internal Revenue Code shall not be
38 applicable and instead the following provisions shall be applicable:

39 The total amount for the four-year credit period of the housing
40 credit dollars allocated in a calendar year to any building shall

1 reduce the aggregate housing credit dollar amount of the California
2 Tax Credit Allocation Committee for the calendar year in which
3 the allocation is made.

4 (2) Paragraphs (3), (4), (5), (6)(E)(i)(II), (6)(F), (6)(G), (6)(I),
5 (7), and (8) of Section 42(h) of the Internal Revenue Code shall
6 not be applicable.

7 (g) The aggregate housing credit dollar amount that may be
8 allocated annually by the California Tax Credit Allocation
9 Committee pursuant to this section, Section 12206, and Section
10 17058 shall be an amount equal to the sum of all the following:

11 (1) Seventy million dollars (\$70,000,000) for the 2001 calendar
12 year, and, for the 2002 calendar year and each calendar year
13 thereafter, seventy million dollars (\$70,000,000) increased by the
14 percentage, if any, by which the Consumer Price Index for the
15 preceding calendar year exceeds the Consumer Price Index for the
16 2001 calendar year. For the purposes of this paragraph, the term
17 “Consumer Price Index” means the last Consumer Price Index for
18 all urban consumers published by the federal Department of Labor.

19 (2) The unused housing credit ceiling, if any, for the preceding
20 calendar years.

21 (3) The amount of housing credit ceiling returned in the calendar
22 year. For purposes of this paragraph, the amount of housing credit
23 dollar amount returned in the calendar year equals the housing
24 credit dollar amount previously allocated to any project that does
25 not become a qualified low-income housing project within the
26 period required by this section or to any project with respect to
27 which an allocation is canceled by mutual consent of the California
28 Tax Credit Allocation Committee and the allocation recipient.

29 (h) The term “compliance period” as defined in Section 42(i)(1)
30 of the Internal Revenue Code is modified to mean, with respect to
31 any building, the period of 30 consecutive taxable years beginning
32 with the first taxable year of the credit period with respect thereto.

33 (i) Section 42(j) of the Internal Revenue Code shall not be
34 applicable and the following shall be substituted in its place:

35 The requirements of this section shall be set forth in a regulatory
36 agreement between the California Tax Credit Allocation Committee
37 and the housing sponsor, and this agreement shall be subordinated,
38 when required, to any lien or encumbrance of any banks or other
39 institutional lenders to the project. The regulatory agreement
40 entered into pursuant to subdivision (f) of Section 50199.14 of the

1 Health and Safety Code shall apply, provided that the agreement
2 includes all of the following provisions:

3 (1) A term not less than the compliance period.

4 (2) A requirement that the agreement be filed in the official
5 records of the county in which the qualified low-income housing
6 project is located.

7 (3) A provision stating which state and local agencies can
8 enforce the regulatory agreement in the event the housing sponsor
9 fails to satisfy any of the requirements of this section.

10 (4) A provision that the regulatory agreement shall be deemed
11 a contract enforceable by tenants as third-party beneficiaries
12 thereto, and that allows individuals, whether prospective, present,
13 or former occupants of the building, who meet the income
14 limitation applicable to the building the right to enforce the
15 regulatory agreement in any state court.

16 (5) A provision incorporating the requirements of Section 42
17 of the Internal Revenue Code as modified by this section.

18 (6) A requirement that the housing sponsor notify the California
19 Tax Credit Allocation Committee or its designee if there is a
20 determination by the Internal Revenue Service that the project is
21 not in compliance with Section 42(g) of the Internal Revenue Code.

22 (7) A requirement that the housing sponsor, as security for the
23 performance of the housing sponsor's obligations under the
24 regulatory agreement, assign the housing sponsor's interest in rents
25 that it receives from the project, provided that until there is a
26 default under the regulatory agreement, the housing sponsor is
27 entitled to collect and retain the rents.

28 (8) A provision that the remedies available in the event of a
29 default under the regulatory agreement that is not cured within a
30 reasonable cure period include, but are not limited to, allowing
31 any of the parties designated to enforce the regulatory agreement
32 to collect all rents with respect to the project; taking possession of
33 the project and operating the project in accordance with the
34 regulatory agreement until the enforcer determines the housing
35 sponsor is in a position to operate the project in accordance with
36 the regulatory agreement; applying to any court for specific
37 performance; securing the appointment of a receiver to operate
38 the project; or any other relief as may be appropriate.

39 (j) (1) The committee shall allocate the housing credit on a
40 regular basis consisting of two or more periods in each calendar

1 year during which applications may be filed and considered. The
2 committee shall establish application filing deadlines, the maximum
3 percentage of federal and state low-income housing tax credit
4 ceiling that may be allocated by the committee in that period, and
5 the approximate date on which allocations shall be made. If the
6 enactment of federal or state law, the adoption of rules or
7 regulations, or other similar events prevent the use of two allocation
8 periods, the committee may reduce the number of periods and
9 adjust the filing deadlines, maximum percentage of credit allocated,
10 and allocation dates.

11 (2) The committee shall adopt a qualified allocation plan, as
12 provided in Section 42(m)(1) of the Internal Revenue Code. In
13 adopting this plan, the committee shall comply with the provisions
14 of Sections 42(m)(1)(B) and 42(m)(1)(C) of the Internal Revenue
15 Code.

16 (3) Notwithstanding Section 42(m) of the Internal Revenue
17 Code, the California Tax Credit Allocation Committee shall
18 allocate housing credits in accordance with the qualified allocation
19 plan and regulations, which shall include the following provisions:

20 (A) All housing sponsors, as defined by paragraph (3) of
21 subdivision (a), shall demonstrate at the time the application is
22 filed with the committee that the project meets the following
23 threshold requirements:

24 (i) The housing sponsor shall demonstrate that there is a need
25 for low-income housing in the community or region for which it
26 is proposed.

27 (ii) The project's proposed financing, including tax credit
28 proceeds, shall be sufficient to complete the project and shall be
29 adequate to operate the project for the extended use period.

30 (iii) The project shall have enforceable financing commitments,
31 either construction or permanent financing, for at least 50 percent
32 of the total estimated financing of the project.

33 (iv) The housing sponsor shall have and maintain control of the
34 site for the project.

35 (v) The housing sponsor shall demonstrate that the project
36 complies with all applicable local land use and zoning ordinances.

37 (vi) The housing sponsor shall demonstrate that the project
38 development team has the experience and the financial capacity
39 to ensure project completion and operation for the extended use
40 period.

1 (vii) The housing sponsor shall demonstrate the amount of tax
2 credit that is necessary for the financial feasibility of the project
3 and its viability as a qualified low-income housing project
4 throughout the extended use period, taking into account operating
5 expenses, a supportable debt service, reserves, funds set aside for
6 rental subsidies, and required equity, and a development fee that
7 does not exceed a specified percentage of the eligible basis of the
8 project prior to inclusion of the development fee in the eligible
9 basis, as determined by the committee.

10 (B) The committee shall give a preference to those projects
11 satisfying all of the threshold requirements of subparagraph (A)
12 if both of the following apply:

13 (i) The project serves the lowest income tenants at rents
14 affordable to those tenants.

15 (ii) The project is obligated to serve qualified tenants for the
16 longest period.

17 (C) In addition to the provisions of subparagraphs (A) and (B),
18 the committee shall use the following criteria in allocating housing
19 credits:

20 (i) Projects serving large families in which a substantial number,
21 as defined by the committee, of all residential units are low-income
22 units with three and more bedrooms.

23 (ii) Projects providing single-room occupancy units serving
24 very low income tenants.

25 (iii) Existing projects that are “at risk of conversion,” as defined
26 by paragraph (4) of subdivision (c).

27 (iv) Projects for which a public agency provides direct or indirect
28 long-term financial support for at least 15 percent of the total
29 project development costs or projects for which the owner’s equity
30 constitutes at least 30 percent of the total project development
31 costs.

32 (v) Projects that provide tenant amenities not generally available
33 to residents of low-income housing projects.

34 (4) For purposes of allocating credits pursuant to this section,
35 the committee shall not give preference to any project by virtue
36 of the date of submission of its application except to break a tie
37 when two or more of the projects have an equal rating.

38 (5) Not less than 20 percent of the low-income housing tax
39 credits available annually under this section, Section 12206, and
40 Section 17058 shall be set aside for allocation to rural areas as

1 defined in Section 50199.21 of the Health and Safety Code. Any
2 amount of credit set aside for rural areas remaining on or after
3 October 31 of any calendar year shall be available for allocation
4 to any eligible project. No amount of credit set aside for rural areas
5 shall be considered available for any eligible project so long as
6 there are eligible rural applications pending on October 31.

7 (k) Section 42(l) of the Internal Revenue Code shall be modified
8 as follows:

9 The term “secretary” shall be replaced by the term “California
10 Franchise Tax Board.”

11 (l) In the case where the state credit allowed under this section
12 exceeds the “tax,” the excess may be carried over to reduce the
13 “tax” in the following year, and succeeding years if necessary,
14 until the credit has been exhausted.

15 (m) A project that received an allocation of a 1989 federal
16 housing credit dollar amount shall be eligible to receive an
17 allocation of a 1990 state housing credit dollar amount, subject to
18 all of the following conditions:

19 (1) The project was not placed in service prior to 1990.

20 (2) To the extent the amendments made to this section by the
21 Statutes of 1990 conflict with any provisions existing in this section
22 prior to those amendments, the prior provisions of law shall prevail.

23 (3) Notwithstanding paragraph (2), a project applying for an
24 allocation under this subdivision shall be subject to the
25 requirements of paragraph (3) of subdivision (j).

26 (n) The credit period with respect to an allocation of credit in
27 1989 by the California Tax Credit Allocation Committee of which
28 any amount is attributable to unallocated credit from 1987 or 1988
29 shall not begin until after December 31, 1989.

30 (o) The provisions of Section 11407(a) of Public Law 101-508,
31 relating to the effective date of the extension of the low-income
32 housing credit, shall apply to calendar years after 1989.

33 (p) The provisions of Section 11407(c) of Public Law 101-508,
34 relating to election to accelerate credit, shall not apply.

35 (q) (1) A corporation may elect to assign any portion of any
36 credit allowed under this section to one or more affiliated
37 corporations for each taxable year in which the credit is allowed.
38 For purposes of this subdivision, “affiliated corporation” has the
39 meaning provided in subdivision (b) of Section 25110, as that
40 section was amended by Chapter 881 of the Statutes of 1993, as

1 of the last day of the taxable year in which the credit is allowed,
2 except that “100 percent” is substituted for “more than 50 percent”
3 wherever it appears in the section, as that section was amended by
4 Chapter 881 of the Statutes of 1993, and “voting common stock”
5 is substituted for “voting stock” wherever it appears in the section,
6 as that section was amended by Chapter 881 of the Statutes of
7 1993.

8 (2) The election provided in paragraph (1):

9 (A) May be based on any method selected by the corporation
10 that originally receives the credit.

11 (B) Shall be irrevocable for the taxable year the credit is allowed,
12 once made.

13 (C) May be changed for any subsequent taxable year if the
14 election to make the assignment is expressly shown on each of the
15 returns of the affiliated corporations that assign and receive the
16 credits.

17 (r) Any unused credit may continue to be carried forward, as
18 provided in subdivision (k), until the credit has been exhausted.

19 This section shall remain in effect on or after December 1, 1990,
20 for as long as Section 42 of the Internal Revenue Code, relating
21 to low-income housing credits, remains in effect.

22 (s) The amendments to this section made by the act adding this
23 subdivision shall apply only to taxable years beginning on or after
24 January 1, 1994, except that paragraph (1) of subdivision (q), as
25 amended, shall apply to taxable years beginning on or after January
26 1, 1993.

27 *SEC. 4. The state low-income housing credit is a unique tax*
28 *credit program in that the credit is based on a federal income tax*
29 *credit, and that federal income tax credit is allocated by the*
30 *California Tax Credit Allocation Committee, a state agency.*
31 *Increasing the availability of low-income housing serves an*
32 *important public interest. As a result, the state low-income housing*
33 *credit, under existing law, has several unique aspects not*
34 *applicable to other tax credits. The Legislature hereby finds and*
35 *declares that, in order to enhance the availability of low-income*
36 *housing, provisions of this act that provide for an allocation of*
37 *the state low-income housing credit in accordance with a*
38 *partnership agreement that fails to comport with normally*
39 *applicable rules serve an important public interest with respect*
40 *to this unique state tax credit.*

1 *SEC. 5. This act provides for a tax levy within the meaning of*
2 *Article IV of the Constitution and shall go into immediate effect.*

3 ~~SECTION 1. Section 22507.8 of the Vehicle Code is amended~~
4 ~~to read:~~

5 ~~22507.8. (a) It is unlawful for a person to park or leave~~
6 ~~standing a vehicle in a stall or space designated for disabled persons~~
7 ~~and disabled veterans pursuant to Section 22511.7 or 22511.8 of~~
8 ~~this code, or Section 14679 of the Government Code, unless the~~
9 ~~vehicle displays either a special identification license plate issued~~
10 ~~pursuant to Section 5007 or a distinguishing placard issued~~
11 ~~pursuant to Section 22511.55 or 22511.59.~~

12 ~~(b) It is unlawful for a person to obstruct, block, or otherwise~~
13 ~~bar access to those parking stalls or spaces except as provided in~~
14 ~~subdivision (a):~~

15 ~~(c) It is unlawful for a person to park or leave standing a vehicle,~~
16 ~~including a vehicle displaying a special identification license plate~~
17 ~~issued pursuant to Section 5007 or a distinguishing placard issued~~
18 ~~pursuant to Section 22511.55 or 22511.59, in either of the~~
19 ~~following places:~~

20 ~~(1) On the lines marking the boundaries of a parking stall or~~
21 ~~space designated for disabled persons or disabled veterans.~~

22 ~~(2) In an area of the pavement adjacent to a parking stall or~~
23 ~~space designated for disabled persons or disabled veterans that is~~
24 ~~marked by crosshatched lines and is thereby designated, pursuant~~
25 ~~to any local ordinance, for the loading and unloading of vehicles~~
26 ~~parked in the stall or space.~~

27 ~~(d) Subdivisions (a), (b), and (c) apply to all offstreet parking~~
28 ~~facilities owned or operated by the state, and to all offstreet parking~~
29 ~~facilities owned or operated by a local authority. Subdivisions (a),~~
30 ~~(b), and (c) also apply to any privately owned and maintained~~
31 ~~offstreet parking facility.~~

32 ~~SEC. 2. Section 22511.7 of the Vehicle Code is amended to~~
33 ~~read:~~

34 ~~22511.7. (a) In addition to Section 22511.8 for offstreet~~
35 ~~parking, a local authority may, by ordinance or resolution,~~
36 ~~designate onstreet parking spaces for the exclusive use of a vehicle~~
37 ~~that displays either a special identification license plate issued~~
38 ~~pursuant to Section 5007 or a distinguishing placard issued~~
39 ~~pursuant to Section 22511.55 or 22511.59.~~

1 ~~(b) (1) Whenever a local authority so designates a parking~~
2 ~~space, it shall be indicated by blue paint on the curb or edge of the~~
3 ~~paved portion of the street adjacent to the space. In addition, the~~
4 ~~local authority shall post immediately adjacent to and visible from~~
5 ~~the space a sign consisting of a profile view of a wheelchair with~~
6 ~~occupant in white on a blue background.~~

7 ~~(2) The sign required pursuant to paragraph (1) shall clearly~~
8 ~~and conspicuously state the following: "Minimum Fine \$250."~~
9 ~~This paragraph applies only to signs for parking spaces constructed~~
10 ~~on or after July 1, 2008, and signs that are replaced on or after July~~
11 ~~1, 2008.~~

12 ~~(3) If the loading and unloading area of the pavement adjacent~~
13 ~~to a parking stall or space designated for disabled persons or~~
14 ~~disabled veterans is to be marked by a border and hatched lines,~~
15 ~~the border shall be painted blue and the hatched lines shall be~~
16 ~~painted a suitable contrasting color to the parking space. Blue or~~
17 ~~white paint is preferred. In addition, within the border the words~~
18 ~~"No Parking" shall be painted in white letters no less than 12 inches~~
19 ~~high. This paragraph applies only to parking spaces constructed~~
20 ~~on or after July 1, 2008, and painting that is done on or after July~~
21 ~~1, 2008.~~

22 ~~(e) This section does not restrict the privilege granted to disabled~~
23 ~~persons and disabled veterans by Section 22511.5.~~

24 ~~SEC. 3. Section 22511.8 of the Vehicle Code is amended to~~
25 ~~read:~~

26 ~~22511.8. (a) A local authority, by ordinance or resolution, and~~
27 ~~a person in lawful possession of an offstreet parking facility may~~
28 ~~designate stalls or spaces in an offstreet parking facility owned or~~
29 ~~operated by the local authority or person for the exclusive use of~~
30 ~~a vehicle that displays either a special license plate issued pursuant~~
31 ~~to Section 5007 or a distinguishing placard issued pursuant to~~
32 ~~Section 22511.55 or 22511.59. The designation shall be made by~~
33 ~~posting a sign as described in paragraph (1), and by either of the~~
34 ~~markings described in paragraph (2) or (3):~~

35 ~~(1) (A) By posting immediately adjacent to, and visible from,~~
36 ~~each stall or space, a sign consisting of a profile view of a~~
37 ~~wheelchair with occupant in white on a blue background.~~

38 ~~(B) The sign shall also clearly and conspicuously state the~~
39 ~~following: "Minimum Fine \$250." This subparagraph applies only~~
40 ~~to signs for parking spaces constructed on or after July 1, 2008,~~

1 and signs that are replaced on or after July 1, 2008, or as the State
2 Architect deems necessary when renovations, structural repair,
3 alterations, and additions occur to existing buildings and facilities
4 on or after July 1, 2008.

5 (2) (A) ~~By outlining or painting the stall or space in blue and~~
6 ~~outlining on the ground in the stall or space in white or suitable~~
7 ~~contrasting color a profile view depicting a wheelchair with~~
8 ~~occupant.~~

9 (B) ~~The loading and unloading area of the pavement adjacent~~
10 ~~to a parking stall or space designated for disabled persons or~~
11 ~~disabled veterans shall be marked by a border and hatched lines.~~
12 ~~The border shall be painted blue and the hatched lines shall be~~
13 ~~painted a suitable contrasting color to the parking space. Blue or~~
14 ~~white paint is preferred. In addition, within the border the words~~
15 ~~“No Parking” shall be painted in white letters no less than 12 inches~~
16 ~~high. This subparagraph applies only to parking spaces constructed~~
17 ~~on or after July 1, 2008, and painting that is done on or after July~~
18 ~~1, 2008, or as the State Architect deems necessary when~~
19 ~~renovations, structural repair, alterations, and additions occur to~~
20 ~~existing buildings and facilities on or after July 1, 2008.~~

21 (3) ~~By outlining a profile view of a wheelchair with occupant~~
22 ~~in white on a blue background, of the same dimensions as in~~
23 ~~paragraph (2). The profile view shall be located so that it is visible~~
24 ~~to a traffic enforcement officer when a vehicle is properly parked~~
25 ~~in the space.~~

26 (b) ~~The Department of General Services under the Division of~~
27 ~~the State Architect shall develop pursuant to Section 4450 of the~~
28 ~~Government Code, as appropriate, conforming regulations to ensure~~
29 ~~compliance with subparagraph (B) of paragraph (1) of subdivision~~
30 ~~(a) and subparagraph (B) of paragraph (2) of subdivision (a). Initial~~
31 ~~regulations to implement these provisions shall be adopted as~~
32 ~~emergency regulations. The adoption of these regulations shall be~~
33 ~~considered by the Department of General Services to be an~~
34 ~~emergency necessary for the immediate preservation of the public~~
35 ~~peace, health and safety, or general welfare.~~

36 (e) ~~If posted in accordance with subdivision (c) or (f), the owner~~
37 ~~or person in lawful possession of a privately owned or operated~~
38 ~~offstreet parking facility, after notifying the police or sheriff’s~~
39 ~~department, may cause the removal of a vehicle from a stall or~~
40 ~~space designated pursuant to subdivision (a) in the facility to the~~

1 nearest public garage unless a special license plate issued pursuant
2 to Section 5007 or distinguishing placard issued pursuant to Section
3 22511.55 or 22511.59 is displayed on the vehicle.

4 (d) If posted in accordance with subdivision (c), the local
5 authority owning or operating an offstreet parking facility, after
6 notifying the police or sheriff's department, may cause the removal
7 of a vehicle from a stall or space designated pursuant to subdivision
8 (a) in the facility to the nearest public garage unless a special
9 license plate issued pursuant to Section 5007 or a distinguishing
10 placard issued pursuant to Section 22511.55 or 22511.59 is
11 displayed on the vehicle.

12 (e) Except as provided in Section 22511.9, the posting required
13 for an offstreet parking facility owned or operated either privately
14 or by a local authority shall consist of a sign not less than 17 by
15 22 inches in size with lettering not less than one inch in height
16 which clearly and conspicuously states the following:
17 "Unauthorized vehicles parked in designated accessible spaces not
18 displaying distinguishing placards or special license plates issued
19 for persons with disabilities will be towed away at the owner's
20 expense. Towed vehicles may be reclaimed at:

21
22
23
24 _____ or by telephoning
25 (Address) _____
26 _____."
27 (Telephone number of local law enforcement agency)

28
29 The sign shall be posted in either of the following locations:

- 30 (1) Immediately adjacent to, and visible from, the stall or space.
31 (2) In a conspicuous place at each entrance to the offstreet
32 parking facility.

33 (f) If the parking facility is privately owned and public parking
34 is prohibited by the posting of a sign meeting the requirements of
35 paragraph (1) of subdivision (a) of Section 22658, the requirements
36 of subdivision (c) may be met by the posting of a sign immediately
37 adjacent to, and visible from, each stall or space indicating that a
38 vehicle not meeting the requirements of subdivision (a) will be
39 removed at the owner's expense and containing the telephone
40 number of the local traffic law enforcement agency.

1 ~~(g) This section does not restrict the privilege granted to disabled~~
2 ~~persons and disabled veterans by Section 22511.5.~~

3 ~~SEC. 4. Section 40203.5 of the Vehicle Code is amended to~~
4 ~~read:~~

5 ~~40203.5. (a) The schedule of parking penalties for parking~~
6 ~~violations and late payment penalties shall be established by the~~
7 ~~governing body of the jurisdiction where the notice of violation is~~
8 ~~issued. To the extent possible, issuing agencies within the same~~
9 ~~county shall standardize parking penalties.~~

10 ~~(b) Parking penalties under this article shall be collected as civil~~
11 ~~penalties.~~

12 ~~(c) (1) The penalty for a violation of Section 22507.8 shall not~~
13 ~~be less than two hundred fifty dollars (\$250).~~

14 ~~(2) The issuing agency may suspend the imposition of the~~
15 ~~penalty in paragraph (1), if the violator, at the time of the offense,~~
16 ~~possessed but failed to display a valid special identification license~~
17 ~~plate issued pursuant to Section 5007 or a distinguishing placard~~
18 ~~issued pursuant to Section 22511.55 or 22511.59.~~

19 ~~(3) A penalty imposed pursuant to this subdivision may be paid~~
20 ~~in installments if the issuing agency determines that the violator~~
21 ~~is unable to pay the entire amount in one payment.~~

22 ~~SEC. 5. If the Commission on State Mandates determines that~~
23 ~~this act contains costs mandated by the state, reimbursement to~~
24 ~~local agencies and school districts for those costs shall be made~~
25 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~
26 ~~4 of Title 2 of the Government Code.~~