

AMENDED IN ASSEMBLY APRIL 10, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1265**

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**Introduced by Assembly Member Haney**

February 21, 2025

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An act to amend Sections 38.10, 17053.91, and 23691 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL’S DIGEST

AB 1265, as amended, Haney. Income taxes: credits: rehabilitation of certified historic structures.

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, 2021, and before January 1, 2027, for rehabilitation of certified historic structures, as defined, and, under the Personal Income Tax Law, for a qualified residence, as defined. Existing law allows an increased credit of 25% of the qualified rehabilitation expenditures with respect to a certified historic structure meeting any of certain criteria, including a rehabilitated structure that includes affordable housing for lower income households.

Existing law requires, on an annual basis beginning January 1, 2021, until January 1, 2027, the Legislative Analyst to collaborate with the California Tax Credit Allocation Committee and the Office of Historic Preservation to review the effectiveness of these tax credits, as described.

This bill would extend the operative dates of the above-described credit through taxable years beginning before January 1, 2031. The bill would increase the credit for certain certified historic structures from 25% to 30% of qualified rehabilitation expenditures. The bill, for

purposes of certified historic structures eligible for the 30% credit, would require a rehabilitated structure for affordable housing for lower income households to include improvements to preserve existing affordable housing, *as defined*, and would authorize that credit percentage for a structure that is adaptively reused for housing with no less than 50% of the existing floor area used for housing. The bill would also extend the Legislative Analyst's annual review requirement to January 1, 2031.

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 declares the intent of the Legislature to comply with this requirement.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1     SECTION 1. Section 38.10 of the Revenue and Taxation Code  
2     is amended to read:  
3     38.10. (a) The Legislative Analyst shall, on an annual basis  
4     beginning January 1, 2021, collaborate with the California Tax  
5     Credit Allocation Committee and the Office of Historic  
6     Preservation to review the effectiveness of the tax credits allowed  
7     by Sections 17053.91 and 23691. The review shall include, but is  
8     not limited to, an analysis of the demand for the tax credit, the  
9     types and uses of projects receiving the tax credit, the jobs created  
10    by the use of the tax credits, and the economic impact of the tax  
11    credits.  
12    (b) This section shall remain in effect only until January 1, 2031,  
13    and as of that date is repealed.  
14    SEC. 2. Section 17053.91 of the Revenue and Taxation Code  
15    is amended to read:  
16    17053.91. For each taxable year beginning on or after January  
17    1, 2021, and before January 1, 2031, there shall be allowed to a  
18    taxpayer that receives a tax credit allocation a credit against the  
19    “net tax,” as defined in Section 17039, in an amount determined

1 in accordance with Section 47 of the Internal Revenue Code, except  
2 as follows:

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

8 (2) (A) For taxable years beginning before January 1, 2027,  
9 the applicable percentage shall be 25 percent of the qualified  
10 rehabilitation expenditures with respect to a certified historic  
11 structure if that certified historic structure meets one of the  
12 following criteria:

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

18 (ii) The rehabilitated structure includes affordable housing for  
19 ~~lower-income~~ *lower income* households, as defined by Section  
20 50079.5 of the Health and Safety Code.

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

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

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

29 (B) For taxable years beginning on or after January 1, 2027, the  
30 applicable percentage shall be 30 percent of the qualified  
31 rehabilitation expenditures with respect to a certified historic  
32 structure if that certified historic structure meets either of the  
33 following criteria:

34 (i) The rehabilitated structure includes improvements to preserve  
35 existing affordable housing for lower income ~~households, as~~  
36 ~~defined by Section 50079.5 of the Health and Safety Code.~~  
37 *households. For purposes of this clause, "affordable housing for*  
38 *lower income households" means housing at a rental amount*  
39 *consistent with the rent limits established by the California Tax*  
40 *Credit Allocation Committee.*

1 (ii) The structure is adaptively reused for housing with no less  
2 than 50 percent of the existing floor area used for housing.

3 (3) (A) The credit shall be allowed for qualified rehabilitation  
4 expenditures for a qualified residence determined by the California  
5 Tax Credit Allocation Committee and the Office of Historic  
6 Preservation to rehabilitate the historic character and improve the  
7 integrity of the residence in the year of completion in the  
8 percentages specified in paragraphs (1) and (2), as applicable,  
9 except that the credit shall only be allowed in an amount equal to  
10 or more than five thousand dollars (\$5,000) but not exceeding  
11 twenty-five thousand dollars (\$25,000). A taxpayer shall only be  
12 allowed a credit pursuant to this paragraph once every 10 taxable  
13 years.

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

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

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

22 (2) “Qualified residence” has the same meaning as that term is  
23 defined in Section 163(h)(4) of the Internal Revenue Code, that  
24 will be owned and occupied by an individual taxpayer who has a  
25 modified adjusted gross income, as defined by Section 86(b)(2)  
26 of the Internal Revenue Code, of two hundred thousand dollars  
27 (\$200,000) or less, as the taxpayer’s principal residence or what  
28 will be the taxpayer’s principal residence within two years after  
29 the rehabilitation of the residence.

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

36 (B) “Qualified rehabilitation expenditure” has the same meaning  
37 as that term is defined in Section 47(c)(2) of the Internal Revenue  
38 Code and also means rehabilitation expenditures incurred by the  
39 taxpayer with respect to a qualified residence for the rehabilitation  
40 of the exterior of the building or rehabilitation necessary for the

1 functioning of the home, including, but not limited to, rehabilitation  
2 of the electrical, plumbing, or foundation of the qualified residence.

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

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

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

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

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

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

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

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

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

37 (1) Adopt regulations to implement the requirements of this  
38 section. The regulations shall comply with the requirements of the  
39 rulemaking provisions of the Administrative Procedure Act

1 (Chapter 3.5 (commencing with Section 11340) of Part 1 of  
2 Division 3 of Title 2 of the Government Code).

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

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

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

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

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

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

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

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

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

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

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

1 (3) Certify tax credits allocated to taxpayers.

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

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

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

14 (A) Fifty million dollars (\$50,000,000) in tax credits for the  
15 2021 calendar year and each calendar year thereafter, through and  
16 including the 2031 calendar year.

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

19 (2) Notwithstanding the foregoing, the California Tax Credit  
20 Allocation Committee shall set aside ten million dollars  
21 (\$10,000,000) of tax credits that may be allocated each calendar  
22 year for taxpayers in the aggregate, pursuant to this paragraph and  
23 paragraph (2) of subdivision (i) of Section 23691, as follows:

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

32 (B) Eight million dollars (\$8,000,000) of tax credits, in the  
33 aggregate, for taxpayers with qualified rehabilitation expenditures  
34 of less than one million dollars (\$1,000,000) for any other certified  
35 historic building that is not a qualified residence. To the extent  
36 that this amount is not fully allocated in any calendar year, the  
37 unused portion shall become available in subsequent calendar years  
38 for allocation to other taxpayers, except those taxpayers subject  
39 to subparagraph (A).

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

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

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

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

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

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

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



(o) The amendments made by the act adding this subdivision shall apply to credits allocated on or after January 1, 2027.

(p) (1) This section shall remain in effect only until December 1, 2031, 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, 2031, the amount of credit allowed pursuant to this section shall be zero dollars (\$0).

SEC. 3. 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, 2031, 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) (A) For taxable years beginning before January 1, 2027, 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:

(i) 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.

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

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

(iv) 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.

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

4 (B) For taxable years beginning on or after January 1, 2027, the  
5 applicable percentage shall be 30 percent of the qualified  
6 rehabilitation expenditures with respect to a certified historic  
7 structure if that certified historic structure meets either of the  
8 following criteria:

9 (i) The rehabilitated structure includes improvements to preserve  
10 existing affordable housing for lower income ~~households, as~~  
11 ~~defined by Section 50079.5 of the Health and Safety Code.~~  
12 *households. For purposes of this clause, “affordable housing for*  
13 *lower income households” means housing at a rental amount*  
14 *consistent with the rent limits established by the California Tax*  
15 *Credit Allocation Committee.*

16 (ii) The structure is adaptively reused for housing with no less  
17 than 50 percent of the existing floor area used for housing.

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

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

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

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

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

37 (3) A tax credit allocation provided to a taxpayer shall not  
38 constitute a determination by the California Tax Credit Allocation  
39 Committee with respect to any of the requirements of this section

1 regarding a taxpayer's eligibility for the credit authorized by this  
2 section.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (2) (A) Subject to the annual cap established as provided in  
15 subdivision (i), allocate on a first-come-first-served basis an  
16 aggregate amount of credits under this section and Section  
17 17053.91, and allocate any carryover of unallocated credits from  
18 prior years.

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

26 (3) Certify tax credits allocated to taxpayers.

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

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

34 (A) Fifty million dollars (\$50,000,000) in tax credits for the  
35 2021 calendar year and each calendar year thereafter, through and  
36 including the 2031 calendar year.

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

39 (2) Notwithstanding the foregoing, the California Tax Credit  
40 Allocation Committee shall set aside eight million dollars

1 (\$8,000,000) of tax credits that may be allocated each calendar  
2 year for taxpayers in the aggregate, pursuant to this paragraph and  
3 subparagraph (B) of paragraph (2) of subdivision (i) of Section  
4 17053.91, with qualified rehabilitation expenditures of less than  
5 one million dollars (\$1,000,000). To the extent that this amount  
6 is not fully allocated in any calendar year, the unused portion shall  
7 become available in subsequent calendar years for allocation to  
8 other taxpayers, except those taxpayers subject to subparagraph  
9 (A) of paragraph (2) of subdivision (i) of Section 17053.91.

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

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

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

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

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

38 (m) This section shall remain in effect regardless of the  
39 expiration or repeal of Section 47 of the Internal Revenue Code,  
40 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) The amendments made by the act adding this subdivision shall apply to credits allocated on or after January 1, 2027.

(p) (1) This section shall remain in effect only until December 1, 2031, 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, 2031, the amount of credit allowed pursuant to this section shall be zero dollars (\$0).

SEC. 4. It is the intent of the Legislature to comply with Section 41 of the Revenue and Taxation Code.

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