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COIN CDFI Tax Credit Application Guidelines

Purpose

The CDFI shall use the proceeds of the Tax Credit investment for a purpose that is consistent with the community development mission of the CDFI and directly benefits underserved communities in California.

What to Include in Your Application

Please provide a cover letter for the tax credit investment that includes the following information.

- 1) General CDFI and taxpayer information.
 - (A) The name of the CDFI;
 - (B) The name, title, telephone number, fax number, business address, mailing address and E-mail address of the CDFI's contact;
 - (C) The number of certificate applications being filed by the CDFI during the current cycle;
 - (D) The name and taxpayer ID number of the taxpayer to whom or which the certificate would be issued; and
 - (E) Title, telephone number, fax number, business address, mailing address and E-mail address of the taxpayer's contact.
- 2) General qualified investment and tax credit information.
 - (A) The qualified investment and tax credit amounts for which a certificate is being requested;
 - (B) Confirmation that the qualified investment is for a minimum duration of sixty (60) months, and the final maturity date of the investment if it is an equity like debt instrument;
 - (C) Documentation of remittance of invested funds; and
 - (D) The entire amount invested if different from the qualified investment amount for which the certificate is sought.
- 3) Specific investment and tax credit information.
 - (A) A copy of the agreement between the CDFI and the taxpayer regarding the qualified investment, and all other documents directly or indirectly altering the terms of the agreement, whether entered into before or after the agreement;
 - (B) A summary of the main terms of the agreement between the taxpayer and the CDFI regarding the qualified investment, including but not limited to the following:
 1. The names of the CDFI and taxpayer;
 2. The effective date of the agreement;
 3. The date(s) the agreement was executed;
 4. Whether the qualified investment is a deposit, a zero-interest loan, an equity investment or an equity-like debt instrument;
 5. The specific intended use of the investment;



6. Whether the CDFI will have full use and control of the proceeds and earnings;
7. The percentage of the investment proceeds that will be used in California;
8. Confirmation that the agreement contains a disclosure to the investor of the tax consequences if the investment is withdrawn early;
9. Confirmation that the agreement addresses whether the CDFI may repay the investment before the end of its term, despite the tax consequences;
10. An explanation of any fees;
11. An explanation of all prior financial arrangements between the parties for the past five years; and
12. All other material restrictions or requirements.

(C) Numerical summary of investment uses;

1. The percentage of the investment that will:
 - a. be a direct benefit to LMI households; and
 - b. be a direct benefit to rural areas.
2. The percentage of the investment that will:
 - a. go toward green investment;
 - b. go toward affordable rental housing;
 - c. go toward community-based residential programs;
 - d. go toward self-help housing;
 - e. go toward housing for veterans;
 - f. go toward single-family owned housing; and
 - g. be from an insurance company.
3. The number of temporary and permanent jobs created, and the number of those jobs in high unemployment areas;
4. Any other statistical information that addresses the factors previously discussed; and
5. A list of the metrics the applicant deems most appropriate for evaluating the impact of its investment, and the calculations the applicant used with those metrics to determine the impact.

4) A signed statement acknowledging or agreeing:

- (A) that the program may change due to statutory, regulatory or judicial actions;
- (B) that tax credit amounts allocated may be reduced if the terms and amounts of project sources and uses of funds are modified;
- (C) that the applicant and taxpayer shall continue to comply with all laws and regulations, including those prohibiting discrimination, and program requirements;
- (D) that information submitted to COIN is subject to disclosure under the California Public Records Act, except as provided in Revenue and Taxation Code Sections 12209(d)(3)(B), 17053.57(c)(3)(B), 23657(c)(3)(B), and any successor or other statutes;
- (E) that the CDFI and taxpayer hold the Department and its employees harmless from liability deriving from the program or uses;



- (F) that the application will be evaluated according to COIN regulations; and
- (G) that the CDFI will upon later request provide to COIN information needed to establish the benefits of the investment if a certificate is issued.

5) Signatures.

(A) An original signature on the application form by a CDFI corporate officer attesting, under penalty of perjury under the laws of the State of California, that all information provided by the CDFI is true and correct, and that the CDFI will notify COIN of changes causing information in the application to become materially inaccurate or incomplete; and

(B) An original signature on the application form by a natural person taxpayer, or an officer of a taxpayer that is not a natural person, attesting, under penalty of perjury under the laws of the State of California, that all information provided by the taxpayer is true and correct, and that the taxpayer will notify COIN of changes causing information in the application to become materially inaccurate or incomplete.

Detailed narrative

Applicants shall submit with the application form a detailed narrative description of the intended use of the qualified investment and its anticipated benefits with any supporting documentation, including data. Upon request by COIN an applicant shall provide any other information reasonably necessary to evaluate an application.

When to Apply

The CDFI Tax Credit program statute requires that the entire amount of the investment must be received by the CDFI before an application may be submitted to COIN. At least ninety (90) days before applications are due, COIN shall publish on its website the final date when applications will be accepted. Not later than ninety (90) days after the due date for receiving applications, COIN shall issue all certificates to applicants that COIN intends to issue for that cycle. Upon good cause and sufficient notice, COIN may modify these periods. COIN may reject an application received after a deadline for filing applications. Applicants shall retain proof of timely application submittal. An applicant may not change or supplement an application after an application deadline without COIN's prior consent, which may only be granted for good cause. If the investments are less than \$50 million in one calendar year, the difference may be carried over to future years and added to the aggregate amount authorized for those years.

Terms and Definitions

All parties should be aware of the following information, which must be included in the application.

1. Duration:

During the 60-month period, the CDFI shall have full use and control of the proceeds of the entire amount of the investment as well as any earnings on the investment for its community development purposes.

2. Tax Recapture:

If a "Qualified Investment" is withdrawn before the end of the 60th month and not redeposited or reinvested in another CDFI within 60 days, there shall be added to the "net tax" or "tax" as defined in R&TC Section 17039, Section 23036, or Section 28 of Article XIII of the California Constitution, for the taxable or income year in which the withdrawal occurs, the entire amount of any credit previously allowed under R&TC Sections 17053.57 or 23657, (requiring the CDFI to notify COIN and the Franchise Tax Board), and Section 12209, (requiring the CDFI to notify COIN and the Board of Equalization).



3. If a "Qualified Investment" is reduced before the end of the 60th month, but not below fifty thousand dollars (\$50,000), there shall be added to the "net tax" as defined in Section 17039, Section 23036, or Section 28 of Article XIII of the California Constitution, for the taxable or income year in which the reduction occurs, an amount equal to 20 percent of the total reduction for the taxable or income year. Sections 17053.57 and 23657 require the CDFI to notify COIN and the Franchise Tax Board of the reduction, and Section 12209 requires the CDFI to notify COIN and the Board of Equalization.

4. Monitoring:

Qualified investments will be monitored for consistency with the COIN mission statement and COIN CDFI tax credit guidelines and evaluation criteria, including the provision of social benefit to underserved communities during the minimum 60 month term. An additional impact metric spreadsheet will be provided.

To apply, please submit application to:

California Organized Investment Network
California Department of Insurance
300 S. Spring Street, 11th Floor
Los Angeles, CA 90013

