AB 32
Community Organized Investment Network (COIN)
INTRODUCED 12/3/2012

SUMMARY

The bill would increase from $10 million to $20 million the cap on the annual aggregate amount of qualified investments made into community development financial institutions (CDFIs). This would in turn increase the amount of investment tax credits available annually from $2 million to $4 million.

EXISTING LAW

Current law allows a credit against the insurance tax, personal income tax, and corporation tax for non-interest bearing investments in CDFIs. CDFIs are financial institutions (e.g. banks, loan funds, credit unions, micro-enterprise funds, or venture funds) with community development as their primary mission. By providing financial products and services to communities underserved by the traditional financial markets, CDFIs help to revitalize disadvantaged areas and provide economic opportunities for low-income communities.

The California Department of Insurance (CDI) administers the COIN Program which certifies the tax credits through its CDFI Tax Credit and Certification Program. To obtain certification, CDFIs must be affiliated with a private financial institution located in California, have as its primary mission community development, and focus their lending in urban, rural and/or reservation-based California communities.

Under the program, all qualified investments must meet certain eligibility criteria and, in exchange, the investor is eligible to receive a 20-percent state tax credit. Each year, CDI allocates $2 million in tax credits to support up to $10 million in community development investments.

The COIN program results in substantial leveraging of vital private investment capital to community development organizations.

BACKGROUND

According to CDI, CDFIs have invested, through the CDFI Tax Credit and Certification Program, more than $135 million into California's underserved communities from 1997 through 2012. The following are a few examples of these investments: a) loans for six child care centers that serve 500 low-income children; b) a mortgage loan for a nonprofit residential alcohol treatment facility; c) micro-loans of $500 to $5,000 to self-employed business owners; d) pre-development loans to Habit for Humanity to construct affordable homes; e) a loan to a church to build a child care center for low-income residents; f) a loan for 953 water hook-ups in two small rural communities; and, g) a short-term loan to close escrow on housing for low-income foster youth.

Interest from insurance companies in participating in the program has increased dramatically in the last two years which has resulted in the program being oversubscribed beyond the $10 million tax credit amount, resulting in potential investors being turned away. As a result, meaningful and substantial community and local-based projects do not get the benefit of this investment.

Previous Legislation

Speaker John A. Pérez authorized AB 624 which was sponsored by Insurance Commissioner Dave Jones and CDI and was signed by Governor Jerry Brown in 2011. The bill (1) extended to January 1, 2017, the sunset on credits against the insurance tax, personal income tax, and corporation tax for specific Community Development Financial Institution (CDFIs) investments and (2) authorized the Insurance Commissioner to create a California Organized Investment Network (COIN) Advisory Board to make recommendations on how best to increase insurance industry investment in community development projects.

Sponsor

Insurance Commissioner Dave Jones and the California Department of Insurance

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