Date of Hearing: April 13, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

AB 2270 (Arambula) – As Introduced February 19, 2026

2/3 vote. Tax levy. Fiscal Committee.

SUBJECT: Low-income housing tax credit: farmworker housing

SUMMARY: Requires the California Tax Credit Allocation Committee (CTCAC) to amend the low-income housing tax credit (LIHTC) regulatory scoring system to treat farmworker housing as large family projects, and to use the same point allocation as rural set-aside projects when assigning points to farmworker housing based on proximity of amenities to an eligible farmworker housing project.

EXISTING FEDERAL LAW establishes the LIHTC, which provides a credit for the costs of constructing, rehabilitating, or acquiring low-income rental housing. The credit may be claimed over a 10-year period and equals either 70% of the qualified basis for projects that are not federally subsidized or 30% for projects that are federally subsidized. These are commonly referred to as the 9% credit or the 4% credit, respectively, which reflects the annualized credit percentage that a qualified taxpayer may claim over the 10-year period. The 9% credit is subject to an annual federally determined cap that is based on state population, whereas the 4% cap is subject to a state's private activity bond capacity. (Internal Revenue Code Section 42 *et seq.*).

EXISTING STATE LAW:

1) Enacts the Personal Income Tax (PIT) Law, which imposes a tax at specified percentages on a taxpayer's taxable income, as defined, and the Corporation Tax (CT) Law, which generally imposes a tax at the rate of 8.84% on the net income of a corporation. (Revenue and Taxation Code (R&TC) Section 17041 *et seq.* and R&TC Section 23151 *et seq.*)

2) Imposes a tax on the gross premiums, as specified, of insurers, as defined, at the rate of 2.35%. (California Constitution, Article XIII, Section 28.)

3) Authorizes, under the tax on the gross premiums of insurers, the PIT Law, and the CT Law, a state LIHTC that is calculated in partial conformity with the federal LIHTC and may only be claimed over a period of four years. (R&TC Sections 12206, 17058, and 23610.5.)

4) Allocates $70 million on an ongoing basis to the CTCAC for the purposes of administering the LIHTC and adjusts this amount for inflation beginning in the 2002 calendar year, plus any unused amounts for the preceding calendar year and any amount returned in the calendar year. (R&TC Sections 12206(g)(1)(A), 17058(g)(1)(A), and 23620.5(g)(1)(A).)

5) Allocates an augmentation to the LIHTC of $500 million, as specified, beginning in the 2020 calendar year, and annually thereafter only if an appropriation is made in the Budget Act. Among other provisions, the CTCAC is required to develop a scoring system that maximizes

the efficient use of public subsidy and benefit created through private activity bonds and LIHTC programs as part of an allocation methodology that emphasizes increased production and cost containment. The factors to consider in making this determination of efficient use include, but are not limited to, the following:

a) The number and size of units developed including local incentives provided to increase density;

b) The proximity to amenities, jobs, and public transportation;

c) The location of the development; and,

d) The delivery of housing affordable to very low- and extremely low-income households by the development.

For the 2024 through 2034 calendar years, the lesser of 5% of the $500 million augmentation or $25 million must be set aside for allocation to "farmworker housing" projects, as defined. (R&TC Sections 12206(g), 17058(g), and 23620.5(g).)

6) Requires that at least 20% of the LIHTC subject to the federal ceiling be allocated to rural areas, as defined. (Health and Safety Code (H&SC) Section 50199.20.)

7) Defines "farmworker housing" as housing in which at least 50% of the units are occupied by farmworkers and their households. (H&SC Section 50199.7(h).)

8) Requires the Department of Housing and Community Development to commission a statewide study of farmworker conditions, needs, and solutions to inform a comprehensive strategy for meeting the housing needs of the state's farmworkers by December 1, 2023 and to develop the comprehensive strategy for implementation no later than January 1, 2026. The comprehensive strategy must be submitted to the Legislature no later than January 1, 2027. (H&SC Section 50408.5.)

FISCAL EFFECT: The Franchise Tax Board estimates no revenue impact resulting from this bill.

COMMENTS:

1) The author has submitted the following statement in support of this bill:

> Farmworkers are an essential part our state's economy helping the state's agricultural sector generate more than $100 billion in economic activity every year. With their hard work they help feed, not only our state and our nation, but the world. Yet, they are often forced to live in aging or substandard housing. The state must do something to provide them with the dignity and respect that they earn through their work. AB 2270 is a modest proposal to further this purpose by ensuring a source of funding that can be used to incentivize the construction of adequate farmworker housing.

2) La Cooperativa Campesina de California, writing as the sponsor of this bill, states, in part:

> For decades, the LIHTC scoring system has unintentionally disadvantaged farmworker housing by prioritizing proximity to urban amenities such as transit, libraries, and

pharmacies; criteria that do not reflect the geographic realities of agricultural communities. Because farmworker housing must be located near agricultural land and employment, these developments are often situated miles from such amenities and are routinely penalized in the competitive scoring process.

This misalignment has created a structural barrier to housing production. Farmworker housing developments typically serve families with children, yet they have not consistently benefited from classification as "Large Family" housing within the scoring system. At the same time, amenity proximity standards assume dense, urban service patterns that are simply not present in rural and agricultural regions. As a result, projects that are appropriately located to serve farmworkers are made less competitive for funding – not because of inefficiency or poor design, but because the scoring framework does not reflect agricultural land-use realities.

3) A coalition of farmworker and housing advocates, writing in support of this bill, state, in part:

   AB 2270 seeks to correct a structural imbalance by making two key alignments: first, by classifying farmworker housing under the "Large Family" category, which accurately reflects the size of the households served; and second, by adopting rural set-aside amenity scoring standards that acknowledge the distinct geographic circumstances of agricultural communities.

4) Committee Staff Comments:

   a) *The LIHTC*: State and federal law allow a LIHTC to qualified taxpayers for incurring certain costs related to the construction, rehabilitation, or acquisition of low-income rental housing. In practice, low-income rental housing developers design projects and apply to the CTCAC for credits. If the CTCAC authorizes credits, the CTCAC enters a regulatory agreement with the housing developer that stipulates income and rent restrictions. The CTCAC then reserves the credit amount for that application. Subsequently, the developer forms a partnership with investors that exchange equity financing for the credits, and the investors may then claim the credit over the authorized period. Rather than expecting the investment in a LIHTC project to produce income, investors rely on the credit to realize a return in the form of reducing their tax liabilities. The equity raised from this exchange lowers the financing costs for developers such that they can feasibly charge lower rents, thereby potentially expanding the supply of affordable rental housing.

      There are two types of the LIHTC, the 9% credit and the 4% credit, which are awarded to projects that are non-federally subsidized or federally subsidized, respectively. The 9% credit is subject to a federally prescribed annual ceiling based on the population of a state; whereas, the 4% credit must have 50% of the project financed by federally tax-exempt bonds.

   b) *Modification and augmentation to the state LIHTC*: The state LIHTC has been extensively modified and augmented over the course of its history. In 2008, SB 1247 (Lowenthal), Chapter 521, Statutes of 2008, eliminated the Farmworker Housing Assistance Tax Credit Program, which reserved $500,000 from the LIHTC allocation for farmworker housing projects, and consolidated this set aside into the general LIHTC application process to streamline administration and make the LIHTC program easier to navigate. This set aside is commonly referred to as the "State Farmworker Credit." SB 1247 also allowed the CTCAC to allocate state credits for projects that did not receive a federal credit if the project was occupied only by farmworkers and their households. The Legislature modified this reservation by enacting AB 571 (E. Garcia), Chapter 372, Statutes of 2017, which reduced the occupancy requirement threshold from 100% to 50% of units occupied by farmworker households and allowed farmworker housing projects to qualify for an increase in the credit amount if the project is built in certain development areas and census tracts.

In 2019, the state authorized a new augmentation to the existing LIHTC allocation by enacting AB 101 (Committee on Budget), Chapter 159, Statutes of 2019, which allocated $500 million in state credits. Under this new augmentation, the CTCAC is required to issue regulations establishing a scoring system for the purposes of evaluating applications on the basis of certain factors, including the proximity of the project to amenities.

In 2022, the Legislature approved, and the Governor signed, AB 1654 (Rivas), Chapter 638, Statutes of 2022, which reserved the lesser of $25 million or 5% of the allocated amount for farmworker housing projects each year, beginning in 2024 and lasting through 2034. AB 1654 also required the Department of Housing and Community Development to develop a comprehensive strategy to address farmworker housing production, and to submit that strategy to the Legislature by January 1, 2027.

In the following year, the Legislature again acted to augment the LIHTC to provide additional consideration to farmworker housing by passing AB 1439 (E. Garcia), Chapter 369, Statutes of 2023, which required the CTCAC to consider amending the regulatory scoring system to augment the points received by farmworker housing.

c) *LIHTC program requirements*: The State Treasurer's Office is required to adopt regulations to implement the statutory provisions of the LIHTC. These regulations stipulate application requirements, eligibility requirements, set-asides and apportionments that provide how much of the LIHTC is awarded to what type of housing, and a scoring system to weigh which applicants receive a LIHTC, among other considerations.

   Some of these requirements must be fulfilled, regardless of applicant, while some help determine which projects receive awards within certain categories. These requirements ensure that the LIHTC complies with existing law that directs the CTCAC to award credits to promote the development and construction of sufficient, quality, affordable housing in California with the limited federal and state dollars available.

d) *This bill*: This bill seeks to further augment farmworker housing under the LIHTC scoring system by providing that farmworker housing is considered a "Large Family" project, and to assign farmworker housing the same point allocation that rural-set aside projects receive based on the project's proximity to amenities.

   Given this bill simply reprioritizes the types of applicants that would receive a LIHTC and does not expand the allocated amount of credit, this bill does not authorize, extend, or expand a tax expenditure.

e) *Rural set-aside*: The CTCAC's regulations stipulate that certain portions of the LIHTC be set-aside for certain types of housing. Relevant to this bill, the regulations require that 20% of the annual federal credit ceiling be set-aside for rural projects. Within that set aside, certain scoring criteria must be considered when awarding credits. Among these criteria are the proximity to certain amenities. While all projects applying for a LIHTC are subject to the scoring criteria for being proximate to certain amenities, rural projects are awarded the same consideration as non-rural projects if they are located further away from those amenities. This consideration is to account for the often greater distances between locations in rural settings.

By requiring that farmworker housing receive the same point allocation as rural set-aside projects, this bill is providing consideration to a project that may not qualify for that consideration. The CTCAC determines whether any housing meets the definition of a rural set-aside based on location and independent of the type of housing. This determination is based on a list of eligible census tracts published by the US Department of Agriculture. Thus, as currently drafted, this bill would provide additional consideration to farmworker housing that would not be of sufficient quality to receive a credit absent this bill. If that is not the author's intent, this bill should be amended.

f) *Large-family projects*: The LIHTC regulations require that a project meet certain thresholds to qualify as a large-family project, including that the project be comprised of certain percentages of units with specified bedroom sizes and corresponding square footages, provide certain amenities for tenants, and construct appropriate common areas. These requirements ensure that subsidized large-family projects are in fact providing quality housing to tenant families.

As currently drafted, this bill would require the CTCAC to define "farmworker housing" as a large-family project. Committee staff is unclear as to intended outcome of this provision. Is the author's intent to ensure that farmworker housing meets the requirements of large-family projects to ensure that subsidized farmworker housing is of sufficient quality? Or, rather, is the author's intent to provide additional consideration to farmworker housing projects, even if those projects don't meet the requisite requirements that ensure the development of quality projects?

g) *Too soon*? The author, sponsors, and supporters of this bill note the deficiency of farmworker housing in California. While it is true that more farmworker housing is needed, it is not clear whether the rapid series of increased allocations and augmented considerations for farmworker housing have proved insufficient. Indeed, this Committee has been informed by CTCAC staff that the direction to consider augmentations to farmworker housing, as required by AB 1439 (E. Garcia), have only just been implemented and have not been applied to the latest round of LIHTC awards. It may be premature to provide additional augmentation to farmworker housing before the distribution of LIHTC recipients subject to the prior augmentation can be determined.

Additionally, the Department of Housing and Community Development is required to develop a comprehensive strategy to improve farmworker housing production in California. This strategy must be submitted to the Legislature by January 1, 2027. Some might argue it is imprudent to continue expanding farmworker housing production programs in a piecemeal fashion when the agency with relevant experience is set to provide recommendations to the Legislature on how to address farmworker housing production in a holistic fashion at the beginning of next year.

h) *Outgoing*: This bill is double-referred with the Assembly Committee on Housing and Community development being the Committee of second referral. Should this bill pass out of this Committee, it will move to the Committee of second referral for consideration.

REGISTERED SUPPORT / OPPOSITION:

Support

California Human Development
Center for Employment and Training
Central Valley Opportunity Center
Clergy and Laity United for Economic Justice-Ventura County
Comite de Accion Del Valle Inc.
First Day Foundation
Friends of Fieldworkers, Inc.
House Farm Workers!
Housing Opportunities Made Easier
La Cooperative Campesina de California
Los Amigo De LA Comunidad, Inc
Mixteco/Indigena community Organizing Project
Proteus, Inc.
Unidosus
Ventura County YIMBY
West Ventura County Business Alliance

Opposition

None on file

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