

“As Californians, we should strive to make our state a better place to live. Strengthening our local communities is a wonderful way to give back to California. I encourage investors and community development organizations to make use of this special incentive promoting progress and prosperity for California’s economically disadvantaged families.”

— Steve Poizner, Insurance Commissioner
State of California
Department of Insurance

What is a CDFI?

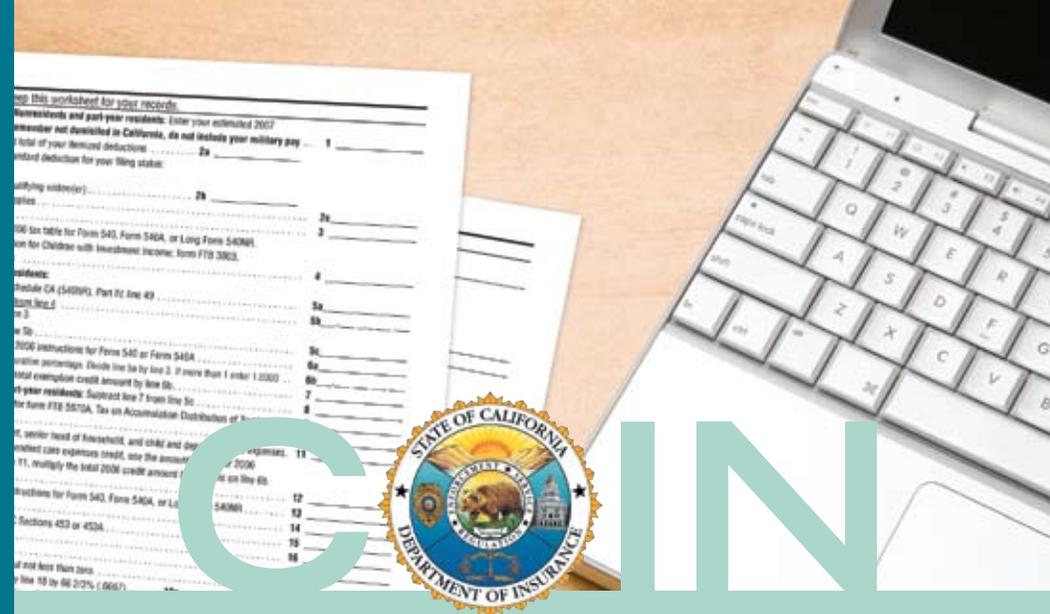
Community Development Financial Institutions (CDFIs) are mission-driven private financial institutions in California specifically dedicated to, and whose core purpose is, providing financial products and services to people and communities underserved by traditional financial markets. They seek to bridge the growing gap that exists between the loans and services available to the economic mainstream and those offered to low-income people and communities, as well as the nonprofit institutions and businesses that serve them.

In addition, they serve a critical role in addressing issues of poverty and access to credit in economically disadvantaged communities by providing development services or technical assistance along with the loans and investments they make for community and economic development.

A CDFI may include a community development loan fund, credit union, bank, microenterprise fund, corporation-based lender or venture fund.

How do I locate COIN-certified CDFIs in California?

You may obtain a list of eligible CDFIs from our Web site at <http://www.insurance.ca.gov/0250-insurers/0700-coin> or by contacting COIN at (916) 492-3525.



California Organized Investment Network

What is COIN?

COIN, within the California Department of Insurance, is a collaborative effort between the Department, community development organizations and advocates and the insurance industry. COIN’s mission is to provide leadership in increasing insurance industry capital in safe and sound investments providing fair returns to investors and social benefit to underserved communities.

COIN also administers the CDFI tax credit program, which is open to all taxpayers who pay taxes under the California Personal Income Tax or Corporation Tax Laws or pay insurer Premium Tax in California.

COIN

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www.insurance.ca.gov/0250-insurers/0700-coin



California Organized Investment Network

CALIFORNIA CDFI TAX CREDIT & Certification Program





20%
tax credit

CDFI

California CDFI Tax Credit & Certification Program

As of January 1, 2000, insurers became eligible to make qualified investments in exchange for a Premium Tax credit. Qualified investments made by foreign insurers will not be negated by a state's retaliatory law in the event that a foreign insurer's home state has a Premium Tax in excess of California's 2.35 percent.

How does a CDFI apply for certification?

An organization can be certified by COIN as a California CDFI by demonstrating that, consistent with the findings, declarations, and intent set forth in Section 12939 of the Insurance Code:

1. It is a private financial institution located in this State; and
2. Its primary mission is community development; and
3. It lends in urban, rural, or reservation-based communities in this State.

What happens when a qualified investment is made?

The CDFI sends a written application requesting COIN to certify a qualified investment that it has accepted from a California taxpayer. This application must include the amount and date of the investment, amount of credit that may be due the taxpayer, that taxpayer's Tax ID number, along with information sufficient to substantiate qualification for the investment.

Does the CDFI have to report how it uses the investment proceeds?

Yes. In 2006, the Legislature added a requirement for CDFIs to report to COIN their use of proceeds received from qualified investments under the California CDFI Tax Credit Program.

What is the California CDFI Tax Credit Program?

In September 2006, AB 2831 (Ch. 580, Statutes of 2006) sponsored by the Department of Insurance and authored by Senator Mark Ridley-Thomas extended this program for five more years until January 1, 2012.

It is the intent of the Legislature to provide an incentive in the form of California tax credits to attract much needed additional private capital investments that would not otherwise be available to CDFIs without the benefit of such incentive. It is the expectation of the Legislature that CDFIs will leverage these new investment dollars for the direct benefit of economically disadvantaged communities and low-income people in California.

Each calendar year, qualified investments in CDFIs totaling \$10 million are eligible for tax credits of 20% of the investment amount (\$2 million in total tax credits.) Credits are certified in the order that complete applications are received, subject to the following calendar year limits and set-asides:

1. Until July 1, tax credits for the following investment amounts are set-aside:

- \$3 million for small investments (individual investment amounts of \$300,000 or less)
- \$2.5 million for investments by admitted insurers

Thus credits are available each calendar year for investments totaling \$4.5 million without regard to set-asides.

2. Until October 1, maximum total investments for any one CDFI together with its affiliates is \$4 million.

What is a qualified investment?

A qualified investment is:

- A loan or deposit that does not earn interest; or
- An equity investment; or
- An equity-like debt instrument that conforms to the specifications for these instruments as prescribed by the U.S. Department of the Treasury CDFI Fund.

All qualified investments must be equal to or greater than \$50,000 and for a minimum term of 60 months in exchange for a 20% tax credit for the year in which the investment was made.

In addition:

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.

The CDFI shall use the proceeds of the investment for a purpose that is consistent with its community development mission and for the benefit of economically disadvantaged communities and low-income people in California.

Who can make qualified investments?

Any individual, fiduciary, estate, trust, partnership, corporation with a valid tax identification number paying taxes under the California Personal Income Tax Law or Corporation Tax Law are eligible to make a qualified investment.

