

Julie Enea

From: Jonathan Kevles <jkevles@renewfund.com>
Sent: Wednesday, July 22, 2015 1:14 PM
To: Jason Crapo
Cc: Julie Enea; Cliff Staton
Subject: Request for additional term in the Contra Costa County PACE Provider Agreement
Attachments: CA FTB Letter to IRS - Real Property Tax Deduction Inquiry - 2011.pdf; Letter 12-0018 from IRS on 03-30-2012.pdf; CA FTB - Deduction of Mello-Roos Taxes.pdf; CA FTB FAQ -- Understanding the Real Estate Tax Deduction.pdf

Jason - As mentioned to you briefly in the cover letter I just emailed to you with our application materials, I request that the Contra Costa PACE Provider Agreement include an additional term in it.

The additional term we request is related to consumer protection. Specifically, we request that no PACE provider nor a PACE provider's contractors operating in Contra Costa County's unincorporated areas be permitted to claim that the full amount of the PACE assessment is deductible from one's income taxes.

Both the IRS and the California Franchise Tax Board are clear on this matter - only the interest portion of the payment is deductible. Yet there is at least one PACE provider (Ygrene) that is publicly claiming that the full amount is deductible - which places property owners who believe the claim in jeopardy.

As for suggested language, Sonoma County is considering the following language for an update to their PACE Provider Agreement, which they will be updating sometime in the next few months:

"Recommend that property owners consult with a tax professional prior to claiming any tax deductions associated with the project, and not recommend or indicate that homeowners take any particular filing position regarding their annual or semi-annual PACE assessment payments."

And

"NOT imply through discussions or calculations that the full assessment payment amount may be tax deductible but rather only the interest."

At CaliforniaFIRST we have always adhered to these practices. In the interest of building a PACE marketplace in Contra Costa County and beyond that is built on integrity and protecting consumers, we are supporting jurisdictions around the state who are considering this approach to ensuring that all PACE consumers - regardless of the Provider - are not misled about the tax treatment of their PACE assessment payments. We encourage Contra Costa County to adopt the same approach.

For your reference, I have attached some documentation from the IRS and the CA FTB that speaks to this issue. Please do not hesitate to contact me to discuss or if you have any questions.

Thank you very much,

Jonathan Kevles

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