



COMMUNITY INVESTMENT TAX CREDIT PROGRAM

2017 GOVERNOR'S HOUSING
CONFERENCE
GAP FINANCING

TONI SHAW

TENNESSEE HOUSING DEVELOPMENT AGENCY

SEPTEMBER 21, 2017



Franchise Excise Tax Credit

Tax credit when banks extend:

- Qualified Loans
- Qualified Investments
- Grants or Contribution

To:

Eligible housing entities for engaging in eligible affordable housing activities.



Loan and Investment Types

- **Qualified Loan** – Loan that is 2 % below the WSJ prime rate.
- **Qualified Low-Rate Loan** – Loan that is 4 % below the WSJ prime rate.
- **Qualified Long Term Investment** – An investment that extends for more than 5 years.
- **Grants or Contributions**

Tennessee State Law

- **Original Law** enacted 6/22/05: TCA Section 67-4-2109 (h)(1)(A) and TCA Section 67-4-2109 (h)(2)(A)

One time credits based on total amount of the loan, investment, grant, or contribution.

- **Amendment** enacted 6/27/06: TCA Section 67-4-2109 (h)(1)(B) and TCA Section 67-4-2109 (h)(2)(B)

Annual credits for qualified loans and qualified low rate loans based on the unpaid principal balance of the loan as of December 31st of each year.



Credit Amount

Eligible Investments	Credit Amount
Qualified Loan (2 % below prime rate)	5 % credit applied one time or 3 % credit applied annually to unpaid principal balance as of December 31 st of each year for the life of the loan or 15 years – whichever is earlier
Qualified Investment (longer than 5 years)	5 % credit applied one time
Qualified Low-rate Loan (4 % below prime rate)	10 % credit applied one time or 5 % credit applied annually to unpaid principal balance as of December 31 st of each year for the life of the loan or 15 years – whichever is earlier
Grant or Contribution (any amount)	10 % credit applied one time

Dollar for Dollar Credits

Example:

- \$100,000 QLR loan @ 4 % below prime with one-time credits ➡ \$10,000 – 10 % credit
- \$100,000 LR loan @ 2 % below prime with one-time credits ➡ \$5,000 – 5 % credit

Tax Credits

- Tax Credits may be claimed retroactively back to the date the bill was signed into law (6/22/05).
- Unused one-time credits may be carried forward for up to 15 years.
- Annual credits may not be carried forward.

THDA and TN Dept. of Revenue

CITC is jointly administered by THDA and the TN Department of Revenue.

- THDA certifies the eligibility of the entity and activity.
- Dept. of Revenue approves the tax credits.

Eligible Housing Entities

- Tennessee Non-profit Organizations – 501 (c)(3) agencies organized under the laws of Tennessee
- Development Districts
- Public Housing Authorities
- THDA



Eligible Activities

- Create or preserve affordable housing - acquisition, construction, rehabilitation.
- Assist low income households in obtaining affordable housing – down-payment assistance, pre-purchase counseling.
- Build capacity of non-profit organizations to provide affordable housing opportunities – operational support (refinancing).
- Other low income housing related activities approved by THDA Executive Director and Commissioner of Dept. of Revenue.



Income Limits

- Low income Tennesseans are defined as households with incomes at or below 80 % of the area median.
- CITC uses the income limits established by the US Department of Housing and Urban Development for the Section 8 programs.
- Tennessee limits may be found at:
www.huduser.org/datasets/il.html.

Decertification

- If the eligible entity does not accomplish the approved activity, the bank bears no fault and retains the tax credit.
- Failure of the eligible entity to comply with the terms of the CITC Program will result in decertification deeming the entity ineligible to participate in the program for up to 36 months.
- Opportunity to cure findings may be offered prior to decertification.

Required Documents

- 501 (c)(3) letter from the IRS.
- Certificate of Existence from TN Secretary of State dated within 12 months of the application submission date.
- Project Narrative describing the proposed activity.

****Note** – Project Narrative form is located on the THDA website at www.thda.org. Key in CITC in the search box to bring up the CITC page.

Required Documents

Required documentation for LIHTC Projects:

- Copy of the organizational chart
- Attachments 16 A, B, or C - Type of ownership entity – Partnership, Corporation, Limited Liability Company (competitive 9 % projects)
- Attachments 15 A, B, or C – Type of ownership entity - Partnership, Corporation, Limited Liability Company (non-competitive 4 % and tax exempt bond projects)
- Attachments 28 A or B (if participating in the non-profit set aside)

Documentation is needed showing the development owner, sole general partner or sole managing member, and the relationship of the non-profit or other eligible entity to the development owner and the sole general partner or sole managing member.

Application Process

- Obtain application (Certificate of Contribution for Tax Credit) from THDA website at www.thda.org. Click Business Partners, Grant Administrators, Community Investment Tax Credit.
- Application should be **completed**, **signed**, and **dated** by the eligible entity and the bank.
- Obtain Project Narrative Form from the THDA website.
- Application and required documentation may be submitted to THDA via email. Submit to: CITC@thda.org.
- Upon loan closing send copy of Promissory Note to THDA.

Application Process

- THDA certifies the eligibility of the entity and activity and sends the application to the Dept. of Revenue.
- Department of Revenue approves the tax credit.
- Department of Revenue sends a tax credit approval letter to the bank.



Reporting Requirements

- Progress or Completion reports are due on all applications by January 31st of each year.
- Progress and Completion Report forms may be found on the CITC page of the THDA website.
- Progress and Completion Reports may be emailed to CITC@thda.org.

Contact Information

Program Description, application, and forms may be found on the THDA website at www.thda.org. Click Business Partners, Grant Administrators, Community Investment Tax Credit Program.

Questions or comments to:

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