



Appendix 3 - HTCC GENERAL INFORMATION

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Introduction

The Housing Tax Credit Contribution (“HTCC”) Program is a housing program contained in Section 8-395 of the Connecticut General Statutes, as amended. The HTCC Program provides tax credit vouchers for business firms making contributions to housing programs developed, sponsored or managed by non-profit corporations which benefit very low, low and moderate income individuals and families. The Connecticut Housing Finance Authority (“CHFA”) administers the Program.

The tax credit vouchers provided under the HTCC Program reduce the contributing firm’s Connecticut corporate taxes. The amount of tax credits is equal to the firm’s contribution, making the HTCC Program a dollar-for-dollar tax credit program.

In order for a firm to receive a reservation of credits, the firm must commit in writing to contribute to an eligible housing program. A tax credit voucher will be provided by CHFA upon verification that the contribution has been made. The total amount of tax credits available for 2009 is \$10 million. There is no limit to the amount that any one business firm may donate to HTCC recipients in the aggregate, though each non-profit organization may receive no more than \$500,000 in total contributions.

The HTCC Program can be instrumental in assisting the state to address its need for affordable housing. The contributions provided by area business firms can reduce the amount of financing a project requires. The result of this reduction can turn an insufficiently funded project into a financially feasible one, enhance a project that is financially feasible, or reduce the cost to the families that will occupy the housing.

The HTCC Program encourages cooperation between non-profit and for-profit firms in developing affordable housing that otherwise would not be built, and encourages housing to be built at a reduced cost to the end user.

Please note the following point deductions took effect in 2008:

If an applicant is delinquent submitting Quarterly Reports twice in one calendar year, 10 points will be deducted from the following year’s application only. For example, if an HTCC Applicant fails to submit quarterly reports by the 15th of April, July, October, or January for a recent application, ten points will be deducted from their overall points score.

If an applicant is delinquent submitting Certificate(s) of Occupancy, Temporary Certificate(s) of Occupancy, or other appropriate documentation **and** the CHFA Closeout Certificate, 5 points will be deducted from the following year’s application only. For example, if an HTCC Participant fails to submit the required occupancy documentation and Closeout Certificate within 90 days of project completion, five points will be deducted from their overall points score.

Waivers may be considered on a case by case basis at the discretion of The Connecticut Housing Finance Authority (the “Authority”).

Additional information regarding the application package is provided for your convenience on our website. If any statements in the package conflict with the laws governing the program, those laws take precedence. Applicants are ultimately responsible for providing the information necessary for determining project eligibility and compliance under the HTCC Program. In addition, the enclosed materials should not be relied upon exclusively or as a substitute for the advice of your own tax or legal counsel concerning the interpretation of laws relating to the Program.

If you need further assistance understanding the HTCC Program and how it might benefit your housing project, you are encouraged to visit our website at www.chfa.org or call Delbe Spath at (860) 571-3527. For certain specific questions about your project, you may need to consult your tax or legal advisor.

Workforce Housing Tax Credit (WHTC) Program Description

Definition of Workforce Housing: Affordable housing for low- and moderate-income wage or salaried workers in the municipalities where they work. This program provides housing assistance to individuals to purchase or rent workforce housing.

- This program allows non-profit organizations to set up revolving loan(s) with a minimum of 3 years required to keep the loan open. **NOTE:** The loan fund can remain open longer than 3 years, but all HTCC funds must be exhausted within a 3-year time frame.
- The household income of borrowers from the revolving loan cannot exceed 100% of Area Median Income (AMI)
- The borrowers must live in the municipality where they work. This should be documented in the Project Narrative of a non-profit applicant's HTCC Application
- Since the 2006 HTCC round, \$1,000,000 is set aside annually for Workforce Housing programs; each applicant is eligible to receive up to \$500,000 in tax credits
- WHTC projects will be ranked against each other with different points' criteria than traditional HTCC Applicants. If a WHTC project does not score high enough to earn a reservation under the WHTC Set-Aside, it will be ranked against the traditional HTCC applicants and classified as a Tier I or Tier II applicant based on points.
- If a portion of the WHTC Set-Aside remains unallocated, the remaining balance will be contributed to the pool of traditional HTCC, Tier I applicants

For example:

\$10M Total = \$1M WHTC Set-Aside + \$2M Supportive Housing Set-Aside + \$7M Tier I

If only \$450,000 out of \$1,000,000 is allocated to WHTC programs, then the Tier I balance will increase from \$7,000,000 to \$7,550,000.

HTCC Frequently Asked Questions

Q. What is the available funding?

A. The funding available to the HTCC Program is \$10,000,000. An organization conducting a housing program is eligible to receive up to \$500,000 annually in any fiscal year. There is a set-aside of \$2,000,000 for the Supportive Housing PILOTS Initiative, Next Steps Initiative, or subsequent Supportive Housing Initiatives proposed by the State of Connecticut. The Supportive Housing Next Steps Initiative will provide state funding or service supported housing serving homeless or at-risk families, and individuals with mental illness or chemical dependency. It is a component of a major state mental health initiative. There is a \$1,000,000 set-aside for workforce housing as defined by the Authority through its Procedures.

Q. What is the State Housing Tax Credit Contribution Program (HTCC) and who is it for?

A. The HTCC Program is a housing program administered by the Connecticut Housing Finance Authority (CHFA) authorized by CT State Statute Section 8-395. The HTCC program provides tax credit vouchers for business firms making cash contribution to specific qualified and approved housing programs, developed, sponsored or managed by non-profit corporations. These specific housing programs must benefit very low-, low- and moderate-income individuals and families.

Q. How does the Program Work?

A. Each year, CHFA allocates a total of \$10 million in tax credits through a competitive process. Applicants are rated and ranked, and then credits are reserved for the highest-scoring proposals. Successful applicants must secure commitments for cash contributions from business firms. The business firms then receive tax credits in exchange for their contributions. There is no limit to the amount of a cash contribution made by an eligible business firm. The State of Connecticut provides tax credits to the businesses. Each eligible firm receives a dollar-for-dollar reduction in its corporate business tax in exchange for its contribution. CHFA issues a voucher indicating the credit amount and date of deposit.

Q. What business taxes may the credit be applied to?

A. The credit may be applied to any of the following taxes:

- Insurance companies, hospital and medical services corporations taxes (Chapter 207)
- Corporation business tax (Chapter 208)
- Air carriers tax (Chapter 209)
- Railroad companies tax (Chapter 210)
- Express, telegraph or cable and community antenna television system companies tax (Chapter 211)
- Utility companies tax (Chapter 212)
- Public service companies tax (Chapter 212a)

Q. Is this contribution eligible for a federal charitable deduction?

A. Contributions made to this program eligible for a federal contribution deduction automatically qualify for a state deduction. These two deductions, coupled with a dollar-for-dollar credit against eligible Connecticut business taxes, account for significant tax savings.

Q. How do I claim the credit on my corporate tax return?

A. All that is required is to attach the Tax Credit Voucher issued to you by CHFA to Form CT-1 120K or CT – 1 12SK (S corporations) to the appropriate Connecticut corporation business tax return (Form CT – 1120 or Form CT – 1 120S (S Corporations)).

Q. Am I an eligible business firm?

A. Business firms must document their eligibility by submitting as part of the Business Firm Application, their Certificate of Incorporation and Certificate of Legal Existence from the Office of the Secretary of State.

Q. How does the voucher process work?

A. CHFA issues a voucher indicating the credit amount and date of deposit to the eligible business firm once the eligible business firm has submitted a notarized statement/receipt from the non-profit evidencing receipt of the cash contribution. This receipt, a copy of the check issued, and a short introductory memo/letter are to be submitted to CHFA by the business firm.

Q. What year must the contribution be made and be claimed?

A. The amount, which is proposed to be contributed by a business firm to which a credit voucher has been reserved, must be contributed by March 31 of the calendar year following the calendar year in which the application for such voucher was filed.

The credit, which is sought by the business firm, must first be claimed on the tax return for such firm's income year during which the contribution to which the tax credit voucher relates was paid.

Q. How long does it take to receive the voucher after payment is made?

A. Generally, the voucher will be issued within a week after receipt of the notarized statement evidencing receipt of the contribution from the non-profit corporation.

Q. How many years forward and backward can I apply the credit if not used in this year?

A. The credit may be applied forward or backward five (5) years.

Q. Who monitors the progress of the housing, and if the progress is not satisfactory, will the credit be recaptured?

A. CHFA monitors the development progress of the housing program through quarterly progress reports submitted by the non-profit sponsor. Failure to satisfy certain milestones set forth in the progress schedule may result in CHFA reclaiming funds contributed by business firms. Reclaimed funds shall be redistributed in subsequent funding rounds. The business firms will not suffer any recapture of tax credits.