TAX CREDIT ANALYSIS

Program Name: Affordable Housing Assistance Tax Credit Program

Department: Missouri Housing Development Commission | **Contact Name & No.:** Jennifer Tidwell, 816-759-6890 | **Date:** October 2012

Program Category: Housing | **Type: Tax Credit** x **Other (specify)**____

Statutory Authority: Sections 32.105 - 32.125, RSMo | **Applicable Taxes:** Income Tax; Bank Tax; Financial Institutions Tax; Corporate Franchise Tax; Tax on Gross Receipts of Express Companies; Insurance Premium Tax

Program Description and Eligibility Requirements:

The Affordable Housing Assistance Tax Credit Program (AHAP) is an incentive for businesses and qualified individuals in Missouri to participate in the production of affordable housing for low-income families. The credit can be used by a business firm or qualified individual as a reduction in their state tax obligation. To receive the AHAP credit, a business firm or qualified individual must donate cash, professional services or real or personal property to a non-profit housing organization to assist with the acquisition, rehabilitation and/or new construction of a specific affordable housing development. There is also a set-aside of AHAP credit for the basic operating expenses of non-profit organizations whose primary purpose is to provide affordable housing for low-income families.

Explanation of How Award is Computed: Entitlement _____ Discretionary X

The amount of Affordable Housing Assistance Program Tax Credit allocated is equal to 55% of the amount of the contribution. Non-profit organizations make application to the Missouri Housing Development Commission (MHDC) for a reservation of AHAP credit. The non-profit organization then solicits contributions from businesses or qualified individuals to assist in the production of a specific affordable housing development. After MHDC receives the necessary documentation of a qualified contribution to the non-profit organization that meets all of the criteria set out in the statute and program regulations, a tax credit is issued to the donor in the amount of 55% of the value of the contribution. Applications for production credits are accepted continuously, and applications for the operating credit set-aside are usually accepted twice a year.

Program Cap: Cumulative $_____ (remainder of cumulative cap) $_____ Annual $11,000,000 None _____

Explanation of cap:
The cap on the Affordable Housing Assistance Program is set by statute at $11 million annually of which $10 million is for production credits and $1 million is for operating credits. Once MHDC has made reservations totaling $11 million in AHAP credit in a fiscal year, the application cycle is closed.

Explanation of Expiration of Authority: N/A

Specific Provisions: (if applicable)

Carry forward 10 years Carry Back 0 years Refundable No Sellable/Assignable Yes Additional Federal Deductions Available Yes

Comments on Specific Provisions:

	FY 2010 ACTUAL	FY 2011 ACTUAL	FY 2012 ACTUAL	FY 2013 (current year)	FY 2014 (budget year)
Certificates Issued (#)	286	272	341	300	300
Projects (#)	63	57	67	65	65
Amount Authorized	$5,600,572	$6,495,187	$4,871,580	$11,000,000	$11,000,000
Amount Issued	$4,599,981	$4,535,480	$5,990,591	$11,000,000	$11,000,000
Amount Redeemed	$11,647,956	$4,880,798	$5,629,466	$11,000,000	$11,000,000
EST. Amount Outstanding	N/A	N/A	$11,645,086	N/A	N/A
EST. Amount Authorized but Unissued	N/A	N/A	$12,727,671	N/A	N/A

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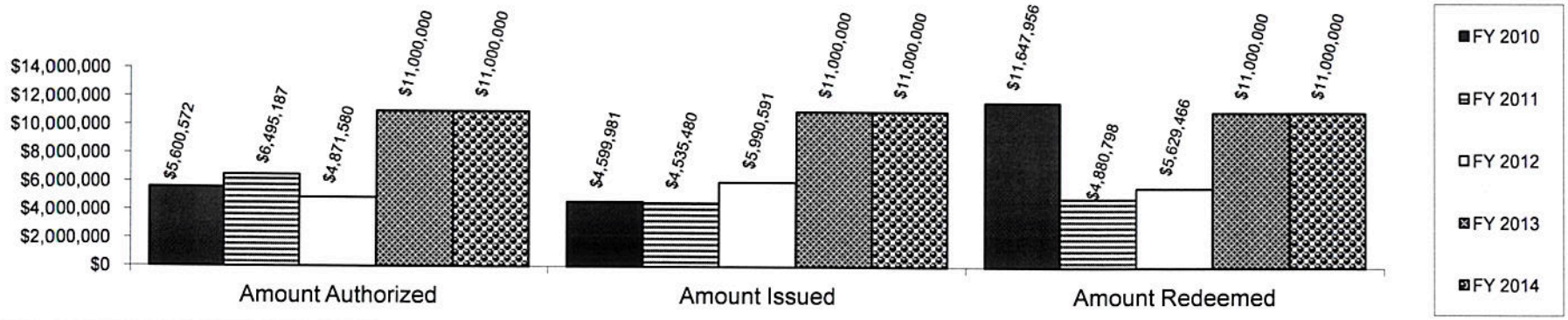
HISTORICAL AND PROJECTED INFORMATION



Comments on Historical and Projected Information: Recent experience (FY10-FY11) has seen a decline in utilization of the AHAP credit, which may be related to problems in the housing and construction industry and fewer charitable contributions due to the downturn in the overall economy. Prior to FY09 annual authorizations averaged approximately $10,000,000 and annual issuances averaged approximately $9,000,000. As the economy improves, authorizations and issuances are projected to return to full utilization.

BENEFIT: COST ANALYSIS (includes only state revenue impacts)

	FY 2012 ACTUAL	Other Fiscal Period (12 years)
BENEFITS		
Direct Fiscal Benefits	$326,827	$597,161
Indirect Fiscal Benefits	$212,971	$389,130
Total	$539,798	$986,291
COSTS		
Direct Fiscal Costs	$730,737	$4,609,916
Indirect Fiscal Costs	$0	$0
Total	$730,737	$4,609,916
BENEFIT: COST	**0.74**	**0.21**

Derivation of Benefits:

Investment: (a) $37,192,998 in Construction Demand in 2012, (b) $1,000,000 towards the operation of qualifying non-profit organization in 2012-2013.
Employment: (a) n/a
Other Assumptions: (a) real wage growth starting in 2013.
Incentives/Credits: (a) $4,871,580 in authorized AHAP credits redeemed between 2012-2022.
Impacts estimated using the REMI model for the Statewide Region. Assumptions provided by DED.
The multi-year fiscal Benefit-Cost Ratio is .13 when other program incentives are included.

Other Benefits: The Affordable Housing Assistance Program (AHAP) increases the availability of rental housing and for sale housing that is affordable to low-income families. Other benefits include the removal of blight in communities and increased local tax revenues such as property taxes. The AHAP credit also increases the capacity of non-profit housing organizations to build or renovate affordable housing for low-income families. The AHAP credit increases the amount of disposable income for low-income families by providing housing that is affordable to them. This improves the overall quality of their lives by providing additional income for other basic necessities such as food, clothing, healthcare and education. Lastly, the operating AHAP credit helps organizations attract donations to support operating funds, without which the agencies would not be able to administer their affordable housing programs.

In FY-2012, every dollar of authorized program tax credit returns:

$10.88 in new personal income totaling $7.95 million
$21.09 in new value-added/GSP totaling $15.41 million
$34.08 in new economic output totaling $24.90 million

Over 12 years, every dollar of authorized program tax credits returns:

$3.52 in new personal income totaling $16.20 million
$6.48 in new value-added/GSP totaling $29.88 million
$10.41 in new economic output totaling $48.00 million

TAX CREDIT ANALYSIS

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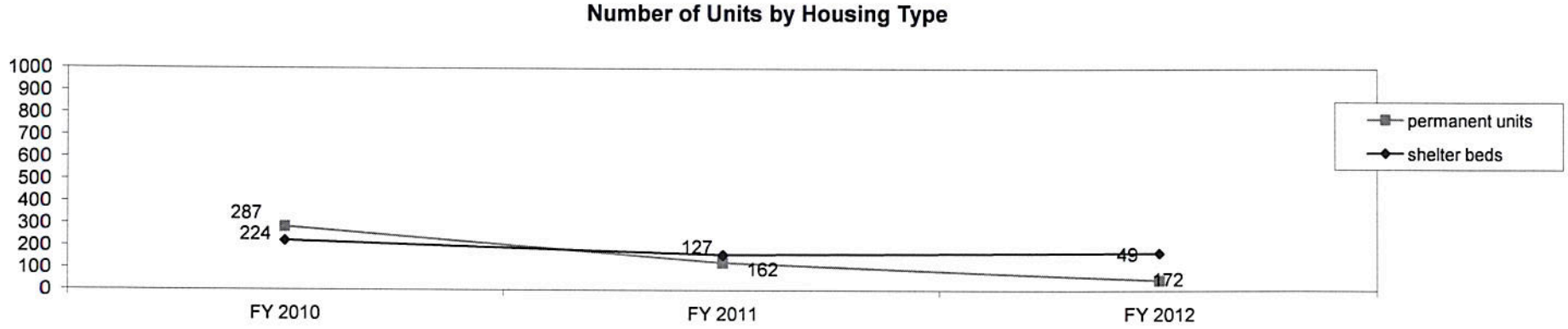
PERFORMANCE MEASURE(S)



Comments on Performance Measure: The number of housing units produced is based on what is reported to MHDC by the non-profit sponsor of the development.