

Draft

Supplemental Report of the Low Income Housing Tax Credit Committee

The Low Income Housing Tax Credit Committee recommended a reduction of the 9% credit from approximately \$13.5 million per year to \$11.5 million per year. It also recommended a reduction in the 4% credit from approximately \$6.0 million per year to \$2.0 million per year. The total credits issued per year would total \$13.5 million.

In their respective reports the Committee and the Commission suggested the possibility of converting the 10 year credit to a five year credit which in turn might create efficiencies that would avoid the necessity of imposing the reductions and caps mentioned above. The suggestion was made that the first year of issuance, the five year credit would be redeemable over seven years as opposed to five; a transition year intended to flatten the bubble created by the transition. The first five years of the credit would be redeemable at the rate of 75% with the balance claimed equally over the remaining two years.

As we noted in our 2010 report, a five year credit is more efficient than a 10 year credit. Likewise, a one year credit is more efficient than a five year credit. The issue is in part one of efficiency, but also the impact a transition from a 10 year credit to a five year credit would have on the state's budget.

Chart 1 takes the actual history of credits through 2010 and then makes an assumption that the maximum amount of credits currently available would be *issued and redeemed* from 2011 through 2024.¹ However, it does not provide any escalation in the number of credits and under the current status of the law, the amount of credits increases slightly each year. As chart 1 demonstrates, the maximum amount of credits would peak at \$19.5 million and remain at \$19.5 million indefinitely.

Chart 2 demonstrates the result of converting the 10 year credit to a five year credit. The total amount of credits could be reduced by just over 30% without reducing the equity raised. The assumption is made that the new five year credit would not be effective until fiscal year 2014. Because the 10 year credit will not burn off for an additional 10 years there would be a period when the state is redeeming the five year credit *and* the 10 year credit. This will have a negative impact on the budget, creating a bubble, through 2020. Toward the end of the life of the outstanding 10 year credits the budget begins to benefit from the conversion to the five year credit (2021) and eventually levels off at \$14.5 million per year.

Chart 3 demonstrates the result of converting the 10 year credit to a five year credit. But, as suggested in the Commission's report, the first issuance of the five year credit (in this case presumed to be fiscal year 2014) would actually be redeemable over a seven-year period. The effect is to flatten somewhat

¹ Historically there has been a gap between issued and redeemed credits but we make the assumption they would be the same to make the illustration and analysis simpler.

the “bubble” that is created by converting from a 10 year credit to a five-year credit but fails to take into consideration the fact that in order to generate the same amount of equity it would be necessary to actually issue more credits than would otherwise be required during the transition year because the present value of a seven year credit is less than a five year credit. Nevertheless, it presents a good demonstration of the increased efficiency of a five year credit and the impact it would have on the budget.

Chart 4 demonstrates the savings generated by imposing the caps recommended by the Committee and the Commission. The cost of the program ultimately drops to \$135 million per year.

The final attachment is a graph incorporating information from the four charts to provide an additional perspective on the information contained in each of the four charts.

Chart 1

	Annual CR Amount Issued Each Year for 10 Years	9% Credits Issued	4% Credits Issued	Total Credits Issued 2010	Total Credits Issued 2011	Total Credits Issued 2012	Total Credits Issued 2013	Total Credits Issued 2014	Total Credits Issued 2015	Total Credits Issued 2016	Total Credits Issued 2017	Total Credits Issued 2018	Total Credits Issued 2019	Total Credits Issued 2020	Total Credits Issued 2021	Total Credits Issued 2022	Total Credits Issued 2023	Total Credits Issued 2024
2001	9,133,314	6,659,241	2,474,073	9,133,314														
2002	10,012,948	6,806,011	3,206,937	10,012,948	10,012,948													
2003	11,682,083	8,833,212	2,848,871	11,682,083	11,682,083	11,682,083												
2004	15,437,427	10,911,850	4,525,577	15,437,427	15,437,427	15,437,427	15,437,427											
2005	13,050,025	7,819,794	5,230,231	13,050,025	13,050,025	13,050,025	13,050,025	13,050,025										
2006	15,344,344	11,200,963	4,133,381	15,344,344	15,344,344	15,344,344	15,344,344	15,344,344	15,344,344									
2007	19,911,435	10,080,083	9,831,352	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435								
2008	23,238,368	11,595,092	11,634,276	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368							
2009	22,828,328	11,553,854	11,274,474	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328						
2010	15,075,353	8,629,300	5,524,053	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353					
2011	19,500,000	13,500,000	6,000,000		19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000				
2012	19,500,000	13,500,000	6,000,000			19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000			
2013	19,500,000	13,500,000	6,000,000				19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000		
2014	19,500,000	13,500,000	6,000,000					19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	
2015	19,500,000	13,500,000	6,000,000						19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2016	19,500,000	13,500,000	6,000,000							19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2017	19,500,000	13,500,000	6,000,000								19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2018	19,500,000	13,500,000	6,000,000									19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2019	19,500,000	13,500,000	6,000,000										19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2020	19,500,000	13,500,000	6,000,000											19,500,000	19,500,000	19,500,000	19,500,000	19,500,000
2021	19,500,000	13,500,000	6,000,000												19,500,000	19,500,000	19,500,000	19,500,000
2022	19,500,000	13,500,000	6,000,000													19,500,000	19,500,000	19,500,000
2023	19,500,000	13,500,000	6,000,000														19,500,000	19,500,000
2024	19,500,000	13,500,000	6,000,000															19,500,000
FY Total:				155,703,625	166,070,311	175,557,363	183,375,280	187,437,853	193,887,828	198,053,484	197,642,049	193,903,681	190,575,353	195,000,000	195,000,000	195,000,000	195,000,000	195,000,000

Chart 2

	Annual CR Amount Issued Each Year for 10 Years	9% Credits Issued	4% Credits Issued	Total Credits Issued 2010	Total Credits Issued 2011	Total Credits Issued 2012	Total Credits Issued 2013	Total Credits Issued 2014	Total Credits Issued 2015	Total Credits Issued 2016	Total Credits Issued 2017	Total Credits Issued 2018	Total Credits Issued 2019	Total Credits Issued 2020	Total Credits Issued 2021	Total Credits Issued 2022	Total Credits Issued 2023	Total Credits Issued 2024
2001	9,133,314	6,659,241	2,474,073	9,133,314														
2002	10,012,948	6,806,011	3,206,937	10,012,948	10,012,948													
2003	11,682,083	8,833,212	2,848,871	11,682,083	11,682,083	11,682,083												
2004	15,437,427	10,911,850	4,525,577	15,437,427	15,437,427	15,437,427	15,437,427											
2005	13,050,025	7,819,794	5,230,231	13,050,025	13,050,025	13,050,025	13,050,025	13,050,025										
2006	15,344,344	11,200,963	4,133,381	15,334,344	15,334,344	15,334,344	15,334,344	15,334,344	15,334,344									
2007	19,911,435	10,080,083	9,831,352	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435								
2008	23,238,368	11,595,092	11,634,276	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368							
2009	22,828,328	11,553,854	11,274,474	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328						
2010	15,075,353	8,629,300	5,524,053	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353					
2011	19,500,000	13,500,000	6,000,000		19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000				
2012	19,500,000	13,500,000	6,000,000			19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000			
2013	19,500,000	13,500,000	6,000,000				19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000		
2014	28,300,000	19,600,000	8,700,000					28,300,000	28,300,000	28,300,000	28,300,000	28,300,000						
2015	28,300,000	19,600,000	8,700,000						28,300,000	28,300,000	28,300,000	28,300,000	28,300,000					
2016	28,300,000	19,600,000	8,700,000							28,300,000	28,300,000	28,300,000	28,300,000	28,300,000				
2017	28,300,000	19,600,000	8,700,000								28,300,000	28,300,000	28,300,000	28,300,000	28,300,000			
2018	28,300,000	19,600,000	8,700,000									28,300,000	28,300,000	28,300,000	28,300,000	28,300,000		
2019	28,300,000	19,600,000	8,700,000										28,300,000	28,300,000	28,300,000	28,300,000	28,300,000	
2020	28,300,000	19,600,000	8,700,000											28,300,000	28,300,000	28,300,000	28,300,000	28,300,000
2021	28,300,000	19,600,000	8,700,000												28,300,000	28,300,000	28,300,000	28,300,000
2022	28,300,000	19,600,000	8,700,000													28,300,000	28,300,000	28,300,000
2023	28,300,000	19,600,000	8,700,000														28,300,000	28,300,000
2024	28,300,000	19,600,000	8,700,000															28,300,000
FY Total:				155,703,625	166,070,311	175,557,363	183,375,280	196,237,853	211,487,828	224,453,484	232,842,049	237,903,681	215,075,353	200,000,000	180,500,000	161,000,000	141,500,000	141,500,000

Chart 3

	Annual CR Amount Issued Each Year for 10 Years	9% Credits Issued	4% Credits Issued	Total Credits Issued 2010	Total Credits Issued 2011	Total Credits Issued 2012	Total Credits Issued 2013	Total Credits Issued 2014	Total Credits Issued 2015	Total Credits Issued 2016	Total Credits Issued 2017	Total Credits Issued 2018	Total Credits Issued 2019	Total Credits Issued 2020	Total Credits Issued 2021	Total Credits Issued 2022	Total Credits Issued 2023	Total Credits Issued 2024
2001	9,133,314	6,659,241	2,474,073	9,133,314														
2002	10,012,948	6,806,011	3,206,937	10,012,948	10,012,948													
2003	11,682,083	8,833,212	2,848,871	11,682,083	11,682,083	11,682,083												
2004	15,437,427	10,911,850	4,525,577	15,437,427	15,437,427	15,437,427	15,437,427											
2005	13,050,025	7,819,794	5,230,231	13,050,025	13,050,025	13,050,025	13,050,025	13,050,025										
2006	15,344,344	11,200,963	4,133,381	15,344,344	15,344,344	15,344,344	15,344,344	15,344,344	15,344,344									
2007	19,911,435	10,080,083	9,831,352	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435								
2008	23,238,368	11,595,092	11,634,276	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368							
2009	22,828,328	11,553,854	11,274,474	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328						
2010	15,075,353	8,629,300	5,524,053	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353					
2011	19,500,000	13,500,000	6,000,000		19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000				
2012	19,500,000	13,500,000	6,000,000			19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000			
2013	19,500,000	13,500,000	6,000,000				19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000		
2014	28,300,000	19,600,000	8,700,000					21,225,000	21,225,000	21,225,000	21,225,000	21,225,000	17,687,500	17,687,500				
2015	28,300,000	19,600,000	8,700,000						28,300,000	28,300,000	28,300,000	28,300,000	28,300,000					
2016	28,300,000	19,600,000	8,700,000							28,300,000	28,300,000	28,300,000	28,300,000	28,300,000				
2017	28,300,000	19,600,000	8,700,000								28,300,000	28,300,000	28,300,000	28,300,000	28,300,000			
2018	28,300,000	19,600,000	8,700,000									28,300,000	28,300,000	28,300,000	28,300,000	28,300,000		
2019	28,300,000	19,600,000	8,700,000										28,300,000	28,300,000	28,300,000	28,300,000	28,300,000	
2020	28,300,000	19,600,000	8,700,000											28,300,000	28,300,000	28,300,000	28,300,000	28,300,000
2021	28,300,000	19,600,000	8,700,000												28,300,000	28,300,000	28,300,000	28,300,000
2022	28,300,000	19,600,000	8,700,000													28,300,000	28,300,000	28,300,000
2023	28,300,000	19,600,000	8,700,000														28,300,000	28,300,000
2024	28,300,000	19,600,000	8,700,000															28,300,000
FY Total:				155,703,625	166,070,311	175,557,363	183,375,280	189,162,853	204,412,828	217,378,484	225,767,049	230,828,681	232,762,853	217,687,500	180,500,000	161,000,000	141,500,000	141,500,000

Chart 4

	Annual CR Amount Issued Each Year for 10 Years	9% Credits Issued	4% Credits Issued	Total Credits Issued 2010	Total Credits Issued 2011	Total Credits Issued 2012	Total Credits Issued 2013	Total Credits Issued 2014	Total Credits Issued 2015	Total Credits Issued 2016	Total Credits Issued 2017	Total Credits Issued 2018	Total Credits Issued 2019	Total Credits Issued 2020	Total Credits Issued 2021	Total Credits Issued 2022	Total Credits Issued 2023	Total Credits Issued 2024
2001	9,133,314	6,659,241	2,474,073	9,133,314														
2002	10,012,948	6,806,011	3,206,937	10,012,948	10,012,948													
2003	11,682,083	8,833,212	2,848,871	11,682,083	11,682,083	11,682,083												
2004	15,437,427	10,911,850	4,525,577	15,437,427	15,437,427	15,437,427	15,437,427											
2005	13,050,025	7,819,794	5,230,231	13,050,025	13,050,025	13,050,025	13,050,025	13,050,025										
2006	15,344,344	11,200,963	4,133,381	15,334,344	15,334,344	15,334,344	15,334,344	15,334,344	15,334,344									
2007	19,911,435	10,080,083	9,831,352	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435	19,911,435								
2008	23,238,368	11,595,092	11,634,276	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368	23,238,368							
2009	22,828,328	11,553,854	11,274,474	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328	22,828,328						
2010	15,075,353	8,629,300	5,524,053	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353	15,075,353					
2011	19,500,000	13,500,000	6,000,000		19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000				
2012	19,500,000	13,500,000	6,000,000			19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000			
2013	19,500,000	13,500,000	6,000,000				19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000	19,500,000		
2014	13,500,000	11,500,000	2,000,000					13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	
2015	13,500,000	11,500,000	2,000,000						13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2016	13,500,000	11,500,000	2,000,000							13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2017	13,500,000	11,500,000	2,000,000								13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2018	13,500,000	11,500,000	2,000,000									13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2019	13,500,000	11,500,000	2,000,000										13,500,000	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2020	13,500,000	11,500,000	2,000,000											13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
2021	13,500,000	11,500,000	2,000,000												13,500,000	13,500,000	13,500,000	13,500,000
2022	13,500,000	11,500,000	2,000,000													13,500,000	13,500,000	13,500,000
2023	13,500,000	11,500,000	2,000,000														13,500,000	13,500,000
2024	13,500,000	11,500,000	2,000,000															13,500,000
FY Total:				155,703,625	166,070,311	175,557,363	183,375,280	181,437,853	181,887,828	180,053,484	173,642,049	163,903,681	154,575,353	153,000,000	147,000,000	141,000,000	135,000,000	135,000,000

