



STATE OF MICHIGAN

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GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

SCOTT WOOSLEY, CFA
EXECUTIVE DIRECTOR

MEMORANDUM

DATE: JANUARY 23, 2013
TO: INTERESTED PARTIES
FROM: ANDREW MARTIN, LIHTC ALLOCATIONS MANAGER
SUBJECT: CLARIFICATION REGARDING FUTURE USE OF 9% CREDIT RATE

On January 1, 2013, Congress approved H.R. 8, the American Taxpayer Relief Act of 2012, which in part extended the fixed 9% Low Income Housing Tax Credit (LIHTC) rate to make it available to projects receiving an allocation of credit prior to January 1, 2014. While this is a significant modification to the LIHTC program in the near term, its longer-term impact varies on a state-by-state basis depending on which year of credit ceiling states are currently making their 9% awards from. The purpose of this memo is to provide clarification for how the approval of H.R. 8 will impact Low Income Housing Tax Credit projects and Michigan's 9% funding rounds going forward.

As indicated in the actual language of the American Taxpayer Relief Act of 2012, the 9% credit rate shall apply to non-federally subsidized buildings that have received "housing credit dollar amount allocations made before January 1, 2014." This language is clear that the 9% credit rate applies to "allocations" made before January 1, 2014, which is an important distinction to make. This is important because allocating agencies typically make 9% awards of credit through either an allocation of credit ceiling from the current year or a binding commitment to allocate a future year's credit ceiling in that future year. To further explain, an agency cannot make an actual allocation of a future year's credit ceiling until the actual calendar year of that credit ceiling, as the credit does not actually exist to allocate until that time (e.g. a 2014 allocation cannot actually be made until 2014). However, an agency can make a binding commitment to allocate a future year's credit and then make the actual formal allocation in that future year (e.g. a binding commitment of 2014 credit can be made in 2013, with the actual allocation being made in 2014).

In 2013, MSHDA will be holding two funding rounds for 9% credit – the February 15, 2013 funding round, which will allocate the remainder of the available 2013 credit, and the August 15, 2013 funding round, which will be awarded with binding commitments to allocate approximately 50% of the 2014 credit ceiling. The remaining balance of 2014 credit will be allocated from the February 15, 2014 funding round.

What does all of this mean for Michigan LIHTC projects? This ultimately means that, going forward under current law, only projects receiving an allocation of credit from the February 2013 funding round will be eligible to use the 9% credit rate. Projects submitted in any subsequent round that receive an award of credit will receive an actual allocation of credit after January 1, 2014, which will not meet the

required timeframe. Because the change to the 9% rate approved with the American Taxpayer Relief Act of 2012 only applies to allocations made before January 1, 2014, under current law, the February 15, 2013 funding round will be the last round of actual allocations to be able to use the fixed 9% credit rate. All future application submissions will need to use the credit rate outlined in the Qualified Allocation Plan. Potential program applicants may want to take this information into consideration when making a determination on the timing of when to submit an LIHTC application.

If you have any questions regarding any of the above items or general questions related to the February 2013 funding round, please contact LIHTC staff at (517) 373-6007.