

Housing Tax Credit Program

Allocation

The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC offers a ten year reduction in tax liability to owners and investors in eligible affordable rental housing units produced as a result of new construction, rehabilitation, or acquisition with rehabilitation.

Minnesota Housing was designated by the Minnesota Legislature as the primary allocating Agency of HTC in Minnesota. Qualified local cities and counties have also been designated by the Legislature as suballocators of the HTC.

Section 42 of the Internal Revenue Code ("Section 42") requires that tax credit allocating agencies develop an allocation plan for the distribution of the tax credits within the jurisdiction of the allocating agency. The MHFA Qualified Allocation Plan (QAP) combines state and federally legislated priorities with other priorities established by the MHFA following receipt of comments from the public, local municipalities and federal agencies.

Compliance

Section 42 (m)(i)(B)(iii) of the Internal Revenue Code requires housing credit agencies to include in their Housing Tax Credit Allocation Plan a procedure to monitor all tax credit projects for compliance with the requirements of Section 42, the Housing Tax Credit Program (HTC), throughout the compliance period.

In Minnesota, Minnesota Housing has been designated by the Legislature as the primary apportionment agency for the state. The Legislature also has designated the following cities and counties as suballocators: Dakota County, Duluth, Minneapolis, Rochester, St. Cloud, St. Paul, and Washington County.

An allocating agency must have a procedure for monitoring compliance with the provisions of the Code and notifying the Internal Revenue Service (IRS) of any noncompliance of which it becomes aware whether or not it is corrected. The monitoring requirements became effective on January 1, 1992, were amended on January 14, 2000, and apply to all tax credit projects, even if the projects received an allocation prior to 1992. The IRS has issued final regulations, Income Tax Regulation 1.42-5 ("1.42-5"), relating to the requirements for compliance monitoring.