



House of Representatives

General Assembly

File No. 595

January Session, 2001

Substitute House Bill No. 6745

House of Representatives, May 3, 2001

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING AN EXPANSION OF THE LOW AND MODERATE INCOME HOUSING TAX CREDIT PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-395 of the general statutes is repealed and the
2 following is substituted in lieu thereof:

3 (a) As used in this section, (1) "business firm" means any business
4 entity authorized to do business in the state and subject to the
5 corporation business tax imposed under chapter 208, or any company
6 subject to a tax imposed under chapter 207 or 208a, or any air carrier
7 subject to the air carriers tax imposed under chapter 209, or any
8 railroad company subject to the railroad companies tax imposed under
9 chapter 210, or any regulated telecommunications service, express,
10 telegraph, cable, or community antenna television company subject to
11 the regulated telecommunications service, express, telegraph, cable,
12 and community antenna television companies tax imposed under

13 chapter 211, or any utility company subject to the utility companies tax
14 imposed under chapter 212, and (2) "nonprofit corporation" means a
15 nonprofit corporation incorporated pursuant to chapter 602 or any
16 predecessor statutes thereto, having as one of its purposes the
17 construction, rehabilitation, ownership or operation of housing and
18 having articles of incorporation approved by the executive director of
19 the Connecticut Housing Finance Authority in accordance with
20 regulations adopted pursuant to section 8-79a or 8-84.

21 (b) The Commissioner of Revenue Services shall grant a credit
22 against any tax due under the provisions of chapter 207, 208, 208a, 209,
23 210, 211 or 212 in an amount equal to the amount specified by the
24 Connecticut Housing Finance Authority in any tax credit voucher
25 issued by said authority pursuant to subsection (c) of this section.

26 (c) The Connecticut Housing Finance Authority shall administer a
27 system of tax credit vouchers within the resources, requirements and
28 purposes of this section, for business firms making cash contributions
29 to housing programs developed, sponsored or managed by a nonprofit
30 corporation, as defined in subsection (a) of this section, which benefit
31 low and moderate income persons or families which have been
32 approved prior to the date of any such cash contribution by the
33 authority. Such vouchers may be used as a credit against any of the
34 taxes to which such business firm is subject and which are enumerated
35 in subsection (b) of this section. For income years commencing on or
36 after January 1, 1998, to be eligible for approval a housing program
37 shall be scheduled for completion not more than three years from the
38 date of approval. Each program shall submit to the authority quarterly
39 progress reports and a final report upon completion, in a manner and
40 form prescribed by the authority. If a program fails to be completed
41 after three years, or at any time the authority determines that a
42 program is unlikely to be completed, the authority may reclaim any
43 remaining funds contributed by business firms and reallocate such
44 funds to another eligible program.

45 (d) No business firm shall receive a credit pursuant to both this
46 section and chapter 228a in relation to the same cash contribution.

47 (e) Nothing in this section shall be construed to prevent two or more
48 business firms from participating jointly in one or more programs
49 under the provisions of this section. Such joint programs shall be
50 submitted, and acted upon, as a single program by the business firms
51 involved.

52 (f) No tax credit shall be granted to any business firm for any
53 individual amount contributed of less than two hundred fifty dollars.

54 (g) Any tax credit not used in the period during which the cash
55 contribution was made may be carried forward or backward for the
56 [five] seven immediately succeeding or preceding income years until
57 the full credit has been allowed.

58 (h) In no event shall the total amount of all tax credits allowed to all
59 business firms pursuant to the provisions of this section exceed [five]
60 ten million dollars in any one fiscal year.

61 (i) (1) No individual housing program eligible for funding with
62 respect to which tax credits may be allowed under this section shall
63 receive an aggregate amount of such funding in excess of five hundred
64 thousand dollars for any fiscal year. No organization conducting a
65 housing program or programs eligible for funding with respect to
66 which tax credits may be allowed under this section shall be allowed to
67 receive an aggregate amount of such funding for any such program or
68 programs in excess of [four hundred thousand] one million dollars for
69 any fiscal year.

70 (2) Notwithstanding the provisions of subdivision (1) of this
71 subsection, if the same members, directors or officers form more than
72 one nonprofit corporation to conduct housing programs eligible for
73 funding with respect to which tax credits may be allowed under this

74 section, then the aggregate amount of funding for housing programs
75 run by all such nonprofit corporations shall be no more than one
76 million dollars for any fiscal year.

77 (j) Nothing in this section shall be construed to prevent a business
78 firm from making any cash contribution to a housing program to
79 which tax credits may be applied which cash contribution may result
80 in the business firm having a limited equity interest in the program.

81 (k) The Connecticut Housing Finance Authority, with the approval
82 of the Commissioner of Revenue Services, shall adopt written
83 procedures in accordance with section 1-121 to implement the
84 provisions of this section. Such procedures shall include provisions for
85 issuing tax credit vouchers for cash contributions to housing programs
86 based on a system of ranking housing programs. In establishing such
87 ranking system, the authority shall consider the following: (1) The
88 readiness of the project to be built; (2) use of the funds to build or
89 rehabilitate a specific housing project or to capitalize a revolving loan
90 fund providing low-cost loans for housing construction, repair or
91 rehabilitation to benefit persons of very low, low and moderate
92 income; (3) the extent the project will benefit families at or below
93 twenty-five per cent of the area median income and families with
94 incomes between twenty-five per cent and fifty per cent of the area
95 median income, as defined by the United States Department of
96 Housing and Urban Development; (4) evidence of the general
97 administrative capability of the nonprofit corporation to build or
98 rehabilitate housing; (5) evidence that any funds received by the
99 nonprofit corporation for which a voucher was issued were used to
100 accomplish the goals set forth in the application; and (6) with respect
101 to any income year commencing on or after January 1, 1998: (A) Use of
102 the funds to provide housing opportunities in urban areas and the
103 impact of such funds on neighborhood revitalization; and (B) the
104 extent to which tax credit funds are leveraged by other funds.

105 (l) Vouchers issued or reserved by the Department of Housing
106 under the provisions of this section prior to July 1, 1995, shall be valid
107 on and after July 1, 1995, to the same extent as they would be valid
108 under the provisions of this section in effect on June 30, 1995.

109 (m) The credit which is sought by the business firm shall first be
110 claimed on the tax return for such business firm's income year during
111 which the cash contribution to which the tax credit voucher relates was
112 paid.

113 Sec. 2. This act shall take effect July 1, 2001, and shall be applicable
114 to income years commencing on and after January 1, 2001.

HSG	<i>Joint Favorable Subst. C/R</i>	PD
PD	<i>Joint Favorable C/R</i>	FIN
FIN	<i>Joint Favorable Subst.</i>	

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: Revenue Loss

Affected Agencies: Department of Revenue Services, Connecticut Housing Finance Authority

Municipal Impact: None

Explanation

State Impact:

The bill increases the annual cap on the total amount of Housing Contribution tax credits that can be claimed in any one-income year from \$5 million to \$10 million. Therefore, the bill results in an annual General Fund Revenue Loss of up to \$5 million beginning in FY 02.

The Connecticut Housing Finance Authority (CHFA) allocated \$3.2 million in tax credits for 1999 and \$5 million (the full amount under the current cap) in 2000 for the Housing Contribution Program.

OLR Bill Analysis

sHB 6745

AN ACT CONCERNING AN EXPANSION OF THE LOW AND MODERATE INCOME HOUSING TAX CREDIT PROGRAM.

SUMMARY:

This bill raises, from \$5 million to \$10 million, the annual limit on the total amount of credits the Connecticut Housing Finance Authority (CHFA) can approve under the low-income and moderate-income housing tax credit program. The program grants dollar for dollar business tax credits to businesses contributing to nonprofit organizations developing low- and moderate-income housing. The bill makes nonprofit organizations eligible for the credits when they pay business taxes on income they receive from activities unrelated to their tax exempt purpose.

The bill raises, from \$400,000 to \$1 million, the total annual amount of contributions a nonprofit organization can receive that qualifies a contributor for tax credits. It also places new limits on the amounts that these organizations can use to fund individual programs. A nonprofit organization can allocate no more than \$500,000 annually for a program. Programs run by different organizations with the same members, directors, or officers can receive no more than \$1 million annually.

The bill lengthens the time period during which businesses can claim an unused credit on their tax returns from five to seven years immediately before or after the income year they made the contributions. This provision applies to credits CHFA grants beginning on or after the January 1, 2001 income year.

EFFECTIVE DATE: July 1, 2001 and applicable to income years beginning on or after January 1, 2001.

BACKGROUND

Related Bill

sSB 1210 also raises the annual credit limit from \$5 million to \$10 million and expands the range of people the programs can help to include artists and crafts people, employees of businesses operating in the state's 17 enterprise zones, people and families requiring supportive services, and people with psychiatric or substance abuse disabilities. The bill creates a similar program authorizing up to \$2 million in credits annually for contributions made toward rehabilitating one- to six-unit residences in locally designated Neighborhood Revitalization Zones. The Finance Committee reported the bill favorably to the floor on April 23.

COMMITTEE ACTION

Select Committee on Housing

Joint Favorable Substitute Change of Reference
Yea 12 Nay 0

Planning and Development Committee

Joint Favorable Change of Reference
Yea 16 Nay 1

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 35 Nay 10