

COMMUNITY INVESTMENT TAX CREDIT PROGRAM (CITC)

PURPOSE

The Community Investment Tax Credit Program was established in 2005 under T.C.A. Section 67-4-2109(h) (1)(A) and 67-4-2109(h)(2)(A). The purpose of the CITC Program is to provide tax credit to financial institutions against the franchise and excise tax liability when qualified loans, qualified investments, grants or contributions are extended to eligible housing entities for engaging in eligible low-income housing activities.

ELIGIBLE HOUSING ENTITIES

- Tennessee based non-profit organizations with an Internal Revenue Code 501 (c)(3) status
- Public Housing Authorities
- Development Districts
- Tennessee Housing Development Agency

ASSISTANCE AVAILABLE

Franchise & Excise tax credits may be awarded to financial institutions for extending the following investment types to eligible housing entities:

- Qualified Loan – a loan that is at least 2 % below the Wall Street Journal prime rate
- Qualified Low Rate Loan – a loan that is at least 4 % below the Wall Street Journal prime rate
- Qualified Long Term Investment – a long term investment extending for a period of more than 5 years
- Grants or Contributions

The amount of the credit may be applied one time and will be based on the total amount of the loan, investment, grant, or contribution; or the credit may be applied annually for qualified loans and qualified low rate loans. The amount of the credit shall be as follows:

1. Five percent (5%) of a qualified loan or qualified long term-term investment; *OR* three percent (3%) annually of the unpaid principal balance of a qualified loan as of December 31 of each year for the life of the loan, *OR* fifteen (15) years, whichever is earlier.
2. Ten percent (10%) of a qualified low rate loan, grant, or contribution; *OR* five percent (5%) annually of the unpaid principal balance of a qualified low rate loan as of December 31 of each year for the life of the loan, *OR* fifteen (15) years, whichever is earlier.

CITC is administered in collaboration with The Tennessee Department of Revenue (“TDoR”). Tennessee Housing Development Agency (“THDA”) certifies the eligibility of the loan, housing entity and activity.

TDoR awards the tax credits to the financial institutions. Applications may be submitted by the eligible entity or the financial institution directly to THDA on a year round basis.

ELIGIBLE ACTIVITIES

- Create or preserve affordable housing for low income Tennesseans - acquisition, construction, rehabilitation.
- Assist low-income households in obtaining affordable housing – down-payment assistance, pre-purchase counseling.
- Build capacity of non-profit organizations to provide affordable housing opportunities for low income Tennesseans – operational support.
- Other low-income housing related activities approved by the THDA Executive Director and the Commissioner of the Dept. of Revenue.

INCOME LIMITS

The CITC Program uses the income limits established by the U.S. Department of Housing and Urban Development (HUD) for the Section 8 Programs. The CITC Program may be used to benefit low income households with gross annual incomes that do not exceed 80 % of the area median adjusted for family size.

A complete program description may be found on the THDA website at www.thda.org. For more information please contact Toni Shaw, Housing Program Manager at tshaw@thda.org or Nekishia Potter, Senior Program Coordinator at npotter@thda.org.