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Tax Credit Program

Sec. 8-395-1. Definitions

The following definitions apply to Section 8-395-1 through 8-395-10 of the Regulations of Connecticut State Agencies:

(a) “Business Firm” means any business entity as defined in Section 8-395 (a) of the General Statutes.

(b) “Commissioner” means the Commissioner of Housing.

(c) “Contribution” means cash, goods or real property, the value of which shall be set by the Commissioner who, in his sole discretion, shall determine whether an appraisal(s), to be obtained at the business firm’s expense, is necessary.

(d) “Department” means the Department of Housing.

(e) “Family” means a household consisting of one or more persons.

(f) “Housing Program” means any work or undertaking to provide decent, safe and sanitary dwelling units for families of low and moderate income, which may include the planning of buildings and improvements, the acquisition of property, site preparation, the demolition of existing structures, the construction of new buildings, the rehabilitation of existing buildings or the capitalization of a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of very low, low and moderate income.

(g) “Low and Moderate Income Families” means families who lack the amount of income which is necessary, as determined by the Commissioner, to enable them, without financial assistance to live in decent, safe and sanitary dwellings, without crowding.

(h) “Nonprofit Corporation” means a nonprofit corporation incorporated pursuant to Chapter 600 of the General Statutes, having as one of its purposes the construction, rehabilitation, ownership, or operation of housing and having articles of incorporation approved by the Commissioner.

(i) “Tax Year” means the business firm’s taxable year, as defined in Section 441 (b) of the Internal Revenue Code.

(j) “Area Median Income” means the area median income, adjusted for family size, as determined from time to time by the United States Department of Housing and Urban Development.

(Effective December 3, 1991)

Sec. 8-395-2. Program description

(a) The Commissioner is authorized to provide tax credit vouchers to business firms making contributions to eligible housing program(s) which benefit low and moderate income families and which are developed, sponsored or managed by nonprofit corporations. The tax credit voucher shall be granted in an amount equal to 100% of the value of the contribution made. A business firm may receive a voucher for a contribution to a housing program, which contribution may result in the business firm having a limited equity interest in such program. The total tax credit allowed to any business firm shall not exceed \$50,000 annually.

(b) Vouchers issued by the Commissioner shall be submitted to the Commissioner of Revenue Services by the business firms to be used as a credit against any of the taxes to which such business firm is subject under Chapters 207, 208, 209, 210, 210a, 211, 212, or 212a of the Connecticut General Statutes.

(c) Each eligible nonprofit corporation may receive, annually, an aggregate amount of \$300,000 in contributions for housing program(s) to which tax credits may be applied.

(d) Housing programs eligible for contributions may not serve families whose gross income exceeds 100% of the area median income.

(e) For the purposes of this program, the nonprofit corporation's expenses for salaries, operation and overhead shall not be considered as housing program costs eligible for funding by a contribution from a business firm.

(Effective December 3, 1991)

Sec. 8-395-3. Nonprofit corporation eligibility

To be eligible to participate in this program for the first time, a nonprofit corporation shall demonstrate that it meets the definition of nonprofit corporation in Section 8-395-1 above by submitting to the Department an endorsed certificate of incorporation certified by the Secretary of the State and a certification that the nonprofit corporation is in good standing with the Secretary of the State's Office. If the nonprofit corporation has, as part of a previous application under the tax credit program, already submitted to the commissioner an endorsed certificate of incorporation, the nonprofit corporation may instead submit a certification that its certificate of incorporation has not been amended or changed in any way since the previous submission, and a certification that the nonprofit corporation is in good standing with the office of the secretary of the state.

(Effective December 3, 1991)

Sec. 8-395-4. Application process for nonprofit corporations

(a) Applications from nonprofit corporations for approval of each housing program shall be filed with the Department on or after January 1, but before February 1 annually. The time of receipt of an application shall be deemed to be the time of filing.

(b) As part of the application approval process, the nonprofit corporation shall be required to furnish the following regarding each housing program submitted for approval:

(1) A description of the housing program, including the total number of families to be served, the number of families to be served at or below 25% of the area median income, the number of families with incomes greater than 25% and not more than 50%, the number of families with incomes greater than 50% and not more than 80%, and the number of families with incomes greater than 80% and not more than 100%;

(2) Evidence of housing need;

(3) Evidence of the general administrative capability of the nonprofit corporation to develop, sponsor or manage the housing program; and

(4) The estimated amount of contributions required to be invested in the housing program.

(5) The readiness of the project to be built; and

(6) Evidence that any funds previously received by the nonprofit corporation for which a voucher was previously issued were used to accomplish the goals set forth in the application.

(c) Such information will be evaluated according to the following five categories:

(1) **Target Population** - Maximum of 60 points

Includes but is not limited to: the extent that the proposal serves families, homeless persons or elderly persons; the extent to which the development will promote a mix of very low, low, and moderate income families.

(2) **Geographic Location** - Maximum of 40 points

Includes but is not limited to: target municipality's participation in the regional housing compact and/or the Connecticut Housing Partnership Program; percent of

assisted housing within the target municipality, as defined under the affordable housing appeals procedure, in Section 8-30q of the Connecticut General Statutes.

(3) Type of Housing Program - Maximum of 40 points

Includes but is not limited to: the extent to which a proposal adds to the existing supply of affordable housing through the construction of new affordable housing, substantial rehabilitation of existing structures or the acquisition of existing housing which is not currently affordable or the creation of a revolving loan fund for loans to individuals; the methods used to ensure long term affordability and the duration of affordability.

(4) Administrative Capability - Maximum 30 points

Includes but is not limited to: the applicant's past performance in developing, completing, and managing affordable housing developments; its past performance under the tax credit program and the adequacy of their administrative funding.

(5) Readiness to proceed - Maximum 30 points

Includes but is not limited to: the applicant's planning and construction timetable, its presentation of evidence of preliminary or firm commitments for financing from acceptable financial institutions.

(d) Developments receiving an allocation of federal low income housing tax credits pursuant to section 42 (h) of the Internal Revenue Code of 1986, as amended, may receive a maximum of twenty (20) additional bonus points provided documentation is submitted that evidences the development has been approved for an allocation of federal low income housing tax credits.

(e) The Commissioner may, from time to time, request additional information from the nonprofit corporation. The nonprofit corporation shall agree to maintain complete and accurate books and records insofar as they pertain to contributions to a housing program for a tax credit voucher, and shall consent to furnish the Commissioner with financial statements and other reports relating to the operation of the program in such detail and at such times as he may require.

(f) The Commissioner shall publish on or after April 1 but before May 1 each year, the list of eligible housing programs of nonprofit corporations to which business firms may contribute.

(Effective May 31, 1995)

Sec. 8-395-5. Business firm eligibility

To be eligible to participate in this program, a business firm shall:

(a) Submit an endorsed certificate of incorporation and certify that the business firm is in good standing with the Secretary of the State's Office; and

(b) Inform the Department, in writing, of the business firm's principal place of business.

(Effective September 26, 1988)

Sec. 8-395-6. Application process for business firms

(a) Applications from business firms for tax credit vouchers shall be filed with the Department on or after June 1 but before July 15 annually. The time of receipt of an application shall be deemed to be the time of filing. Applications for tax credit vouchers shall be made on forms prescribed and furnished by the Commissioner.

(b) As part of the application approval process, the business firm shall be required to furnish the following:

(1) A list of the housing program(s) to which the business firm intends to make contributions(s);

(2) The value and type of contribution to be made to each housing program; and

(3) The amount expended for contributions for the support of housing programs during the tax year which began during the preceeding calendar year and the amount which will be so expended during the tax year which begins during the current calendar year.

(c) Applications shall be approved or rejected by the Commissioner based on the information and documentation required herein, as well as the availability of tax credits.

(d) If an application is rejected, the business firm shall be notified, in writing, of the reasons for the rejection.

(Effective May 31, 1995)

Sec. 8-395-7. Allotment of tax credit vouchers

(a) The allotment of tax credit vouchers for contributions to approved housing programs shall be made in accordance with a ranking system which takes into consideration information provided by the nonprofit corporation in its application pursuant to subsection 8-395-4 (b) and (c) above and the availability of tax credit vouchers.

(b) The Commissioner shall notify the business firm, in writing, that a tax credit voucher will be reserved, contingent upon the firm's submission of a notarized receipt from the nonprofit corporation of the contribution made to the housing program, as approved. Subject to the provisions of Section 8-395-2 (a) above, the amount of the tax credit voucher shall equal the amount of the contribution.

(c) Tax Credit vouchers shall be presented to the Commissioner of the Department of Revenue Services by the business firm. Tax credits shall be granted in accordance with policies established by the Department of Revenue Services.

(d) If two or more business firms are contributing jointly to one or more housing program, the application shall be submitted as a single application and shall provide the information required herein for each business firm.

(Effective December 3, 1991)

Sec. 8-395-8. Year in which contributions must be made and in which credit must be claimed

(a) The amount which is proposed to be contributed by a business firm to which a credit voucher has been reserved, must be contributed during such firm's tax year which begins during the calendar year in which the application for such voucher was filed.

(b) The credit which is sought by the business firm must be claimed on a tax return for such firm's tax year which begins during the calendar year in which the application for a tax credit voucher was filed.

(Effective September 26, 1988)

Sec. 8-395-9. Proof of increase

(a) Prior to the allowance of a tax credit on the tax return on which it must be claimed, the business firm shall submit proof to the Commissioner of Revenue Services that the amount expended for contributions for the support of housing programs by such business firm is not less in the year in which the credit is claimed than the amount expended in the preceding year.

(b) The proof shall be the tax return filed with the Internal Revenue Service for the tax year preceding the tax year in which the credit must be claimed, and the tax return so filed for the tax year in which the credit must be claimed, and any other information requested by the Commissioner of Revenue Services.

(Effective September 26, 1988)

Sec. 8-395-10. Carry forwards and carrybacks

The amount of tax credit received which is not exhausted in the tax year in which such credit must be claimed under Section 8 above must be carried back to the five preceding tax years (beginning with the earliest of such years) before any unexhausted balance can be carried forward to the five succeeding tax years (beginning with the earliest of such years).

(Effective September 26, 1988)

Sec. 8-395-11. Waivers

The Commissioner may waive any of the nonstatutory requirements. Requests for a waiver must be in writing from the sponsor. Such a waiver may only be granted if there is sufficient evidence that:

- (1) The literal enforcement of such provisions provide for exceptional difficulty or unusual hardship not caused by the applicant;
- (2) The benefit to be gained by the waiver clearly outweighs the detriment which will result from enforcement of the requirement;
- (3) The waiver is in harmony with conserving public health, safety, and welfare; and
- (4) The waiver is in the best interest of the State.

(Effective May 31, 1995)