

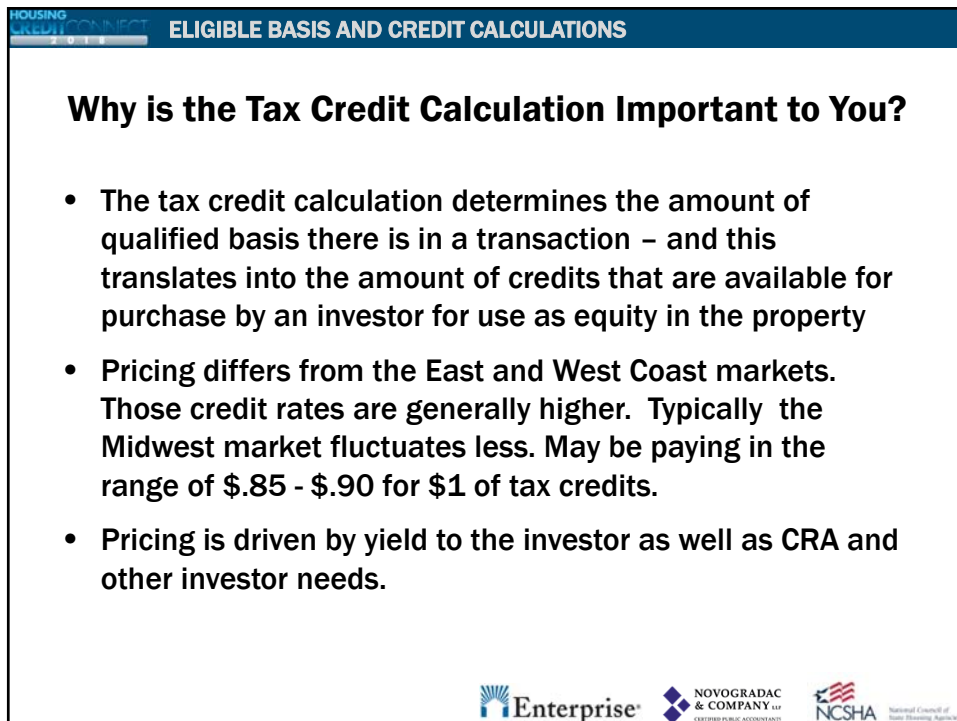
Housing Credit 101
Eligible Basis and Credit Calculations

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HOUSING CREDIT CONNECT 2018

NCSHA



HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Why is the Tax Credit Calculation Important to You?

- The tax credit calculation determines the amount of qualified basis there is in a transaction – and this translates into the amount of credits that are available for purchase by an investor for use as equity in the property
- Pricing differs from the East and West Coast markets. Those credit rates are generally higher. Typically the Midwest market fluctuates less. May be paying in the range of \$.85 - \$.90 for \$1 of tax credits.
- Pricing is driven by yield to the investor as well as CRA and other investor needs.

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

How many tax credits will a project receive?

How's it calculated:
 A project receives, for each year of the ten-year credit period, tax credits equal to....

Tax Credit Calculation:		
Eligible Basis		\$6,000,000
QCT/DDA basis boost	x	130%
Eligible Basis (adjusted)		\$7,800,000
Applicable Fraction	x	75%
Qualified Basis		\$5,850,000
Credit Rate	x	9.00
Annual Tax Credits		\$526,500
Ten years	x	10
Total Tax Credits		\$5,265,000

Eligible basis is basically depreciable basis; Eligible basis does not include land, syndication, organization, or permanent financing costs;

Qualified census tracts or Difficult development areas can increase the Eligible basis by 30%- for projects within these QCTs or DDAs

Qualified basis equals a building's eligible basis multiplied by the building's **applicable fraction**

Annual credit amount is calculated using the qualified basis of each building in the project, multiplied by the monthly (or fixed) **tax credit rate**

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

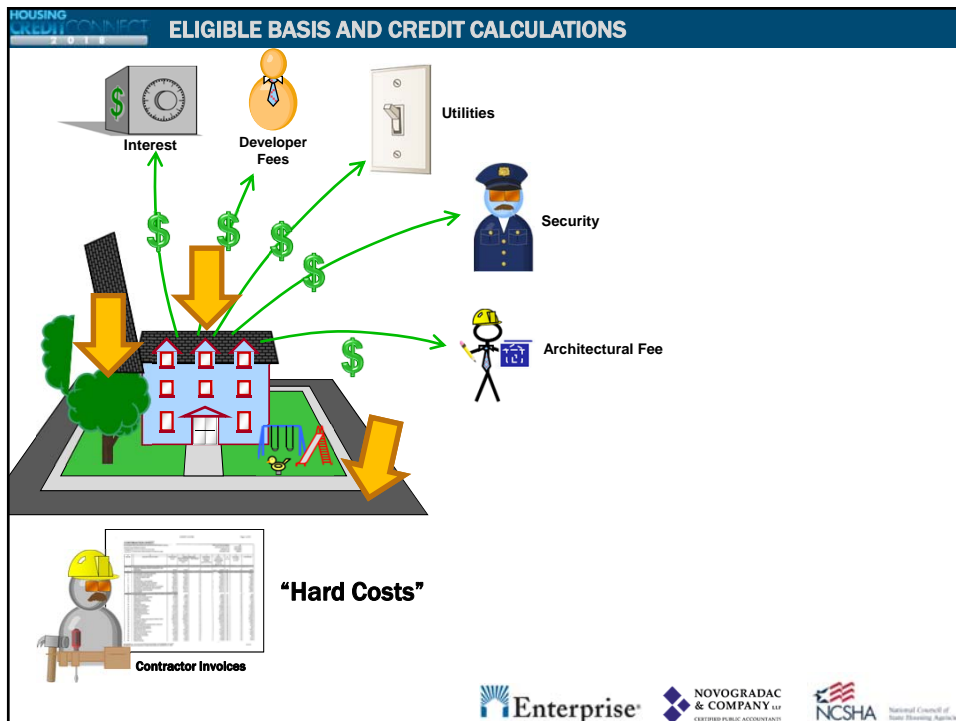
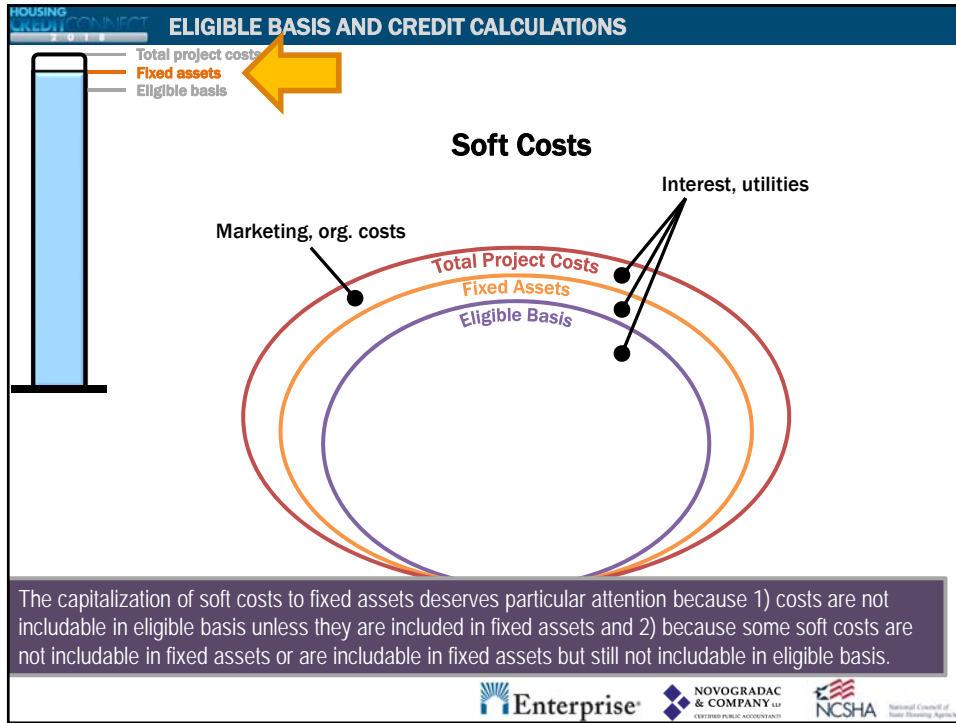
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How's it calculated:
 A project receives, for each year of the ten-year credit period, tax credits equal to....

Tax Credit Calculation:			
Eligible Basis		\$6,000,000	Eligible basis \$ 6,000,000
QCT/DDA basis boost	x	130%	Land and other excluded costs x 1,000,000
Eligible Basis (adjusted)		\$7,800,000	Total costs \$ 7,000,000
Applicable Fraction	x	75%	Total tax credits \$ 5,265,000
Qualified Basis		\$5,850,000	Price per credit x 1
Credit Rate	x	9.00	Tax credit equity \$ 5,265,000
Annual Tax Credits		\$526,500	Permanent debt + 2,000,000
Ten years	x	10	Total sources \$ 7,265,000
Total Tax Credits		\$5,265,000	Over-sourced amount \$ 265,000

HFA will limit credits to an amount sufficient to generate \$5,000,000 of equity

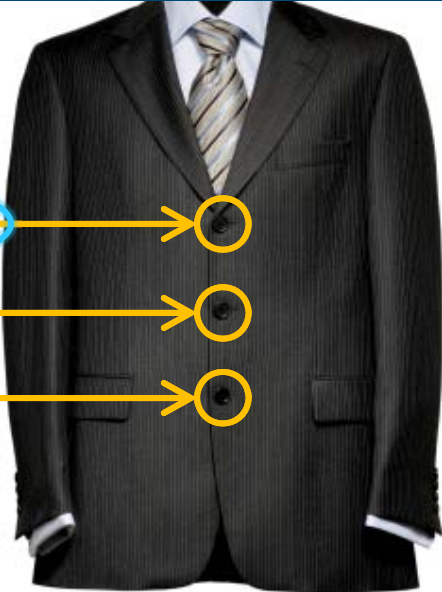
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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Capitalization of soft costs:

Indirect	Sometimes	→
Direct	Always	→
Other	Never	→

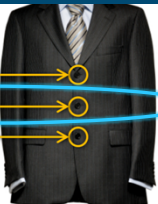


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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Capitalization of soft costs:

Indirect	Sometimes	→
Direct	Always	→
Other	Never	→



Direct Soft Costs

- Exist **because of** development (**directly** related)
- 100% capitalizable to fixed assets

Examples:

- Architectural fees
- Engineering fees
- Developer fees
- Local development impact fees
- Building permits
- Market studies

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Capitalization of soft costs:

Indirect	Sometimes	→	○
Direct	Always	→	○
Other	Never	→	○

Other Soft Costs

- Not related to construction, whether incurred during construction period or not
- **Never** capitalized to fixed assets

Examples:

- Organization cost amortization
- Marketing
- Partnership management fees
- Syndication costs
- Permanent loan fees
- Reserves

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Capitalization of soft costs:

Indirect	Sometimes	→	○
Direct	Always	→	○
Other	Never	→	○

Indirect Soft Costs

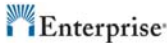


- Can exist before, during and after construction period (indirectly related)
- Portion incurred **during** construction is capitalized; otherwise expensed

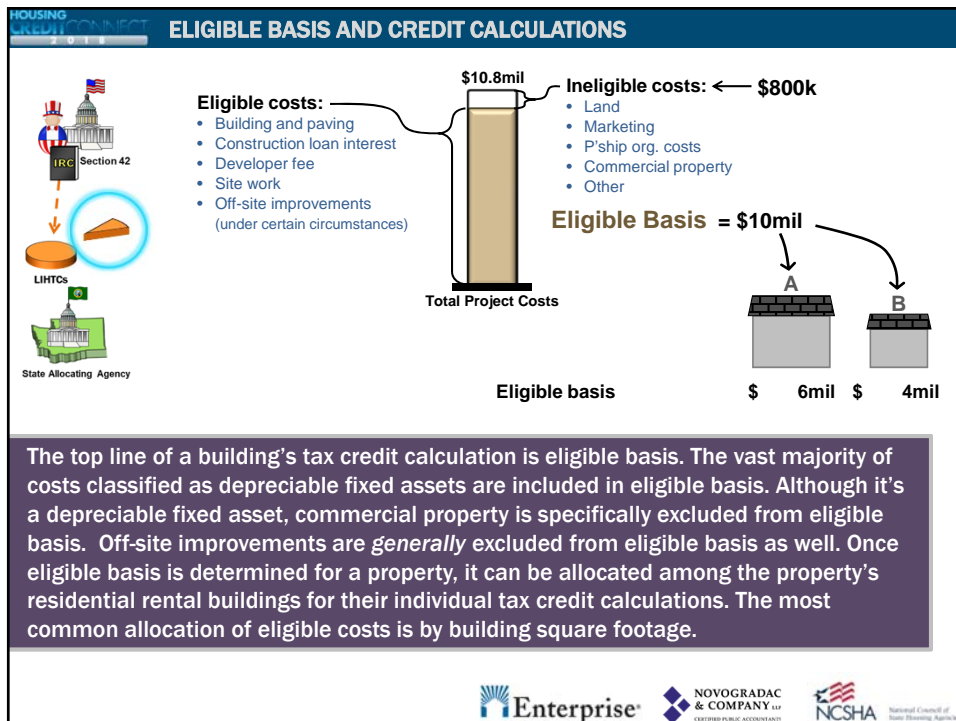
Examples:


- Interest
- Insurance
- Legal fees (look to the nature of the fees)
- Taxes
- Letter of credit fees
- **Amortization** of construction loan origination fees

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS		
	A	B
Eligible basis	\$ 6mil	\$ 4mil
DDA/QCT basis boost	<u>x 130%</u>	<u>x 130%</u>
Eligible basis (adjusted)	\$ 7.8mil	\$ 5.2mil
Applicable fraction	<u>x 75%</u>	<u>x 100%</u>
Qualified basis	\$5.85mil	\$ 5.2mil
Tax credit percentage	<u>x 3.20%</u>	<u>x 3.20%</u>
Annual tax credits	\$ 187k	\$ 166k
Ten years	<u>x 10</u>	<u>x 10</u>
Total tax credits	\$1.87mil	\$ 1.66mil






IRC Section 42




LIHTCs



State Allocating Agency

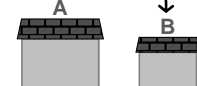
If a property is located in either a QCT or a DDA, the eligible bases of its buildings can be multiplied by a factor of 1.3, which will increase the total potential credits. (This applies to properties financed with private activity bonds as well.)

\$10.8mil



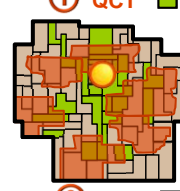
Total Project Costs

Eligible Basis = \$10mil



Eligible basis **↑30%** \$ 6mil \$ 4mil

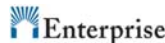


① "QCT" ■

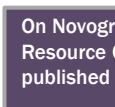


② "DDA" ■

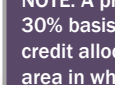
1. Projects located in **Qualified Census Tracts (QCTs)**, which are census tracts "in which 50 percent or more of the household have an income which is less than 60 percent of the area median income for such year or which has a poverty rate of at least 25 percent." IRC §42(d)(5)(B)(ii)
2. Projects located in **Difficult Development Areas (DDAs)**, which are areas that have "high construction, land, and utility costs relative to area median gross income." IRC §42(d)(5)(B)(iii)

See IRC § 42(d)(5)(B)

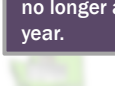






IRC Section 42



LIHTCs




State Allocating Agency

On Novogradac's Affordable Housing Resource Center, find the most recently published DDAs and QCTs.


NOTE: A property that is awarded the 30% basis boost when it receives its tax credit allocation will not lose it if the area in which the property is located is no longer a DDA or QCT in a subsequent year.

\$10.8mil



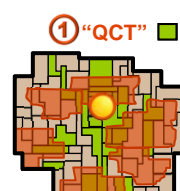
Total Project Costs

Eligible Basis = \$10mil



Eligible basis **↑30%** \$ 6mil \$ 4mil

① "QCT" ■




② "DDA" ■

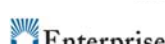


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See IRC § 42(d)(5)(B)



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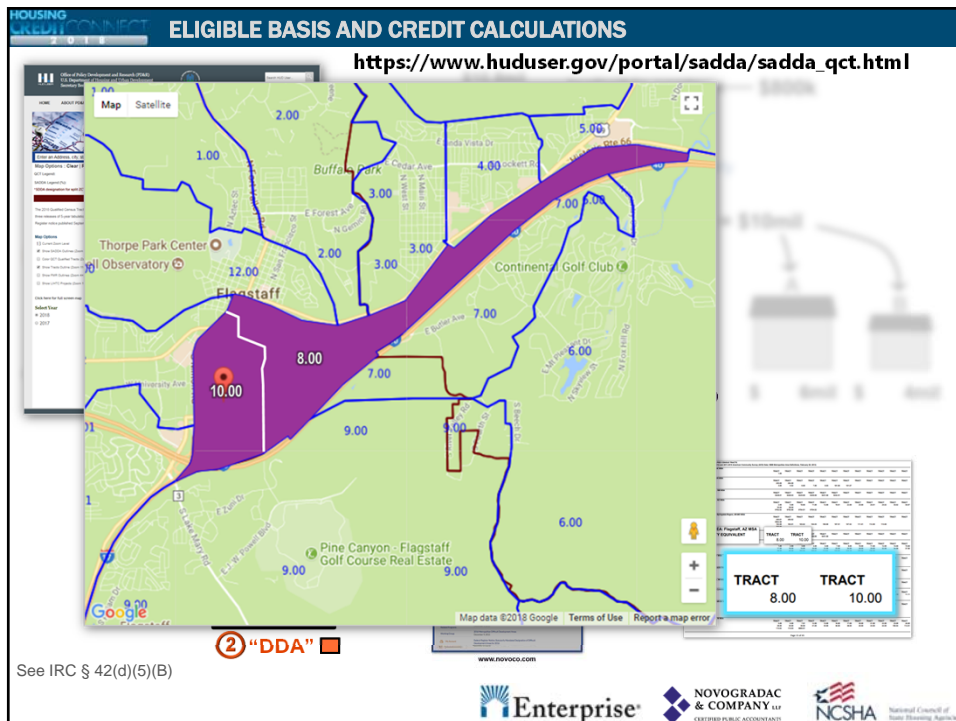




HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS
 2018 IRS SECTION 42(d)(5)(B) QUALIFIED CENSUS TRACTS
 (2010 Census and 2009-2013, 2010-2014 and 2011-2015 American Community Survey (ACS) Data; OMB Metropolitan Area Definitions, February 28, 2013)

COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
METROPOLITAN AREA: Fayetteville, NC MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
City County, NC	3.00	5.02	6.00	7.00	9.03	101.06	101.07						
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
San Juan County	9428.01	9428.03	9429.00	9430.00	9431.00	9432.01							
METROPOLITAN AREA: Fayetteville, NC MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Cumberland County	2.00	5.00	10.00	11.00	12.00	18.01	22.00	23.00	24.01	24.02	33.02	34.07	
Hoke County	9702.02	9703.00	9704.01	9704.02									
METROPOLITAN AREA: Fayetteville-Springdale-Rogers, AR-MO MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Madison County, AR	9802.00												
Washington County, AR	102.00	103.01	103.02	104.03	106.00	107.01	107.02	111.01	112.00	113.00			
METROPOLITAN AREA: Flagstaff, AZ MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Cocconino County	8.00	10.00											
Coconino County	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	14.00
	17.00	18.00	19.00	20.00	22.00	23.00	25.00	26.00	28.00	29.00	32.00	34.00	37.00
	38.00	40.00	103.04	105.01	113.01	122.02	123.10	135.00	136.00				
METROPOLITAN AREA: Florence, SC MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Darlington County	5.00	7.00	8.00	9.00	10.00	22.01	26.00						
METROPOLITAN AREA: Florence-Muscle Shoals, AL MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Colbert County	201.00	202.00	203.00										
Lauderdale County	101.00	102.00	103.00										
METROPOLITAN AREA: Fond du Lac, WI MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Fond du Lac County	403.00	405.00											
METROPOLITAN AREA: Fort Collins-Loveland, CO MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Larimer County	1.00	2.01	4.02	5.03	5.04	5.05	5.06	6.00	7.00	8.01	11.10	11.11	
METROPOLITAN AREA: Fort Smith, AR-OK MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Crawford County, AR	205.01	205.02											
Sebastian County, AR	1.00	2.00	3.00	4.00	5.01	7.00	8.00	10.01					
LeFlore County, OK	401.00	406.01											
Sequoyah County, OK	301.03	303.01											
METROPOLITAN AREA: Fort Wayne, IN MSA	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
COUNTY OR COUNTY EQUIVALENT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT	TRACT
Allen County	5.00	6.00	7.01	12.00	13.00	16.00	17.00	20.00	21.00	22.00	23.00	26.00	
	28.00	29.00	30.00	31.00	35.00	36.00	38.00	40.00	43.00	44.00	105.04	112.01	
	113.02	113.03	9800.01										

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See IRC § 42(d)(5)(B)



ELIGIBLE BASIS AND CREDIT CALCULATIONS

Eligible Basis = \$10mil

Eligible basis	↑ 30%	\$ 6mil	\$ 4mil
DDA/QCT basis boost	x 130%	x 130%	x 130%
Eligible basis (adjusted)		\$ 7.8mil	\$ 5.2mil

3. 9% projects not already in a QCT or DDA that the state allocating agency chooses to award **up to a 30% basis boost** so that the project may be "financially feasible." Housing and Economic Recovery Act of 2008 (HERA), IRC §42(d)(5)(B)(v)

See IRC § 42(d)(5)(B)

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ELIGIBLE BASIS AND CREDIT CALCULATIONS

Applicable fraction

Building X

Scenario No. 1

Unit Fraction: 50%

Floor-Space Fraction: 35%

Lesser

Scenario No. 2

Unit Fraction: 50%

Floor-Space Fraction: 65%

Lesser

Low-Income Units
 Market-Rate Units

Eligible basis (whether adjusted by a 30% increase or not) is multiplied by the applicable fraction (the percentage of a building's residential rental units that are low income qualified) to arrive at qualified basis.

To prevent gaming the system, a building's applicable fraction is the lesser of the building's unit fraction (LIHTC units / total units) and its floor-space fraction (floor space of LIHTC units / floor space of total units).

See IRC § 42(c)(1)

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Building A has an applicable fraction of 75%—meaning 25% of its units (either by square footage or as a fraction total units) are not LIHTC qualified.

Eligible basis	\$ 6mil	\$ 4mil
DDA/QCT basis boost	x 130%	x 130%
Eligible basis (adjusted)	\$ 7.8mil	\$ 5.2mil
Applicable fraction	x 75%	x 100%
Qualified basis	\$ 5.85mil	\$ 5.2mil

See IRC § 42(c)(1)

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Annual tax credits are determined by multiplying a building's qualified basis by its appropriate tax credit percentage. Total credits are determined by multiplying the annual amount by 10.

Eligible basis	\$ 6mil	\$ 4mil
DDA/QCT basis boost	x 130%	x 130%
Eligible basis (adjusted)	\$ 7.8mil	\$ 5.2mil
Applicable fraction	x 75%	x 100%
Qualified basis	\$ 5.85mil	\$ 5.2mil
Tax credit percentage	x	x
Annual tax credits	\$	\$
Ten years	x 10	x 10
Total tax credits	\$	\$

See IRC § 42(b)

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ELIGIBLE BASIS AND CREDIT CALCULATIONS

Low-Income Housing Tax Credit: 70% PV (9%) Tax Credit Percentage

The 70% PV credit rate (determined by Treasury each month) is a rate that Treasury calculates would generate total tax credits having a present value of 70% of qualified basis.

Qualified basis	\$ 5.85mil	\$ 5.2mil
Tax credit percentage	x 8.21%	x 7.80%
Annual tax credits	\$ 480k	\$ 406k
Ten years	x 10	x 10
Total tax credits	\$ 4.80mil	\$ 4.06mil

PV of Total Credits = 70% x QB

See IRC § 42(b)

\$4.1mil **\$8.86mil**

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ELIGIBLE BASIS AND CREDIT CALCULATIONS

Low-Income Housing Tax Credit: 70% PV (9%) Tax Credit Percentage

As of December 2015 tax law, non-bond-financed (9%) deals are able to utilize 9% if the 70% PV rate is less than 9%. The 9% floor was originally instituted in July of 2008 as part of the Housing and Economic Recovery Act (HERA), but it expired and was renewed once prior to being made permanent in December 2015.

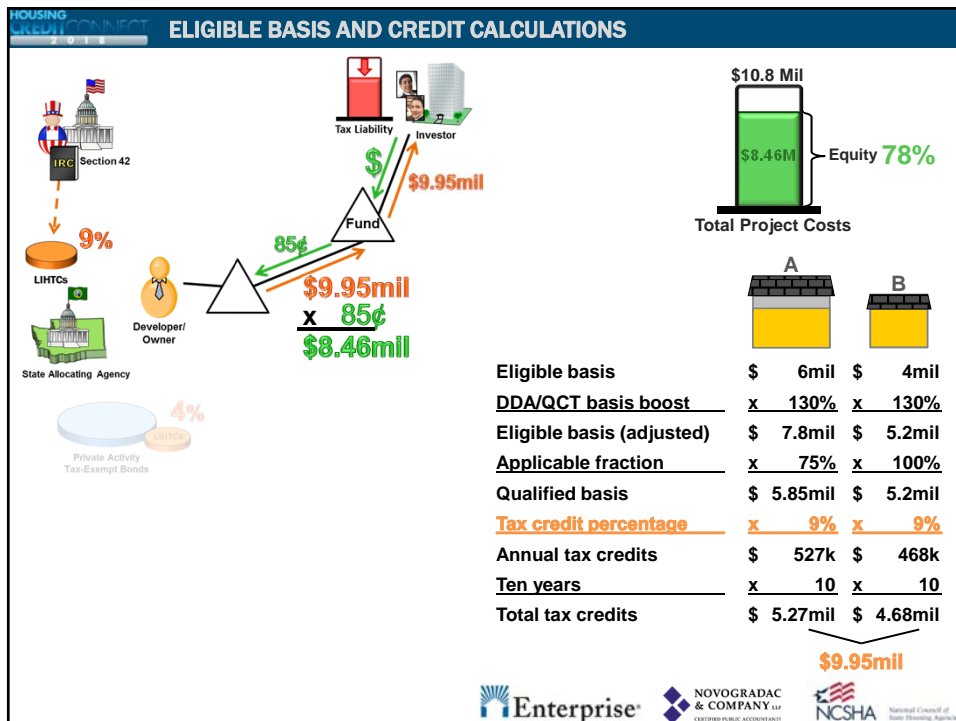
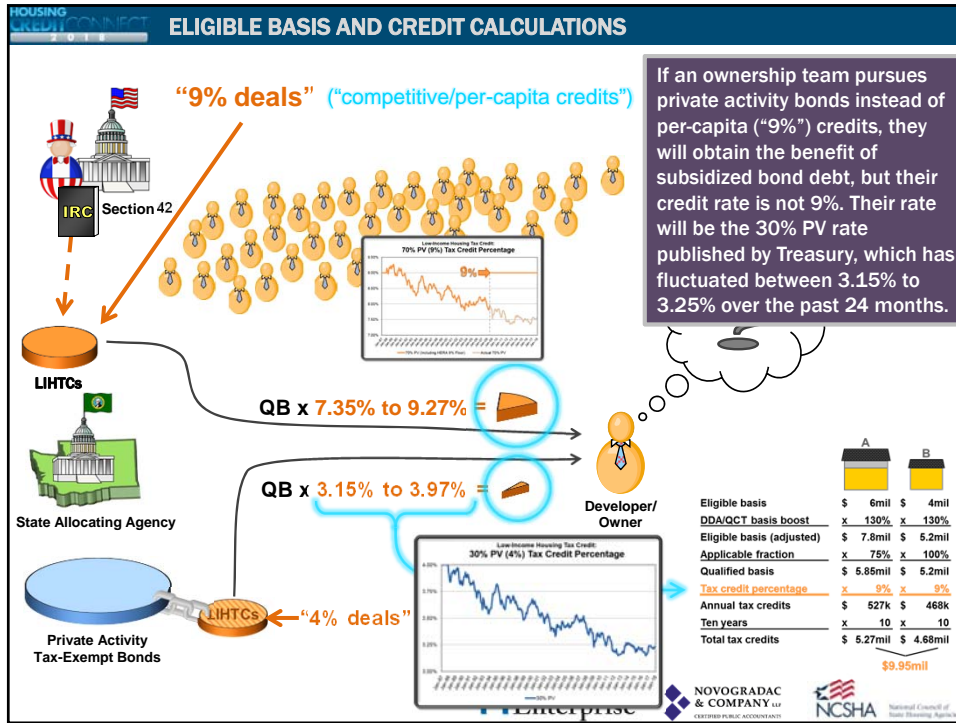
The ability to use 9% as the credit rate (rather than 7.48% and 7.35%), produces approximately 21% more credits for our example Buildings A and B.

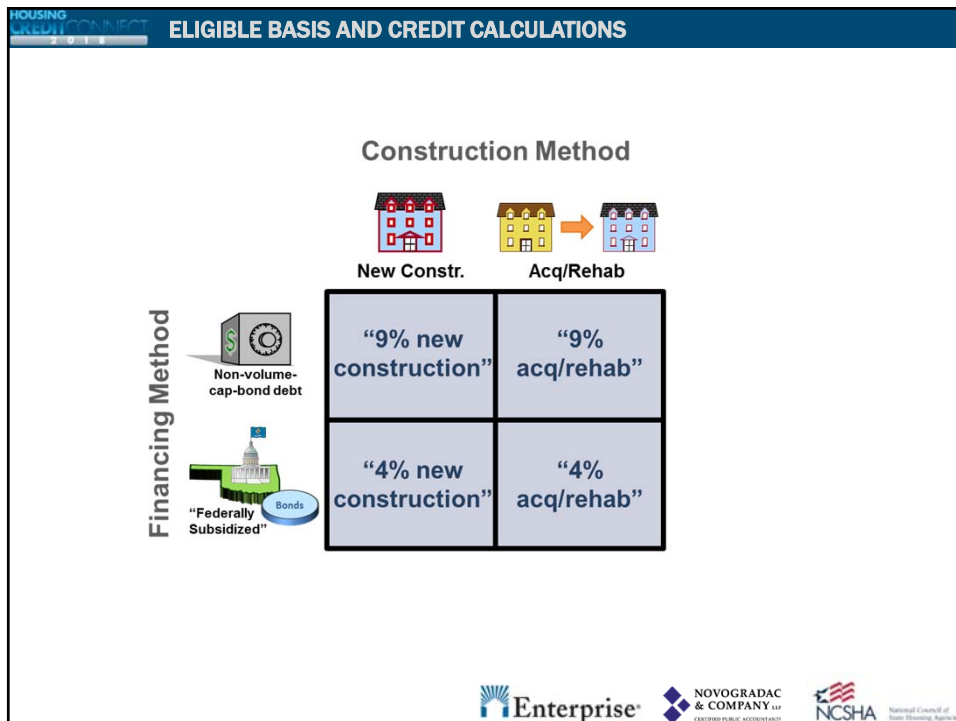
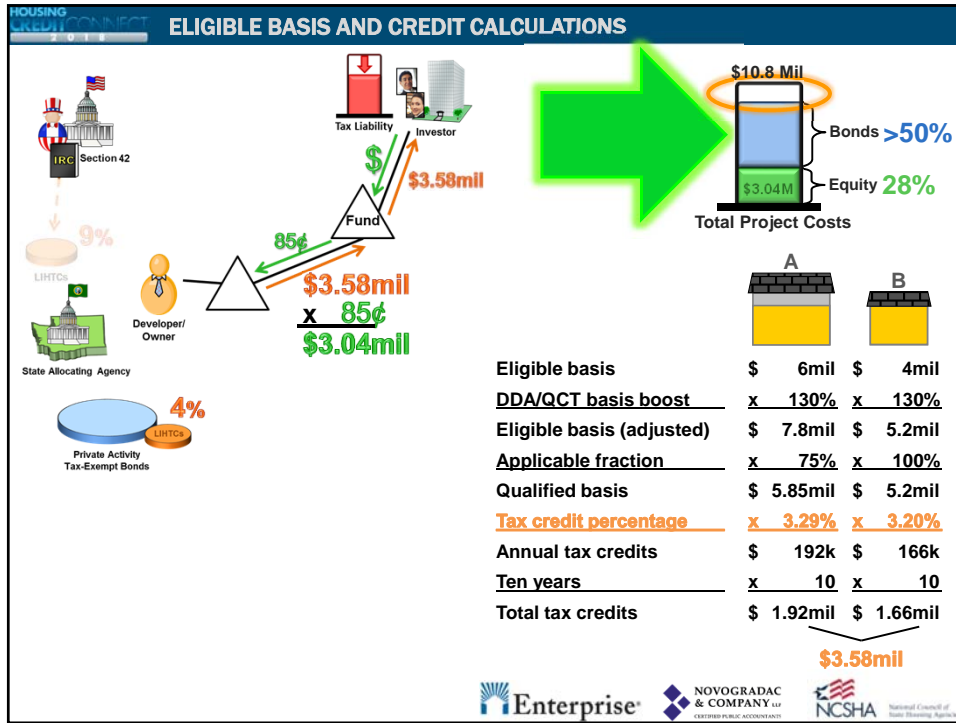
Qualified basis	\$ 5.85mil	\$ 5.2mil
Tax credit percentage	x 9%	x 9%
Annual tax credits	\$ 527k	\$ 468k
Ten years	x 10	x 10
Total tax credits	\$ 5.27mil	\$ 4.68mil

↑21% \$9.95mil

See IRC § 42(b)

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method

New Constr.		

Financing Method

 "Non-volume-cap-bond debt"	"9% new construction"	"9% acq/rehab"
	"4% new construction"	"4% acq/rehab"

6 Check the boxes that describe the allocation for the building (check those that apply):

a Newly constructed and federally subsidized b Newly constructed and **not** federally subsidized c Existing building
d Sec. 42(e) rehabilitation expenditures federally subsidized e Sec. 42(e) rehabilitation expenditures **not** federally subsidized
f Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) g Allocation subject to nonprofit set-aside under sec. 42(h)(5)

The boxes in line 6 of the Form 8609 associated with a given building will indicate whether the building is financed with bonds (i.e. "federally subsidized"), is a new or existing ("acquisition") building, or is a "rehab" building (costs associated with rehab).

HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Acq/Rehab Quirk No. 1 – Tax Credit Percentages

New Constr.

Acq/Rehab

Financing Method Non-volume-cap-bond debt "Federally Subsidized"	9%	Acq Rehab 3.XX% 9%
	3.XX%	Acq Rehab 3.XX% 3.XX%

ELIGIBLE BASIS AND CREDIT CALCULATIONS

Acq/Rehab Quirk No. 2 – 30% Boost to Eligible Basis

Construction Method

Financing Method

Financing Method	Construction Method	Acq	Rehab
		<ol style="list-style-type: none"> DDA QCT State Award 	<ol style="list-style-type: none"> DDA QCT State Award
"Federally Subsidized"	<ol style="list-style-type: none"> DDA QCT 	NO	<ol style="list-style-type: none"> DDA QCT

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ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method

Financing Method

Financing Method	Construction Method	Credit Percentage
Non-volume-cap-bond debt	"9% new construction"	"9% acq/rehab"
	"4% new construction"	"4% acq/rehab"

How the Internal Revenue Code Views 3 Types of Buildings

Building Type	30% Boost to Eligible Basis	Tax Credit Percentage
New or Rehab - not federally subsidized	Available if in DDA or QCT; or can be awarded by state allocating agency	As of Dec. 2015 law, the 9% floor has been permanently extended for properties not using tax-exempt bonds; unless the published rate were to again exceed 9%, the 70% PV rate will no longer apply to new credit allocations (whether new or rehabs); however, annual credits for pre-2008 properties would have been based on the 70% PV rate
New or Rehab - federally subsidized	Available if in DDA or QCT	30% PV amount for month the new or rehab building is placed in service; or awardee can choose to lock the 30% PV amount earlier to within 5 days after the month the bonds close
Existing (or "Acquisition")	Boost is unavailable to acquisition buildings	30% PV amount for month the acquisition is placed in service (even if it's a non-federally subsidized property)

The Internal Revenue Code treats costs of acquiring an existing building and costs to rehabilitate that building as separate "buildings" for purposes of the tax credit calculation. The "Rehabilitation" building is treated like a newly constructed building. The "Acquisition" building differs specifically regarding the 30% boost to eligible basis and tax credit percentage

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method
 New Constr. Acq/Rehab

Financing Method
 Non-recourse, capped debt
 "Federal" Subsidized

"9% new construction"	"9% acq/rehab"
"4% new construction"	"4% acq/rehab"

Now assume our example is a **9% acq/rehab** property. The acquisition buildings were PIS in January 2017. Rehab Building A was PIS in April 2018. Rehab Building B was PIS in June 2018.

	A	B
Eligible basis	\$2.78 Mil	\$2.22 Mil
<u>Applicable fraction</u>	x 100%	x 100%
Qualified basis	\$2.78 Mil	\$2.22 Mil
<u>Tax credit percentage</u>	x 9%	x 9%
Annual tax credits	\$250k	\$200k
<u>Ten years</u>	x 10	x 10
Total tax credits	\$2.5 Mil	\$2 Mil

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method
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 "Federal" Subsidized

"9% new construction"	"9% acq/rehab"
"4% new construction"	"4% acq/rehab"

Now assume our example is a **9% acq/rehab** property. The acquisition buildings were PIS in January 2017. Rehab Building A was PIS in April 2018. Rehab Building B was PIS in June 2018.

Month	30% PV
Jan 2017	3.23%
Feb 2018	3.25%
Jun 2018	3.29%

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	Form 8609 Acq A	Form 8609 Rehab A	Form 8609 Acq B	Form 8609 Rehab B
Eligible basis	\$1.25 Mil	\$1.53 Mil	\$1.00 Mil	\$1.22 Mil
<u>Applicable fraction</u>	x 100%	x 100%	x 100%	x 100%
Qualified basis	\$1.25 Mil	\$1.53 Mil	\$1.00 Mil	\$1.22 Mil
<u>Tax credit percentage</u>	x 3.23%	x 9%	x 3.23%	x 9%
Annual tax credits	\$40.4k	\$138k	\$32.3k	\$110k
<u>Ten years</u>	x 10	x 10	x 10	x 10
Total tax credits	\$404k	\$1.38 Mil	\$323k	\$1.10 Mil
		\$3.21 Mil		

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method: New Constr. Acq/Rehab

Financing Method: Non-refundable cap-bound debt, "February 1st Subsidized"

9% new construction, 9% acq/rehab, 4% new construction, 4% acq/rehab

Now assume our example is a ~~9% acq/rehab~~ **4% acq/rehab** property. The acquisition buildings were PIS in January 2017. Rehab Building A was PIS in April 2018. Rehab Building B was PIS in June 2018.

Month	30% PV
Jan 2017	3.23%
Feb 2018	3.25%
Jun 2018	3.29%

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	Acq A	Rehab A	Acq B	Rehab B
Eligible basis	\$1.25 Mil	\$1.53 Mil	\$1.00 Mil	\$1.22 Mil
Applicable fraction	x 100%	x 100%	x 100%	x 100%
Qualified basis	\$1.25 Mil	\$1.53 Mil	\$1.00 Mil	\$1.22 Mil
Tax credit percentage	x 3.23%	x 3.25%	x 3.23%	x 3.29%
Annual tax credits	\$40.4k	\$49.7k	\$32.3k	\$40.1k
Ten years	x 10	x 10	x 10	x 10
Total tax credits	\$404k	\$497k	\$323k	\$401k

~~\$3.21 Mil~~
\$1.63 Mil

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Construction Method: New Constr. Acq/Rehab

Financing Method: Non-refundable cap-bound debt, "February 1st Subsidized"

9% new construction, 9% acq/rehab, 4% new construction, 4% acq/rehab

Now assume our example is a ~~9% acq/rehab~~ **4% acq/rehab** property. The acquisition buildings were PIS in January 2017. Rehab Building A was PIS in April 2018. Rehab Building B was PIS in June 2018. **Assume now the property was in a QCT**

Month	30% PV
Jan 2017	3.23%
Feb 2018	3.25%
Jun 2018	3.29%

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	Acq A	Rehab A	Acq B	Rehab B
Eligible basis	\$1.25 Mil	\$1.99 Mil	\$1.00 Mil	\$1.59 Mil
Applicable fraction	x 100%	x 100%	x 100%	x 100%
Qualified basis	\$1.25 Mil	\$1.99 Mil	\$1.00 Mil	\$1.59 Mil
Tax credit percentage	x 3.23%	x 3.25%	x 3.23%	x 3.29%
Annual tax credits	\$40.4k	\$64.6k	\$32.3k	\$52.2k
Ten years	x 10	x 10	x 10	x 10
Total tax credits	\$404k	\$646k	\$323k	\$522k

~~\$3.21 Mil~~
~~\$1.63 Mil~~ **\$1.90 Mil**

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HOUSING CREDIT CONNECT ELIGIBLE BASIS AND CREDIT CALCULATIONS

Tax Credit rules by State:

Qualified Allocation Plan (QAP)

- The plan sets forth the criteria which will be used to determine how developments will qualify for the credit
- It provides Mandatory and Threshold requirements
 - Competitive Scoring criteria, Set-Asides, Allocation timelines, and further protocol and requirements.
 - preferences must be given to developments which
 - serve the lowest income tenants
 - agree to remain in the program for the longest period of time
 - are located in a qualified census tract which contribute to a concerted community revitalization plan

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Housing Credit 101

Eligible Basis and Credit Calculations

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