## GENERAL ASSEMBLY OF NORTH CAROLINA

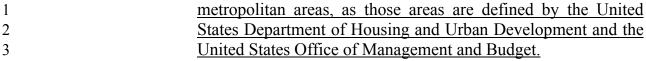
## **SESSION 1993**

H 1

## **HOUSE BILL 1419**

Short Title: Re	nt Reductions Tax Credit. (Public
Sponsors: Repre	esentative H. Hunter.
Referred to: Fin	nance.
	May 17, 1993
INCOME TO INCOME.	A BILL TO BE ENTITLED CREATE A FOUR-YEAR PILOT PROGRAM TO ALLOW AN TAX CREDIT FOR RENT REDUCTIONS PROVIDED TO LOW-ENANTS IN RESIDENTIAL DWELLING UNITS. It is sembly of North Carolina enacts: On 1. Division I of Article 4 of Chapter 105 of the General Statutes is ding the following new section to read: Credit for low-income rent reductions. Out. — A corporation is allowed a credit against the tax imposed by this evided in this section if all the following requirements are satisfied: The taxpayer is engaged in the business of renting dwelling units and is subject to the North Carolina Residential Rental Agreements Act, Article 5 of Chapter 42 of the General Statutes.
<u>(2)</u>	The taxpayer provides a reduced rent to one or more eligible tenants for rent due on or after January 1, 1993, and before January 1, 1997.  For the purpose of this section, an eligible tenant is one of the following:  a. A tenant who resides in a nonmetropolitan area and has income below fifty percent (50%) of the area median for nonmetropolitan areas, as those areas are defined by the United States Department of Housing and Urban Development and the United States Office of Management and Budget.  b. A tenant who resides in a metropolitan area and has income

below thirty-five percent (35%) of the area median for



- (3) The rent before any reduction does not exceed the Housing and Urban Development fair market rents for the area.
- (4) The rent charged to the eligible tenant is at least thirty percent (30%) less then the rent charged to other tenants for comparable units in the same property or, if none, for comparable units in the same market area.
- (5) The rent charged to the eligible tenant is no more than thirty percent (30%) of the tenant family's adjusted net income, using the federal Section 8 formula under the federal Section 8 program established in 42 U.S.C. § 1437f., or fifty dollars (\$50.00), whichever is greater.
- (6) The dwelling unit in which the eligible tenant resides meets (i) the Housing Quality Standards for the federal Section 8 program established in 42 U.S.C. § 1437f. and (ii) the requirements of the North Carolina Residential Rental Agreements Act, Article 5 of Chapter 42 of the General Statutes.
- (b) Amount. The credit allowed by this section is equal to the sum of:
  - (1) Sixty percent (60%) of the rent reductions allowed by the taxpayer during the taxable year to eligible tenants who have incomes below twenty-five percent (25%) of the area median or who are on the waiting lists for Public Housing Programs and for Section 8 programs established in 42 U.S.C. § 1437f.; and
  - (2) Forty percent (40%) of the rent reductions allowed by the taxpayer during the taxable year to eligible tenants other than those described in subdivision (1) of this subsection.
- (c) <u>Carry-forward. The credit allowed under this section may not exceed the amount of tax imposed by this Division for the taxable year, reduced by the sum of all other credits allowed, except tax payments made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding five years.</u>
- (d) Certification. The North Carolina Housing Finance Agency shall provide to each taxpayer claiming the credit a statement certifying (i) whether the taxpayer has satisfied the conditions established in subsection (a) of this section and (ii) the amount of the credit for which the taxpayer is eligible. A taxpayer claiming the credit allowed under this section must include this certification with the tax return on which the credit is claimed.
- (e) Applications. The credit may not be taken for the taxable year in which the rent reductions were allowed but shall be taken for the taxable year beginning during the calendar year following the calendar year in which the rent reductions were allowed. To be eligible for the credit, a taxpayer must be approved for the credit by the North Carolina Housing Finance Agency both before the rent reductions are allowed and after the end of the calendar year in which the rent reductions were allowed, as provided in this subsection.

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A taxpayer who wishes to qualify for the credit allowed in this section must file an application for preliminary approval with the North Carolina Housing Finance Agency. Applicants must comply with procedures prescribed by the Agency and must provide the Agency with any records or other documents required by the Agency to prove that the conditions established in subsection (a) of this section will be satisfied. If the Agency finds that the applicant is eligible for the tax credit, the Agency shall issue the applicant a statement of preliminary approval. This statement shall notify the applicant of the requirements that must be satisfied before the credit will be allowed.

A taxpayer who has received preliminary approval, has allowed rent reductions as provided in this section, and wishes to take the credit allowed by this section must file an application for the credit with the North Carolina Housing Finance Agency on or before April 15 following the calendar year in which the rent reductions were allowed. The application must be on a form prescribed by the Agency and must include (i) the county in which each eligible tenant for whom the credit is claimed resides, (ii) the amount of credit claimed for each eligible tenant, and (iii) any other information required by the Agency.

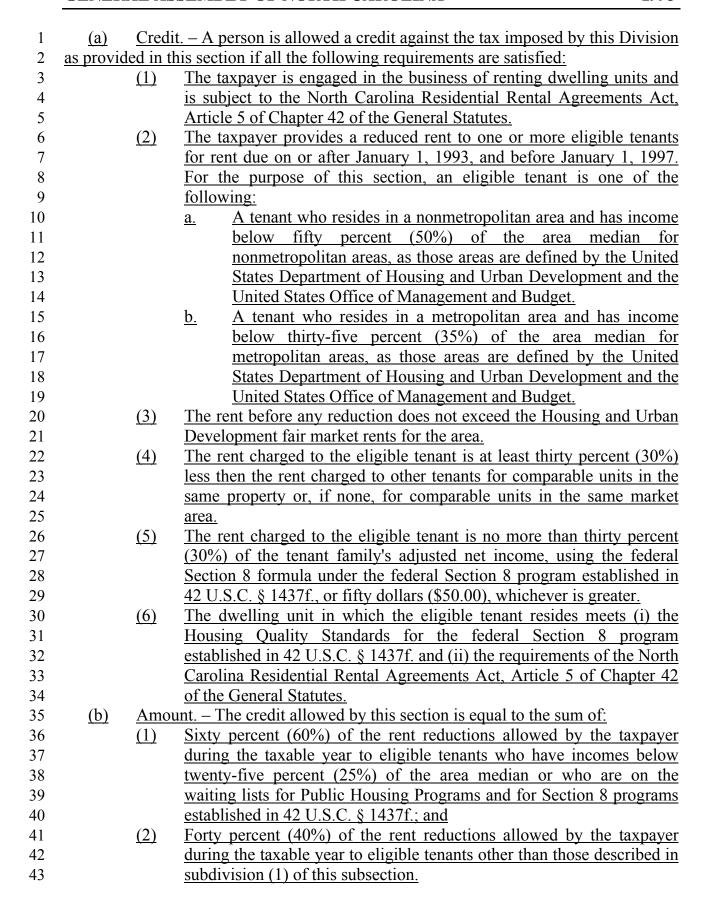
(f) Ceiling. – The total amount of all tax credits allowed to taxpayers under this section and under G.S. 105-151.23 for rent reductions allowed in a calendar year may not exceed five million dollars (\$5,000,000). The North Carolina Housing Finance Agency shall calculate the total amount of tax credits claimed from the applications filed pursuant to subsection (e) of this section and of G.S. 105-151.23. If the total amount of tax credits claimed for rent reductions made in a calendar year exceeds five million dollars (\$5,000,000), the Agency shall allow a portion of the credits claimed by allocating the total allowable amount among all taxpayers claiming the credits in proportion to the size of the credit claimed by each taxpayer.

If a credit claimed under this section is reduced as provided in this subsection, the Agency shall notify the taxpayer of the amount of the reduction of the credit on or before December 31 of the year the taxpayer applied for the credit. The amount of the reduction of the credit may be carried forward and claimed for the next succeeding 10 years if the taxpayer reapplies for a credit for the amount of the reduction, as provided in subsection (e) of this section. In such a reapplication, the rent reductions for which a credit is claimed shall be considered on the same basis as any rent reductions made in the year preceding the reapplication, except that the credit claimed in the reapplication shall not be disallowed because the reapplication is filed in a year in which no credit is allowed for rent reductions made in the preceding year. The Agency's allocations based on applications filed pursuant to subsection (e) of this section are final and shall not be adjusted to account for credits applied for but not claimed.

(g) Rules; Report. – The North Carolina Housing Finance Agency may adopt rules to implement the provisions of this section. The North Carolina Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations by January 1 of each year on the credit allowed by this section."

Sec. 2. Division II of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-151.23. Credit for low-income rent reductions.



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- (c) <u>Carry-forward. The credit allowed under this section may not exceed the amount of tax imposed by this Division for the taxable year, reduced by the sum of all other credits allowed, except tax payments made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding five years.</u>
- (d) Certification. The North Carolina Housing Finance Agency shall provide to each taxpayer claiming the credit a statement certifying (i) whether the taxpayer has satisfied the conditions established in subsection (a) of this section and (ii) the amount of the credit for which the taxpayer is eligible. Applicants for this certification must comply with procedures prescribed by the Agency and must provide the Agency with any records or other documents required by the Agency to prove that the conditions established in subsection (a) of this section have been satisfied. A taxpayer claiming the credit allowed under this section must include this certification with the tax return on which the credit is claimed.
- (e) Applications. The credit may not be taken for the taxable year in which the rent reductions were allowed but shall be taken for the taxable year beginning during the calendar year following the calendar year in which the rent reductions were allowed. To be eligible for the credit, a taxpayer must be approved for the credit by the North Carolina Housing Finance Agency both before the rent reductions are allowed and after the end of the calendar year in which the rent reductions were allowed, as provided in this subsection.

A taxpayer who wishes to qualify for the credit allowed in this section must file an application for preliminary approval with the North Carolina Housing Finance Agency. Applicants must comply with procedures prescribed by the Agency and must provide the Agency with any records or other documents required by the Agency to prove that the conditions established in subsection (a) of this section will be satisfied. If the Agency finds that the applicant is eligible for the tax credit, the Agency shall issue the applicant a statement of preliminary approval. This statement shall notify the applicant of the requirements that must be satisfied before the credit will be allowed.

A taxpayer who has received preliminary approval, has allowed rent reductions as provided in this section, and wishes to take the credit allowed by this section must file an application for the credit with the North Carolina Housing Finance Agency on or before April 15 following the calendar year in which the rent reductions were allowed. The application must be on a form prescribed by the Agency and must include (i) the county in which each eligible tenant for whom the credit is claimed resides, (ii) the amount of credit claimed for each eligible tenant, and (iii) any other information required by the Agency.

(f) Ceiling. – The total amount of all tax credits allowed to taxpayers under this section and under G.S. 105-151.23 for rent reductions allowed in a calendar year may not exceed five million dollars (\$5,000,000). The North Carolina Housing Finance Agency shall calculate the total amount of tax credits claimed from the applications filed pursuant to subsection (e) of this section and of G.S. 105-151.23. If the total amount of tax credits claimed for rent reductions made in a calendar year exceeds five million dollars (\$5,000,000), the Agency shall allow a portion of the credits claimed by

allocating the total allowable amount among all taxpayers claiming the credits in proportion to the size of the credit claimed by each taxpayer.

If a credit claimed under this section is reduced as provided in this subsection, the Agency shall notify the taxpayer of the amount of the reduction of the credit on or before December 31 of the year the taxpayer applied for the credit. The amount of the reduction of the credit may be carried forward and claimed for the next succeeding 10 years if the taxpayer reapplies for a credit for the amount of the reduction, as provided in subsection (e) of this section. In such a reapplication, the rent reductions for which a credit is claimed shall be considered as if they had been made in the year preceding the reapplication. The Agency's allocations based on applications filed pursuant to subsection (e) of this section are final and shall not be adjusted to account for credits applied for but not claimed.

- (g) Rules; Report. The North Carolina Housing Finance Agency may adopt rules to implement the provisions of this section. The North Carolina Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations by January 1 of each year on the credit allowed by this section."
- Sec. 3. This act is effective upon ratification and applies to rent reductions allowed on or after January 1, 1993, and before January 1, 1997.

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