

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 1419

Short Title: Rent Reductions Tax Credit.

(Public)

Sponsors: Representative H. Hunter.

Referred to: Finance.

May 17, 1993

A BILL TO BE ENTITLED

AN ACT TO CREATE A FOUR-YEAR PILOT PROGRAM TO ALLOW AN
INCOME TAX CREDIT FOR RENT REDUCTIONS PROVIDED TO LOW-
INCOME TENANTS IN RESIDENTIAL DWELLING UNITS.

The General Assembly of North Carolina enacts:

Section 1. Division I of Article 4 of Chapter 105 of the General Statutes is amended by adding the following new section to read:

"§ 105-130.42. Credit for low-income rent reductions.

(a) Credit. – A corporation is allowed a credit against the tax imposed by this Division as provided in this section if all the following requirements are satisfied:

(1) 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.

(2) 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

1 metropolitan areas, as those areas are defined by the United
2 States Department of Housing and Urban Development and the
3 United States Office of Management and Budget.

4 (3) The rent before any reduction does not exceed the Housing and Urban
5 Development fair market rents for the area.

6 (4) The rent charged to the eligible tenant is at least thirty percent (30%)
7 less then the rent charged to other tenants for comparable units in the
8 same property or, if none, for comparable units in the same market
9 area.

10 (5) The rent charged to the eligible tenant is no more than thirty percent
11 (30%) of the tenant family's adjusted net income, using the federal
12 Section 8 formula under the federal Section 8 program established in
13 42 U.S.C. § 1437f., or fifty dollars (\$50.00), whichever is greater.

14 (6) The dwelling unit in which the eligible tenant resides meets (i) the
15 Housing Quality Standards for the federal Section 8 program
16 established in 42 U.S.C. § 1437f. and (ii) the requirements of the North
17 Carolina Residential Rental Agreements Act, Article 5 of Chapter 42
18 of the General Statutes.

19 (b) Amount. – The credit allowed by this section is equal to the sum of:

20 (1) Sixty percent (60%) of the rent reductions allowed by the taxpayer
21 during the taxable year to eligible tenants who have incomes below
22 twenty-five percent (25%) of the area median or who are on the
23 waiting lists for Public Housing Programs and for Section 8 programs
24 established in 42 U.S.C. § 1437f.; and

25 (2) Forty percent (40%) of the rent reductions allowed by the taxpayer
26 during the taxable year to eligible tenants other than those described in
27 subdivision (1) of this subsection.

28 (c) Carry-forward. – The credit allowed under this section may not exceed the
29 amount of tax imposed by this Division for the taxable year, reduced by the sum of all
30 other credits allowed, except tax payments made by or on behalf of the taxpayer. Any
31 unused portion of the credit may be carried forward for the succeeding five years.

32 (d) Certification. – The North Carolina Housing Finance Agency shall provide to
33 each taxpayer claiming the credit a statement certifying (i) whether the taxpayer has
34 satisfied the conditions established in subsection (a) of this section and (ii) the amount
35 of the credit for which the taxpayer is eligible. A taxpayer claiming the credit allowed
36 under this section must include this certification with the tax return on which the credit
37 is claimed.

38 (e) Applications. – The credit may not be taken for the taxable year in which the
39 rent reductions were allowed but shall be taken for the taxable year beginning during the
40 calendar year following the calendar year in which the rent reductions were allowed.
41 To be eligible for the credit, a taxpayer must be approved for the credit by the North
42 Carolina Housing Finance Agency both before the rent reductions are allowed and after
43 the end of the calendar year in which the rent reductions were allowed, as provided in
44 this subsection.

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

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

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

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

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

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

44 "§ 105-151.23. Credit for low-income rent reductions.

1 (a) Credit. – A person is allowed a credit against the tax imposed by this Division
2 as provided in this section if all the following requirements are satisfied:

3 (1) The taxpayer is engaged in the business of renting dwelling units and
4 is subject to the North Carolina Residential Rental Agreements Act,
5 Article 5 of Chapter 42 of the General Statutes.

6 (2) The taxpayer provides a reduced rent to one or more eligible tenants
7 for rent due on or after January 1, 1993, and before January 1, 1997.
8 For the purpose of this section, an eligible tenant is one of the
9 following:

10 a. A tenant who resides in a nonmetropolitan area and has income
11 below fifty percent (50%) of the area median for
12 nonmetropolitan areas, as those areas are defined by the United
13 States Department of Housing and Urban Development and the
14 United States Office of Management and Budget.

15 b. A tenant who resides in a metropolitan area and has income
16 below thirty-five percent (35%) of the area median for
17 metropolitan areas, as those areas are defined by the United
18 States Department of Housing and Urban Development and the
19 United States Office of Management and Budget.

20 (3) The rent before any reduction does not exceed the Housing and Urban
21 Development fair market rents for the area.

22 (4) The rent charged to the eligible tenant is at least thirty percent (30%)
23 less than the rent charged to other tenants for comparable units in the
24 same property or, if none, for comparable units in the same market
25 area.

26 (5) The rent charged to the eligible tenant is no more than thirty percent
27 (30%) of the tenant family's adjusted net income, using the federal
28 Section 8 formula under the federal Section 8 program established in
29 42 U.S.C. § 1437f., or fifty dollars (\$50.00), whichever is greater.

30 (6) The dwelling unit in which the eligible tenant resides meets (i) the
31 Housing Quality Standards for the federal Section 8 program
32 established in 42 U.S.C. § 1437f. and (ii) the requirements of the North
33 Carolina Residential Rental Agreements Act, Article 5 of Chapter 42
34 of the General Statutes.

35 (b) Amount. – The credit allowed by this section is equal to the sum of:

36 (1) Sixty percent (60%) of the rent reductions allowed by the taxpayer
37 during the taxable year to eligible tenants who have incomes below
38 twenty-five percent (25%) of the area median or who are on the
39 waiting lists for Public Housing Programs and for Section 8 programs
40 established in 42 U.S.C. § 1437f.; and

41 (2) Forty percent (40%) of the rent reductions allowed by the taxpayer
42 during the taxable year to eligible tenants other than those described in
43 subdivision (1) of this subsection.

1 (c) Carry-forward. – The credit allowed under this section may not exceed the
2 amount of tax imposed by this Division for the taxable year, reduced by the sum of all
3 other credits allowed, except tax payments made by or on behalf of the taxpayer. Any
4 unused portion of the credit may be carried forward for the succeeding five years.

5 (d) Certification. – The North Carolina Housing Finance Agency shall provide to
6 each taxpayer claiming the credit a statement certifying (i) whether the taxpayer has
7 satisfied the conditions established in subsection (a) of this section and (ii) the amount
8 of the credit for which the taxpayer is eligible. Applicants for this certification must
9 comply with procedures prescribed by the Agency and must provide the Agency with
10 any records or other documents required by the Agency to prove that the conditions
11 established in subsection (a) of this section have been satisfied. A taxpayer claiming the
12 credit allowed under this section must include this certification with the tax return on
13 which the credit is claimed.

14 (e) Applications. – The credit may not be taken for the taxable year in which the
15 rent reductions were allowed but shall be taken for the taxable year beginning during the
16 calendar year following the calendar year in which the rent reductions were allowed.
17 To be eligible for the credit, a taxpayer must be approved for the credit by the North
18 Carolina Housing Finance Agency both before the rent reductions are allowed and after
19 the end of the calendar year in which the rent reductions were allowed, as provided in
20 this subsection.

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

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

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

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

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

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

17 Sec. 3. This act is effective upon ratification and applies to rent reductions
18 allowed on or after January 1, 1993, and before January 1, 1997.