



Frequently Asked Questions

What is the Housing Incentive Fund?

The Housing Incentive Fund (HIF) is a program to assist in the development and preservation of affordable multifamily housing projects targeted to essential service workers and low- and moderate-income families.

Where does the money come from?

HIF is capitalized by contributions from taxpayers in exchange for tax credits and by a transfer of funds from the Bank of North Dakota. Each project needs contributions from taxpayers to move forward.

How do the tax credits work?

Taxpayers receive a credit against their state income tax liability equal to their contribution to HIF. The credits are claimed in the tax year that the contribution was made. If a taxpayer can't use the entire tax credit in the first tax year, it may be carried forward for up to 10 tax years. Once a contribution is received, North Dakota Housing Finance Agency (NDHFA) will issue a tax credit certificate to the contributor and the Office of the Tax Commissioner.

Who can contribute to the HIF?

Any individual, business or financial institution with a potential state tax liability under NDCC § 57-38 is eligible to contribute. A government entity or a tax-exempt organization is not precluded from making a contribution to HIF, however no tax credit certificate will be issued.

Is there a limit to the size of contribution I can make?

No. It can be as small or as large as you'd like - provided there are tax credits remaining to accommodate your contribution.

What is the deadline for contributing to HIF?

To receive a tax credit for the year, contributions must be received by the fund before the end of the individual's or business' tax year. Tax credits will be issued to contributors on a first-come, first-served basis until the \$30 million maximum threshold is reached.



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May I use a HIF contribution to pre-pay my state tax liability?

No. The tax credit certificate issued to the taxpayer for their contribution will not represent a state payment or any other value to the taxpayer. The certificate simply evidences that the taxpayer has earned the HIF tax credit. A taxpayer will claim the HIF credit on the state tax return just like any other tax credit.

What if I have already paid my state taxes, can I still support HIF?

Yes. Wage earners who fulfilled their state income tax obligation through payroll deduction and businesses and others who made their tax payments for the year before contributing to HIF will receive a tax refund from the state when they file their state tax return and include a HIF tax credit certificate.

For example, if you had a \$500 tax liability that was withheld from your paycheck throughout the year and you made a \$500 contribution to HIF, you would be entitled to a refund of \$500 when you filed your state income tax return for the year.

If I make an estimated tax payment every quarter, can I still support HIF?

Yes. While a taxpayer cannot use the tax credit certificate to make an advance payment of state tax, a taxpayer who is required to make estimated state tax payments (e.g., a self-employed individual or corporation) could adjust the amount of their estimated state tax payments to account for the reduced tax liability that will result from applying the HIF tax credit on the state tax return at the end of the tax year. Taxpayers should consult a tax professional.

Is a contribution to HIF eligible as a charitable deduction on my federal income taxes?

While you need to consult a tax professional, an outside legal opinion available to your tax professional through NDHFA indicates that a contribution could be eligible.

Does a contribution to HIF qualify as CRA?

While financial institutions need to consult their compliance staff, our review suggests that a contribution could be eligible.

What information about my contribution will be made public?

The name of the taxpayer making the contribution and the amount of the contribution is considered to be public record, in accordance with state statute. The Agency will forward information regarding your contribution to the Office of the State Tax Commissioner but will otherwise hold your personal and financial information confidential.

Can I sell my tax credits to another taxpayer?

No. The tax credits are not transferrable and must be used by the taxpayer who makes the contribution. Passthrough entities like partnerships, limited liability companies, S corporations and limited partnerships must pass the credit through to the owners based on their respective ownership interest.

Why should I contribute to the HIF?

The Housing Incentive Fund is all about helping build needed affordable housing that would likely not otherwise be built. A contribution to HIF can assist worthy housing projects in your area. A contribution to HIF has a direct benefit in building safe, decent and affordable housing that helps communities prosper and grow.

Can I direct where I want my contribution to go?

Contributors may express a preference that their contribution benefit a specific eligible housing project, community or area. Allocations to projects depend on many factors and NDHFA will use its best efforts to fulfill the contributor's preferences. If a project does not meet the conditions of the program or does not come to fruition, contributions will be directed to other eligible projects. Once a contribution is received into the fund, it is not refundable.

Does a contribution give me an ownership interest in the housing project?

No. The contributor only receives the tax credits in exchange for their contribution. You are not becoming a partner or an owner in the housing project.

If I can't use all of the tax credit, can I get my money back?

No. Once a contribution is received and the tax credit certificate is issued by NDHFA, it is not refundable. If the credits exceed a taxpayer's tax liability for the tax year, any unused portion of the tax credits may be carried over for up to 10 tax years. After the 10 year period, any unused portion of the tax credits is forfeited and no refund is offered either for the credits or for the contribution corresponding with the forfeited credits.

How does HIF help my community?

The housing projects that are eligible for an allocation from HIF help create multifamily housing units that are affordable to essential service workers and individuals and families of modest means. The first priority for the fund, as set out in statute, is for housing for essential service workers (local, county, school and state employees, long-term care and medical service workers). The second priority is for low- and moderate-income households. The HIF program is meant to help make stronger communities by providing affordable housing choices for all of its residents.

What is an eligible housing project?

Eligible projects are defined to be a) new construction of multifamily housing rental units, b) substantial rehabilitation of existing uninhabitable multifamily buildings; c) substantial rehabilitation of a project that is at risk of becoming uninhabitable/obsolete because of age and deterioration; d) substantial rehabilitation of existing uninhabitable units when a minimum of 50 percent of the units in the building are uninhabitable due to flooding or other natural disaster; e) adaptive reuse of existing non-residential buildings that create additional housing units; f) use of HIF to retire debt and convert market-rate units to income- and rent-restricted units affordable to households of low- or moderate-income; g) the acquisition and rehab of existing HUD or USDA affordable housing where the current owner is opting out of their federal contract and HIF funding is required to prevent the loss of the affordable inventory; or h) the purchase by a private entity of existing publicly-owned essential service worker housing resulting in the divestiture by the public entity while maintaining or increasing the supply of affordable housing for essential service workers.

Can I use HIF for my single family home?

No. The Legislature limited HIF to multifamily housing facilities which are defined as four or more units. Eligible users of HIF funds include local, state and tribal entities, as well as non-profit and for-profit housing developers. Individuals may not receive a direct allocation from the fund.

How do you ensure that rental units will be affordable?

Units in approved HIF projects will be income and rent restricted according to the income levels proposed in the project application. Compliance monitoring, Land Use Restriction Agreements and recapture provisions will be utilized to ensure that rent levels remain affordable for the intended tenants for the agreed upon time period.

How are rents restricted?

Rents, including utilities, are capped based on income limits published by HUD for the county where the project is located. More information on rent restrictions is available in the HIF Allocation Plan found online at www.NDHousingIncentiveFund.org.

How much funding can a project receive from HIF?

It depends on the nature of the project. Generally, if a project does **not** receive federal 9 percent Low Income Housing Tax Credits or federal Historic Preservation Tax Credits, it is eligible to receive up to a) the amount required to secure project financing and make it feasible; or b) 30 percent of total development cost (50 percent if the project is designed to serve populations requiring permanent supportive services) up to \$3 million. If a project benefits from federal housing financing sources other than federal tax credits (such as HOME, NSP or USDA Rural Development programs) it is still eligible to receive HIF funding, provided it meets program requirements, at the levels described above.

If a project receives federal funding is it still eligible for HIF funding?

Yes. If a project benefits from the 9 percent federal Low Income Housing Tax Credit program, it is still eligible but the maximum award from HIF will be the lesser of a) the equity required to secure project financing and make the project feasible; or b) \$200,000; c) \$300,000 if the project is located in a difficult to develop area; or d) \$400,000 if the project is designed to serve populations requiring supportive services. Adjustments may be made for projects subject to a floating credit rate below 9 percent to the extent that it fills the gap created by a lower rate with a maximum award of \$600,000. In any of these scenarios, the maximum assistance from HIF cannot be more than 30 percent of the development cost (50 percent if providing permanent supportive services).

What is a difficult to develop area?

These are defined as communities with a population of not more than 20,000 individuals and can demonstrate an unmet housing need or housing shortage. Twenty-five percent of the fund must be used in these areas.

How often are funding rounds held?

Funding rounds are held quarterly. Application rounds will close according to the following schedule:

- May 30, 2015
- September 30, 2015
- December 31, 2015
- March 31, 2016
- June 30, 2016
- September 30, 2016
- December 31, 2016

Rounds will be held until the entire fund has been committed.

Is funding from HIF a grant or a loan?

Funding from HIF is structured as a deferred payment loan. Repayment terms are determined on a case-by-case basis to ensure the project is feasible. The HIF loan takes junior lien position to other project debt financing. Recapture of funds is required if projects fail to meet income and rent restrictions.

Where can I get more information about HIF?

More information about the Housing Incentive Fund is available on the Internet at www.NDHousingIncentiveFund.org or by contacting NDHFA.