Low Income Housing Tax Credits  
Planning and Housing Development Division  
(12/18)

**Purpose**  
A federal program, administered by the states, designed to encourage private investment in the development and preservation of multifamily housing for low-income households.

**Authorization**  
Section 42 of the Internal Revenue Code

**Eligible Applicant**  
Units of local, state or tribal government; local or tribal housing authorities; community action agencies; regional planning councils; non-profit or for-profit developers. Applicants without prior LIHTC experience must partner with an experienced entity.

At least 10% of each state’s LIHTC allocation must be set aside for projects owned by qualified tax-exempt non-profit organizations. Projects located within a North Dakota Indian Reservation or on tribal land also benefit from a 10% set-aside of the state’s housing credit allocation.

**Eligible Projects**  
New construction of multi-family housing; Acquisition with substantial rehabilitation of existing multi-family housing; Adaptive reuse of existing non-residential buildings that create additional affordable housing units.

**Maximum Allocation**  
A project may receive tax credits of 9% of the project’s qualified basis, defined generally as the project’s depreciable cost times the percentage of the project that is restricted for low-income households, those at 60% or less of area median income. Qualified basis may be increased by up to 30% in certain qualified census tracts, difficult development areas, and other high-cost areas.

Projects financed with tax-exempt bonds are only eligible to receive an approximate 4% tax credit. These may be applied for at any time.

**Use of LIHTCs**  
LIHTC projects are owned by a limited partnership or an LLC, with tax credit benefits flowing to the entity’s partners or members. The investor member or limited partner typically owns 99.99%, and receives 99.99% of the tax credit benefits, thereby creating opportunity for equity investment into the project. The tax credits are taken each year for 10 years.

**Available Funds**  
North Dakota receives the small-state minimum allocation each year. In 2019, the small-state minimum allocation is $3,166,875.

**Recapture**  
LIHTC projects are bound by 30-year regulatory agreements. Noncompliance results in loss and repayment of tax credits by the investor limited partner.

**Fees**  
$500 nonrefundable application fee. Successful applicants will be charged a tax credit allocation fee of 10%, payable in installments at the time of reservation, carryover, and final allocation. Annual compliance monitoring fees are currently $50 per development plus $35 per restricted unit.

**Deadlines**  
The annual application deadline is the last business day in September. Projects receiving conditional commitments submit formal reservation applications by the following January 31. Projects must be placed-in-service by December 31st of the year which is two-years after the tax credit allocation.