COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0834S.01I
Bill No.: SB 85
Subject: Tax Credits; Housing
Type: Original
Date: February 1, 2021

Bill Summary: This proposal would modify provisions relating to the Low-Income Housing Tax Credit.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2033)
General Revenue Fund*	$0	$0	($1,000,000) to ($539,390) or $0 or $2,000,000 to $7,190,915	($10,000,000) to ($5,711,658) or $0 or $20,000,000 to $71,432,514
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**($1,000,000) to ($539,390) or $0 or $2,000,000 to $7,190,915**	**($10,000,000) to ($5,711,658) or $0 or $20,000,000 to $71,432,514**

Numbers within parentheses: () indicate costs or losses.

*$0 represents MHDC continuing with the current QAP for both LIHTCs in all future fiscal years and **not** reallocating any amount of LIHTCs not authorized for projects financed through tax-exempt bond issuance to be authorized in LIHTCs for projects **not** financed through tax exempt bond issuance.

*$2,000,000 and $20,000,000 represents the savings to the state should MHDC continue to, in all future fiscal years, use the current QAP authorization amount for LIHTCs for projects **not** financed through tax-exempt bond issuance and authorize the maximum amount of LIHTCs currently permitted to be authorized for projects financed through tax-exempt bond issuance.

*($1,000,000) and ($10,000,000) represents the cost to the state should MHDC continue to, in all future fiscal years, use the current QAP for both LIHTCs, reallocating the amount(s) not

authorized for projects financed through tax-exempt bond issuance to the amount(s) authorized for projects **not** financed through tax-exempt bond issuance.

*($539,390) and ($5,711,658) represents the cost to the state should MHDC continue to, in all future fiscal years, use the current QAP authorization amount for LIHTCs for projects **not** financed through tax-exempt bond issuance and authorize LIHTCs for projects financed through tax-exempt bond issuance equal to the amount(s) historically authorized, which are historically less than the cap put forth of $4,000,000

*$7,190,915 and $71,432,514 represents the savings to the state should MHDC, in all future fiscal years, authorize both LIHTCs in amounts equal to the current limits; net change between current statute and the changes made in this proposed legislation.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2033)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2033)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2033)
Total Estimated Net Effect on FTE	**0**	**0**	**0**	**$0**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2033)
Local Government	**$0**	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Program Basic Information & History

Oversight notes, according to the Tax Credit Analysis submitted to Oversight by the Missouri Department of Economic Development and the Missouri Housing Development Commission, regarding this tax credit program, the Low-Income Housing Tax Credit Program (combined 9% & 4%) had the following activity as it is currently administered:

Missouri Low-Income Housing Tax Credit	Fiscal Year 2018 Actual	Fiscal Year 2019 Actual	Fiscal Year 2020 Actual	Fiscal Year 2021 (Year To Date)	Fiscal Year 2021 (Full Year)	Fiscal Year 2022 (Budget Year)
Certificates Issued (#)	285	185	215	0	108	6
Projects/Participants (#)	36	28	22	0	8	3
Amount Authorized	$0	$0	$0	$0	$142,700,000	$153,687,736
Amount Issued	$169,066,380	$129,866,500	$97,607,210	$0	$35,210,620	$9,865,230
Amount Redeemed	$169,138,875	$153,023,838	$131,706,192	$0	$110,388,546	$89,070,900

The Missouri Housing Development Commission separated the 9% Low Income Housing Tax Credit and the 4% Low Income Housing Tax Credit authorizations and issuances, as shown below:

	Authorized			Issued[1]		
Year	**4%**	**9%**	**Total**	**4%**	**9%**	**Total**
2010	$ 26,428,200	$ 122,640,000	**$ 149,068,200**	$ 55,240,530	$ 95,513,000	**$ 150,753,530**
2011	$ 22,550,000	$ 80,410,000	**$ 102,960,000**	$ 1,694,140	$ 92,765,800	**$ 94,459,940**
2012	$ 41,069,310	$ 130,825,000	**$ 171,894,310**	$ 55,196,960	$ 134,337,130	**$ 189,534,090**
2013	$ 36,035,210	$ 134,840,000	**$ 170,875,210**	$ 16,975,000	$ 95,478,380	**$ 112,453,380**
2014	$ 20,134,280	$ 137,285,000	**$ 157,419,280**	$ 15,796,050	$ 122,850,000	**$ 138,646,050**
2015	$ 12,371,570	$ 144,365,000	**$ 156,736,570**	$ 14,286,660	$ 110,702,270	**$ 124,988,930**
2016	$ 22,603,390	$ 144,520,000	**$ 167,123,390**	$ 25,164,700	$ 76,775,000	**$ 101,939,700**
2017	$ 18,342,030	$ 147,960,000	**$ 166,302,030**	$ 20,497,820	$ 168,100,000	**$ 188,597,820**
2018	$ -	$ -	**$ -**	$ 32,465,380	$ 136,601,000	**$ 169,066,380**
2019	$ -	$ -	**$ -**	$ 10,866,500	$ 119,000,000	**$ 129,866,500**
2020	$ -	$ -	**$ -**	$ 18,447,210	$ 79,160,000	**$ 97,607,210**
2021	$ 29,247,610	$ 113,312,500	**$ 142,560,110**	$ 3,713,400	$ 16,490,000	**$ 20,203,400**

Oversight notes the Missouri Low Income Housing Tax Credit (LIHTC) is a ten-year state credit provided to qualifying owners and investors for affordable rental housing. The LIHTC generates equity investments from the private sector for the development of new or rehabilitated rental housing in order to lower a tenant's rent payments to affordable levels for families that meet specific income requirements.

A qualified development is one that rents at least twenty percent (20%) of its units to families earning fifty percent (50%) of the area median income, or at least forty percent (40%) of its units to families earning sixty percent (60%) of median area income, adjusted for family size, or forty percent (40%) of its units to families earning between a range of twenty percent to eighty percent (20% - 80%) of the area median income; so long as the average unit designation averages no higher than sixty percent (60%) of the area median income. The development must: meet a demonstrated need for affordable rental housing for qualified low-income Missourians.

The amount of the LIHTC allocated to a given housing development is directly related to the percentage of low income housing units made available to families meeting specific income requirements and the acquisition, construction or rehabilitation expenditures to create the development, less land and non-depreciable costs.

The State of Missouri administers two types of LIHTC(s). The nine percent (9%) LIHTC and the four percent (4%) LIHTC. Developments compete annually for the 9% LIHTC(s), which allows a tax credit equal to 9% of the total eligible development costs. Developments awarded an allocation of tax-exempt bond-financing from Missouri Department of Economic Development may apply to receive the 4% LIHTC(s), which allows a tax credit equal to 4% of the total eligible development costs.

Currently, the 9% LIHTC is capped at 100% of the Federal Low Income Housing Tax Credit and no more than six million dollars ($6,000,000) in tax credits shall be authorized each fiscal year for projects financed through tax exempt bond issuances.

The LIHTC is taken against taxes in the order specified in Section 32.115, which reads:

(1) The annual tax on gross premium receipts of insurance companies in chapter 148;
(2) The tax on banks determined pursuant to subdivision (2) of subsection 2 of section 148.030;
(3) The tax on banks determined in subdivision (1) of subsection 2 of section 148.030;
(4) The tax on other financial institutions in chapter 148;
(5) The corporation franchise tax in chapter 147;
(6) The state income tax in chapter 143; and
(7) The annual tax on gross receipts of express companies in chapter 153.

Any amount of the LIHTC that may exceed the tax due may be carried back to be used on any three (3) previous tax year's tax liabilities. In addition, any amount of the LIHTC that may exceed the tax due may be carried forward to any five (5) subsequent tax years.

The Missouri Housing Development Commission authorizes a credit and reserves the authorization amount for projects prior to the actual construction of the housing. Once the project has been built, inspected and filled with tenants, the Missouri Housing Development Commission issues an eligibility statement that reserves the tax credit for the developer. There is often a two or three year lag after tax credits are authorized/projects are approved before the LIHTC(s) are issued. In addition, LIHTCs are often issued at a rate of 1/10th of the amount authorized for a period of ten (10) years.

Oversight further notes the federal government determines the amount of the LIHTC cap by multiplying the state population by a multiplier, which is determined by the Internal Revenue Service (IRS).

Oversight notes there were no LIHTCs **authorized** in Fiscal Year(s) 2018, 2019 or 2020. Oversight assumes, the actual amount issued, as shown above, represents a stream of 10 years' worth of LIHTCs

Section(s) 135.350 & 135.352 – Low-Income Housing Tax Credit

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation places a limit on authorization(s) of the Low-Income Housing Tax Credit.

Tax credits not financed through tax-exempt bonds would be capped at 70% of the amount of Federal Low-Income Housing Tax Credit(s) allocated to Missouri. The Missouri Housing Development Commission estimates that the annualized 2021 Federal LIHTC available to Missouri is $17,303,051, or $173 million over 10 years.

Of this, 70% would be $12,112,136, or $121.1 million over 10 years. This would reduce annually available credits by $5,190,915 ($51.9 million over 10 years). Based on historical authorizations and redemption patterns, a significant portion of these savings may not be realized until future years. These savings may also vary as the federal allocation fluctuates.

B&P notes that for the 2020 Qualified Allocation Plan (QAP) for LIHTC, the Missouri Housing Development Commission set the amount of state LIHTC available up to an amount equal to 70% of the available and authorized Federal LIHTC allocation amount. Therefore, this proposed legislation may not result in additional savings.

The limit for projects financed through tax-exempt bond issuances would be reduced by $2 million, from $6 million to $4 million. Based on historical authorizations and redemption patterns, a significant portion of these savings may not be realized until future years. Savings from this change could be up to $2 million. However, B&P notes that the Missouri Housing Development Commission's 2020 QAP allows for only $3 million in authorizations of these credits.

Further, these changes may impact related economic activity. B&P cannot estimate the induced revenue impacts.

B&P notes that no LIHTC credits were authorized in Fiscal Year 2018 or Fiscal Year 2019.

Officials from the **Missouri Department of Economic Development – Missouri Housing Development Commission (MHDC)** state this proposed legislation places a limit on the projects not financed through tax-exempt bond issuance (9% LIHTC) equal to 70% of the Federal Low-Income Housing Tax Credit, increased by any amount of state credits recaptured. This proposed legislation places a limit on the projects that are financed through tax-exempt bond issuance (4% LIHTC) equal to $4,000,000.

MHDC assumes this proposed legislation could result in a savings per fiscal year equal to:

Fiscal Year	Savings To GR
2024	$7,190,915
2025	$13,908,642
2026	$20,730,393
2027	$27,656,610
2028	$34,687,736
2029	$41,824,214
2030	$49,066,488
2031	$56,415,001
2032	$63,870,195
2033	$71,432,513
2034	$71,911,484
2035	$72,971,654

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation adds a definition for: "Federal Housing Credit Allocation," and "State Authorization Limit" – which states that the amount of the cap on the 9% Low-Income Housing Tax Credit will be seventy percent (70%) of the federal housing credit allocation.

DOR notes the 2021 federal housing credit allowance for Missouri is $17,303,051. This credit is a 10 year credit and therefore, the full amount of the federal credit is $173,030,510. Per this proposed legislation, the Missouri tax credit at the 70% amount would be $121,121,357 (or $12,112,136 annually for 10 years).

This could result in a yearly savings of $5,190,915 [($173,030,510- $121,121,357/10] if the full credit is authorized.

DOR notes that the Missouri Housing Development Commission's current QAP states that for the Fiscal Year 2020 authorizations, no more than 70% of the federal 9% can be authorized. Therefore, this proposed legislation would not result in any savings to the state as the current QAP is at the same amount.

Should the Missouri Housing Development Commission pass another QAP in the future allowing for the full federal credit this proposal would result in a savings between the full federal amount and the 70% allowed under this proposed legislation.

For all fiscal years beginning on or after July 1, 2021, the aggregate amount of tax credits authorized in a fiscal year for projects not financed through tax-exempt bond issuance shall not exceed the state authorized limit.

For all fiscal years beginning on or after July 1, 2021, no more than four million dollars ($4,000,000) in state tax credits shall be authorized to projects financed through tax-exempt bond issuance. To the extent that less than four million dollars ($4,000,000) in state tax credits authorized to projects financed through tax-exempt bond issuance in any fiscal year, such remainder may be, for such fiscal year only, added to the annual amount authorized to projects that are not financed through tax-exempt bond issuance.

DOR notes the current cap is $6 million annually for those credits issued through tax-exempt bonds. Since this allows any amount not issued to be added to the amount issued under Section 135.350 this is not projected to result in any savings.

DOR notes that the current QAP on the program does not allow for more than $3 million to be authorized for these projects. Since the current limit is less than the proposed limit, this would not currently result in any savings to the state.

DOR notes the Low-Income Housing Tax Credits had not been authorized the last two (2) fiscal years as the Missouri House of Representatives had not approved the authorization amount. The Missouri Housing Development Commission who administers the program also had not adopted a QAP to allow for the authorization of the credits. However, the low-income housing credits began to be authorized again in Fiscal Year 2020.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** state this proposed legislation could result in a potential unknown increase of premium tax revenues as a result of the change to the Low-Income Housing tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit impacted.

Officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** state, if enacted, this bill would "place an aggregate cap on the amount of state low-income housing tax credits that may be authorized in a fiscal year. Such cap shall be 70% of the amount of federal low income housing tax credits allocated to the state." "The Missouri Low Income Housing Tax Credit is a ten-year state credit to qualifying owners and investors in affordable rental housing."

EPARC estimates this proposed legislation could increase General Revenue (GR) by:

Fiscal Year Increase in Net General Revenue	
Fiscal Year 2023	$5.6 million
Fiscal Year 2024	$11.2 million
Fiscal Year 2025	$16.8 million
Fiscal Year 2026	$22.4 million
Fiscal Year 2027	$28.0 million
Fiscal Year 2028	$33.6 million
Fiscal Year 2029	$39.2 million
Fiscal Year 2030	$44.8 million
Fiscal Year 2031	$50.5 million
Fiscal Year 2032	$56.1 million

Oversight notes this proposed legislation would reduce, for all fiscal years beginning on or after July 1, 2021 (Fiscal Year 2022), the aggregate amount of Missouri LIHTCs that may be authorized each year for projects **not** financed through tax-exempt bond issuance.

Currently, LIHTC authorizations for projects **not** financed through tax-exempt bond issuance are capped at one hundred percent (100%) of the federal LIHTC allocation. This proposed legislation would limit the authorization of LIHTCs for projects **not** financed through tax-exempt bond issuance to seventy percent (70%) of the federal LIHTC allocation.

Oversight notes this proposed legislation would reduce, for all fiscal years beginning on or after July 1, 2021 (Fiscal Year 2022), the aggregate amount of Missouri LIHTCs that may be authorized each year for projects financed through tax-exempt bond issuance.

Currently LIHTC authorizations for projects financed through tax-exempt bond issuance are capped at $6,000,000. This proposed legislation would limit the authorization of LIHTCs for projects financed through tax-exempt bond issuance to $4,000,000.

In the event less than $4,000,000 in LIHTCs are authorized to projects financed through tax-exempt bond issuance, the remaining amount(s) may be added to the annual amount permitted to be authorized for projects **not** financed through tax-exempt bond issuance.

Oversight notes there are various assumptions that could be considered when estimating the impact of this proposed legislation. Oversight provides several assumptions below.

Assumption #1 –

MHDC authorizes future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to one hundred percent (100%) of the federal LIHTCs allocated; the current maximum authorization authority.

MHDC authorizes future year LIHTCs for projects financed through tax-exempt bond issuance equal to $6,000,000; the current maximum authorization authority.

Oversight assumes, under the assumption that MHDC will authorize the LIHTCs in future years equal to the maximum authorization authority, the amount of LIHTCs authorized would be **reduced** by:

Fiscal Year	LIHTC Authorizations Reduced By:
2022	$7,190,915
2023	$13,908,642
2024	$20,730,393
2025	$27,656,610
2026	$34,687,736
2027	$41,824,214
2028	$49,066,489
2029	$56,415,001
2030	$63,870,195
2031	$71,432,514
2032	$71,911,485
2033	$72,971,654

Oversight notes authorization(s) of LIHTCs do not directly impact GR. Rather, such amounts become a debt to the state once the LIHTCs are issued. Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the savings estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Assumption #2 –

Oversight notes, historically, MHDC does not typically authorize LIHTCs for projects financed through tax-exempt bond issuance equal to $6,000,000; the maximum authorization authority.

Based on historical data, LIHTCs for projects financed through tax-exempt bond issuance have been authorized in amount(s) equal to, on average, twenty percent (20%) of the LIHTCs authorized for projects **not** financed through tax-exempt bond issuance.

Oversight notes the average amount(s) of LIHTCs historically authorized for projects financed through tax-exempt bond issuance have been less than the ceiling/cap put forth in this proposed legislation ($4,000,000).

This proposed legislation states, in the event that less than $4,000,000 in LIHTC are authorized to projects financed through tax-exempt bond issuance, such remaining amount(s) may be authorized in LIHTCs for projects **not** financed through tax-exempt bond issuance.

Should MHDC authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to one hundred percent (100%) of the federal LIHTCs allocated; the current maximum authorization authority, and should MHDC continue to authorize future year LIHTCs for projects financed through tax-exempt bond issuance equal to, on average, twenty percent (20%) of the LIHTCs authorized for projects **not** financed through tax-exempt bond issuance, the amount of LIHTCs authorized would be **reduced** by:

Fiscal Year	LIHTC Authorizations Reduced By:
2022	$4,651,526
2023	$8,514,404
2024	$12,550,655
2025	$16,761,016
2026	$21,146,227
2027	$25,707,024
2028	$30,444,148
2029	$35,358,335
2030	$40,450,325
2031	$45,720,856
2032	$46,519,141
2033	$48,286,091

Oversight notes there would be savings recognized in the LIHTCs authorized for projects **not** financed through tax-exempt bond issuance (100% of federal allocation to Missouri – 70% cap proposed). However, LIHTCs authorized for projects financed through tax-exempt bond issuance would result in a cost to the state equal to the difference in the cap put forth ($4,000,000) and the current average authorization amount for LIHTCs authorized for projects financed through tax-exempt bond issuance, as the difference could be reallocated to the LIHTC authorizations for projects **not** financed through tax-exempt bond issuance.

Oversight notes authorization(s) of LIHTCs do not directly impact GR. Rather, such amounts become a debt to the state once the LIHTCs are issued. Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the savings estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Assumption #3 –

Oversight notes MHDC's current Qualified Allocation Plan (QAP) states that, for Fiscal Year 2020 authorizations, no more than seventy percent (70%) of the federal LIHTCs can be authorized for projects **not** financed through tax-exempt bond issuance.

Oversight assumes, if MHDC continues to authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCs allocated, there would be no difference in the amount of LIHTCs authorized for projects **not** financed through tax-exempt bond issuance.

However, if MHDC authorizes future year LIHTCs for projects financed through tax-exempt bond issuance equal to $6,000,000; the current maximum authorization authority, while continuing to authorize LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCs allocated, the amount of LIHTCs authorized would be **reduced** by:

Fiscal Year	LIHTC Authorizations Reduced By:
2022	$2,000,000
2023	$4,000,000
2024	$6,000,000
2025	$8,000,000
2026	$10,000,000
2027	$12,000,000
2028	$14,000,000
2029	$16,000,000
2030	$18,000,000
2031	$20,000,000
2032	$20,000,000
2033	$20,000,000

Oversight notes authorization(s) of LIHTCs do not directly impact GR. Rather, such amounts become a debt to the state once the LIHTCs are issued. Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the savings estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Assumption # 4 –

Oversight notes MHDC's current Qualified Allocation Plan (QAP) states that, for Fiscal Year 2020 authorizations, no more than seventy percent (70%) of the federal LIHTCs can be authorized for projects **not** financed through tax-exempt bond issuance.

Oversight assumes, if MHDC continues to authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCs allocated, there would be no difference in the amount of LIHTCs authorized for projects **not** financed through tax-exempt bond issuance.

However, if MHDC authorizes future year LIHTCs for projects financed through tax-exempt bond issuance equal to historical authorization trends (estimated, on average, to be 20% of the LIHTCs authorized for projects not financed through tax-exempt bond issuance), there would be an associated **increase** in the amount of LIHTCs authorized.

Oversight estimates, if MHDC continues to authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCs allocated, and continues to authorize LIHTCs for projects financed through tax-exempt bond issuance equal to the amount(s) historically authorized, the amount of LIHTCs authorized would be **increased** by (shown as a cost):

Fiscal Year	LIHTC Authorizations Increased By: (shown as a cost)
2022	($539,390)
2023	($1,394,238)
2024	($2,179,738)
2025	($2,895,594)
2026	($3,541,509)
2027	($4,117,190)
2028	($4,622,341)
2029	($5,056,666)
2030	($5,419,870)
2031	($5,711,658)
2032	($5,392,344)
2033	($4,685,564)

Oversight notes there would be **no** savings recognized in LIHTCs authorized for projects **not** financed through tax-exempt bond issuance if MHDC continues to authorize LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy (70%) percent of the federal allocation in future years.

However, LIHTCs authorized for projects financed through tax-exempt bond issuance would result in a cost to the state equal to the difference in the cap put forth ($4,000,000) and the current average authorization amount for LIHTCs authorized for projects financed through tax-exempt bond issuance, as the difference could be reallocated to the LIHTC authorizations for projects **not** financed through tax-exempt bond issuance.

Oversight notes authorization(s) of LIHTCs do not directly impact GR. Rather, such amounts become a debt to the state once the LIHTCs are issued. Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the costs estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Assumption #5 –

Oversight notes MHDC's current Qualified Allocation Plan (QAP) states that, for Fiscal Year 2020 authorizations, no more than seventy percent (70%) of the federal LIHTCs can be authorized for projects **not** financed through tax-exempt bond issuance.

Oversight assumes, if MHDC continues to authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCs allocated, there would be no difference in the amount of LIHTCs authorized for projects **not** financed through tax-exempt bond issuance.

Oversight notes MHDC's current QAP states that, for the Fiscal Year 2020 authorizations, no more than $3,000,000 can be authorized for projects financed through tax-exempt bond issuance.

Oversight notes, if MHDC continues to authorize future LIHTCs for projects **not** financed through tax-exempt bond issuance and for projects financed through tax-exempt bond issuance equal to the current QAP (70% of federal allocation for projects not financed through tax-exempt bond issuance and $3,000,000 for projects financed through tax-exempt bond issuance), there would be an associated **increase** in the amount of LIHTCs authorized.

Oversight estimates, if MHDC continues to authorize future year LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy percent (70%) of the federal LIHTCS allocated, and continues to authorize LIHTCs for projects financed through tax-exempt bond issuance equal to $3,000,000, the amount of LIHTCs authorized would be **increased** by (shown as a cost):

Fiscal Year	LIHTC Authorizations Increased By: (shown as a cost)
2022	($1,000,000)
2023	($2,000,000)
2024	($3,000,000)
2025	($4,000,000)
2026	($5,000,000)
2027	($6,000,000)
2028	($7,000,000)
2029	($8,000,000)
2030	($9,000,000)
2031	($10,000,000)
2032	($10,000,000)
2033	($10,000,000)

Oversight notes there would be **no** savings recognized in LIHTCs authorized for projects **not** financed through tax-exempt bond issuance if MHDC continues to authorize LIHTCs for projects **not** financed through tax-exempt bond issuance equal to seventy (70%) percent of the federal allocation in future years.

However, LIHTCs authorized for projects financed through tax-exempt bond issuance would result in a cost to the state equal to the difference in the cap put forth ($4,000,000) and the maximum amount currently permitted to be authorized for projects financed through tax-exempt bond issuance ($3,000,000), as the difference could be reallocated to LIHTC authorizations for projects **not** financed through tax-exempt bond issuance.

Oversight notes authorization(s) of LIHTCs do not directly impact GR. Rather, such amounts become a debt to the state once the LIHTCs are issued. Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the costs estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Assumption #6 –

Oversight notes, should MHDC continue to authorize future year LIHTCs for projects not financed through tax-exempt bond issuance equal to seventy percent (70%) of the allocated federal LIHTCs and continue to authorize LIHTCs for projects financed through tax-exempt bond issuance equal to $3,000,000, without reallocating the difference between the $3,000,000 currently permitted to be authorized and the maximum $4,000,000 to LIHTCs for projects **not** financed through tax-exempt bond issuance, there would be no change in the amount of LIHTCs authorized; there would not no savings and no cost(s); the impact of this proposed legislation would be **zero ($0).**

Oversight notes there are several other assumptions that could be considered. However, Oversight assumes the impact(s) associated with such other assumptions would fall within the range of impact(s) stated above.

Oversight notes, based on historical LIHTC data, there is a, roughly, two (2) year lapse in which LIHTCs are authorized and when LIHTCs are issued. Therefore, the impacts estimated above could occur in future years compared to the year reported. MHDC notes a typical development will complete construction and will be issued the LIHTCs between 24 and 36 months after initial authorization.

Therefore, Oversight assumes the change in the amount of LIHTCs authorized, as estimated above, will result in a fiscal impact two (2) years after the year in which the change in authorization(s) occurred.

For purposes of this fiscal note, Oversight will provide the fiscal impact of this proposed legislation as a range.

Oversight will report a potential **reduction** to GR equal to "Assumption #5" to "Assumption #4" beginning in Fiscal Year 2024 with the fully implemented impact reported in Fiscal Year 2033.

Oversight will report the possibility that the changes made in this proposed legislation does not result in a fiscal impact; reporting a zero ($0) fiscal impact.

Oversight will report a potential **savings** to GR equal to "Assumption #3" to "Assumption #1" beginning in Fiscal Year 2024 with the fully implemented impact reported in Fiscal Year 2033.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2033)
GENERAL REVENUE FUND				
Revenue Change – Section 135.352 – Reduction in Low-Income Housing Tax Credit Authorization Ceiling(s)	$0	$0	($1,000,000) to ($539,390) or $0 or $2,000,000 to $7,190,915	($10,000,000) to ($5,711,658) or $0 or $20,000,000 to $71,432,514
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**$0**	**($1,000,000) to ($539,390) or $0 or $2,000,000 to $7,190,915**	**($10,000,000) to ($5,711,658) or $0 or $20,000,000 to $71,432,514**

*($1,000,000) and ($10,000,000) represents the cost to the state should MHDC continue to, in all future fiscal years, use the current QAP for both LIHTCs, reallocating the amount(s) not authorized for projects financed through tax-exempt bond issuance to the amount(s) authorized for projects **not** financed through tax-exempt bond issuance.

*($539,390) and ($5,711,658) represents the cost to the state should MHDC continue to, in all future fiscal years, use the current QAP authorization amount for LIHTCs for projects **not** financed through tax-exempt bond issuance and authorize LIHTCs for projects financed through tax-exempt bond issuance equal to the amount(s) historically authorized, which are historically less than the cap put forth of $4,000,000.

*$0 represents MHDC continuing with the current QAP for both LIHTCs in all future fiscal years and **not** reallocating any amount of LIHTCs not authorized for projects financed through tax-exempt bond issuance to be authorized in LIHTCs for projects **not** financed through tax exempt bond issuance.

*$2,000,000 and $20,000,000 represents the savings to the state should MHDC continue to, in all future fiscal years, use the current QAP authorization amount for LIHTCs for projects **not** financed through tax-exempt bond issuance and authorize the maximum amount of LIHTCs currently permitted to be authorized for projects financed through tax-exempt bond issuance.

*$7,190,915 and $71,432,514 represents the savings to the state should MHDC, in all future fiscal years, authorize both LIHTCs in amounts equal to the current limits; net change between current statute and the changes made in this proposed legislation.

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2033)
	$0	**$0**	**$0**	**$0**

FISCAL IMPACT – Small Business

This proposed legislation could impact any small business that receives Low-Income Housing Tax Credits, as such small business **may** not receive an amount that the small business would have received under current law.

FISCAL DESCRIPTION

This proposed legislation places an aggregate cap on the amount of state low-income housing tax credits that may be authorized in a fiscal year. Such cap shall be 70% of the amount of federal low-income housing tax credits allocated to the state.

This act also reduces the limit on tax credits authorized for projects financed through tax-exempt bonds from $6 million to $4 million. To the extent that such limit is not reached in a fiscal year, the amount not authorized may, for such fiscal year only, be added to the amount of tax credits that may be authorized for projects not financed through tax-exempt bond issuance.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Economic Development
Missouri Department of Revenue
University of Missouri's Economic & Policy Analysis Research Center

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