PHFA
PENNSYLVANIA HOUSING FINANCE AGENCY

Impact of Permanency of 9% Rate on 2016 Tax Credit Applications and Developments in Process

UPDATE – January 15, 2016

In mid-December 2015, the tax extender bill, Protecting Americans from Tax Hikes Act of 2015, was enacted which included the minimum nine percent (9%) applicable percentage for developments that are not federally subsidized. The extender bill did **not** include a provision to set the 4 percent applicable percentage for developments that qualify for an acquisition credit to purchase existing buildings. A number of you have already contacted us to inquire about the impact of the changes on your development currently holding a prior year reservation and/or upcoming 2016 Application. The Agency will be handling the 9% as follows:

1. **2016 Tax Credit Applications:** New 2016 Applications should be submitted using the 9% rate for the Rehabilitation Credit. For Applications requesting the 4% Acquisition Credit, the Agency will continue to use the applicable acquisition rate for the initial processing month of the cycle as published by the IRS, which will be the March, 2016. Please keep in mind the Agency will continue to use the applicable 4% rate in effect the month a Tax Exempt Application is submitted.

2. **2016 Additional Tax Credit Applications**: The Agency will not accept an Application for additional Tax Credits on the basis of the credit percent increase to the 9% rate. A development must have experienced actual cost increases and provide the documentation outlined in the Additional Credit Submission Requirements including, but not limited to, an explanation of the circumstances requiring the need for additional Tax Credits, and explanation of any attempts to obtain other funding to cover the additional development costs. The Agency will not recognize a reduction in a funding source including the gross equity pay-in, or an increase to the amount of reserve funding previously approved by the Agency. Also, the Agency may evaluate these applications by continuing to use the previously elected or floated credit percentage or through an adjustment to basis to apply the 9% to the increased costs only.

3. Developments holding a prior year reservation that have not submitted a cost certification package: The cost certification may be submitted utilizing the 9% rate for the Rehabilitation Credit, if applicable. As a reminder, the Agency will not recognize a reduction in a funding source including the gross equity pay-in, or an increase to the amount of reserve funding previously approved by the Agency.

4. **Applications seeking an Agency discretionary 130% Boost for projects not in a QCT/DDA:** As a reminder, the Application must clearly evidence the request as well as demonstrate eligibility based upon the criteria stated in the Allocation Plan. With the permanency of the 9% rate, the Agency may cap the amount of an Agency discretionary boost to an amount less than 130%, and will evaluate need in accordance to the criteria outlined in the Allocation Plan.