

THE AMERICAN RECOVERY AND
REINVESTMENT ACT

(ARRA)

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On February 17, 2009, President Obama signed into law The American Recovery and Reinvestment Act (ARRA). The Act included two provisions involving low income housing tax credits: 1) the Tax Credits Assistance Program (TCAP) and 2) A tax credit exchange program under Section 1602 of the Act (Section 1602 or Exchange Program).

6.1 TAX CREDIT ASSISTANCE PROGRAM (TCAP)

TCAP amounts were expected to fund capital investments and fill the gap caused by lack of investor interest for tax credits; after the credit market stalled in 2008. TCAP amounts were used for developments that received an award of tax credits. Therefore all tax credit rules and regulations apply to projects with TCAP.

All TCAP funds were to be fully expended and drawn down on or before February 16, 2012.

The TCAP is administered by the Department of Housing and Urban Development (HUD).

6.2 SECTION 1602 PROGRAM (EXCHANGE)

Section 1602 Exchange amounts were expected to temporarily fill the gap caused by lack of investor interest for tax credits; after the tax credit market stalled in 2008. Exchange funds were used for projects that had received an award of tax credits, and were also used for projects that did not receive an award of tax credits.

All Section 1602 Program funds were to be fully expended and drawn down on or before December 31, 2010.

Section 1602 is administered by the United States Department of the Treasury (Treasury).

ARRA Section 1602 authorized Treasury to issue cash assistance to state housing credit agencies; in lieu of low income housing tax credits (LIHTC's). Subawards were made to projects which were selected through the standard LIHTC application process. Selected projects are required to meet all the requirements of the LIHTC Program; including the Qualified Application Plan (QAP), Extended Use Agreement, and policy and procedure manuals.

Treasury published two documents to aide in the operation of ARRA projects. Subaward recipients must read and become familiar with both documents referenced below:

Section 1602: Reporting Requirements for Post-Subaward Compliance

Most terms and conditions of Section 1602 mirror that of LIHTC.

Two main differences are:

CREDIT PERIOD - For programs of the Section 1602 program the credit period begins January 1st of the year following the Placed In Service date.

Note: The Compliance Period begins the first year of the credit period. Projects with both

Credit and Exchange dollars may have more than one “initial year” to consider at rent up.

PLACED IN SERVICE DATE – The Placed In Service Date is the date that a project is placed in service. For purposes of the Section 1602 program, if a project has multiple buildings the placed in service date is the date the last building in the project is placed in service.

Section 1602 – Payments of States For Low – Income Housing Projects in Lieu of Low – Income Housing Credits for 2009: Recapture Guidance

Recapture events are defined, enforced, and recaptured differently than that of LIHTC. Please see publication for details.