

House File 751

Bill Text

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1 1 Section 1. NEW SECTION. 404A.1 NEIGHBORHOOD ASSISTANCE
1 2 HOUSING TAX CREDIT ELIGIBLE PROPERTY.
1 3 1. A neighborhood assistance housing tax credit is granted
1 4 against the income tax imposed under chapter 422, division II
1 5 or division III, for the new construction of eligible housing
1 6 property located in HUD-eligible areas of this state as
1 7 provided in this chapter. Tax credits in excess of tax
1 8 liabilities may be carried forward for up to seven years or
1 9 back for up to three years.
1 10 2. Eligible housing property for which a taxpayer may
1 11 receive the neighborhood assistance housing tax credit
1 12 computed under this chapter is housing property located in a
1 13 HUD-eligible area which meets either of the following:
1 14 a. Two or more newly constructed single-family units with
1 15 a market value per unit of not more than one hundred twenty
1 16 thousand dollars upon completion of the construction.
1 17 b. At least one newly constructed multifamily housing
1 18 project containing three or more units with a market value per
1 19 unit of not more than one hundred twenty thousand dollars upon
1 20 completion of the construction.
1 21 3. For purposes of this section, "HUD-eligible area" means
1 22 an impoverished area in an entitlement city as designated by
1 23 the United States department of housing and urban development.
1 24 Sec. 2. NEW SECTION. 404A.2 AMOUNT OF CREDIT.
1 25 The amount of the credit equals ten percent of the
1 26 qualified construction costs of the eligible housing property.
1 27 In computing the tax credit, the only costs which may be
1 28 included are the construction costs directly related to the
1 29 construction of the housing incurred by the housing developer
1 30 or contractor during the period ending on the project
1 31 completion date and beginning on the later of either the date
1 32 of issuance of the approval of the project as provided in
1 33 section 404A.3 or two years prior to the project completion
1 34 date. Costs that are not included are the costs of
1 35 acquisition of the land, subdividing the land, and road or
2 1 sidewalk construction.
2 2 Sec. 3. NEW SECTION. 404A.3 APPROVAL OF NEW HOUSING
2 3 CONSTRUCTION PROJECT.
2 4 1. a. In order for a taxpayer to qualify for a tax credit
2 5 for the costs of a new housing construction project, the
2 6 housing developer or contractor must receive approval for the
2 7 new housing project from all of the following bodies:
2 8 (1) The governing bodies of the city, county, and council
2 9 of governments in which the eligible housing property will be
2 10 located and which have established approved selection criteria
2 11 and standards for projects involving eligible housing
2 12 property.
2 13 (2) The department of economic development.
2 14 b. Applications for approvals from the department and the
2 15 appropriate governing bodies shall be filed by the housing
2 16 developer or housing contractor and shall be on forms approved
2 17 by the department and shall contain information as required by
2 18 the department. The information shall include the approximate
2 19 date of the start of the new construction, the approximate
2 20 date of completion, the approximate market value of each
2 21 family unit upon completion of construction, as well as the

2 22 projected cost.

2 23 2. The governing body of a city, county, or council of
2 24 governments may establish selection criteria and standards for
2 25 projects involving eligible housing property. However, at
2 26 least one of these governing bodies shall establish selection
2 27 criteria and project standards. The standards shall be
2 28 written to ensure that a project is compatible with the area
2 29 being redeveloped and is in furtherance of an overall
2 30 development plan adopted by that body. Upon receiving
2 31 approval from the governing body, the housing developer or
2 32 contractor shall seek approval from the department of economic
2 33 development. The department shall establish its own criteria
2 34 for selection and standards with priority given to projects
2 35 which involve local government participation and private
3 1 sector support. Until a governing body's selection criteria
3 2 and project standards have been established and approved by
3 3 the department, a construction project on eligible housing
3 4 property within the jurisdiction of the governing body does
3 5 not need the approval of that governing body for the project
3 6 to receive the tax credit. However, if construction on the
3 7 project has not begun within sixty days of receiving the
3 8 approval of the department, the project must meet the
3 9 standards of a governing body if the governing body's
3 10 standards have received department approval within that sixty-
3 11 day period. The department shall not grant its approval for a
3 12 construction project prior to at least one of the governing
3 13 bodies having established criteria and standards.

3 14 Sec. 4. NEW SECTION. 404A.4 PROJECT COMPLETION AND TAX
3 15 CREDIT CERTIFICATION CREDIT TRANSFER.

3 16 1. Upon completion of the new construction housing
3 17 project, a certification of completion must be obtained from
3 18 each of the governing bodies which approved the project. The
3 19 governing bodies each shall determine that the project is
3 20 actually complete and was done according to the approved
3 21 standards of the governing body. Each governing body may
3 22 issue a separate certificate of completion or all of the
3 23 governing bodies may issue a joint certificate of completion.
3 24 A completion certificate shall identify the person claiming
3 25 the tax credit under this chapter and the qualified
3 26 construction costs incurred up to the two years preceding the
3 27 completion date.

3 28 2. Upon receipt of all separate certificates of completion
3 29 or a joint certificate of completion, the person claiming the
3 30 tax credit under this chapter shall present the completion
3 31 certificates or certificate to the department of economic
3 32 development. After verifying the eligibility for the tax
3 33 credit, the department shall issue a neighborhood assistance
3 34 housing tax credit certificate to be attached to the person's
3 35 tax return. The tax credit certificate shall contain the
4 1 taxpayer's name, address, tax identification number, the date
4 2 of project completion, the amount of credit, other information
4 3 required by the department of revenue and finance, and a place
4 4 for the name and tax identification number of any transferee
4 5 and the amount of the tax credit being transferred.

4 6 3. A person receiving a neighborhood assistance housing
4 7 tax credit under this chapter may transfer all or a portion of
4 8 the unused tax credit to any other person. The transferee may
4 9 use the amount of the tax credit transferred against the taxes
4 10 imposed under chapter 422, divisions II and III, for any tax
4 11 year the original transferor could have claimed the credit.
4 12 Any consideration received for the transfer of the tax credit
4 13 shall not be included as income under chapter 422, divisions
4 14 II and III. Any consideration paid for the transfer of the
4 15 tax credit shall not be deducted from income under chapter
4 16 422, divisions II and III.

4 17 Sec. 5. NEW SECTION. 422.11D NEIGHBORHOOD ASSISTANCE
4 18 HOUSING TAX CREDIT.

4 19 1. The taxes imposed under this division, less the credits
4 20 allowed under sections 422.12 and 422.12B, shall be reduced by
4 21 a neighborhood assistance housing tax credit equal to the
4 22 amount as computed under chapter 404A for the new construction
4 23 of eligible housing property. Any credit in excess of the tax
4 24 liability is nonrefundable and may be carried forward for up
4 25 to seven tax years or backward up to three tax years.

4 26 2. An individual may claim a neighborhood assistance
4 27 housing tax credit allowed a partnership, limited liability
4 28 company, S corporation, estate, or trust electing to have the
4 29 income taxed directly to the individual. The amount claimed
4 30 by the individual shall be based upon the pro rata share of
4 31 the individual's earnings from a partnership, limited
4 32 liability company, S corporation, estate, or trust.

4 33 3. However, if the original taxpayer who receives the
4 34 neighborhood assistance housing tax credit transfers all or a
4 35 portion of the tax credit, any transferee shall only be
5 1 entitled to use the amount of the tax credit transferred for a
5 2 tax year for which the original taxpayer could have claimed
5 3 the credit.

5 4 4. For purposes of this section, "eligible housing
5 5 property" means the same as used in section 404A.1.

5 6 Sec. 6. Section [422.33](#), Code 1999, is amended by adding
5 7 the following new subsection:

5 8 **NEW SUBSECTION.** 8. a. The taxes imposed under this
5 9 division shall be reduced by a neighborhood assistance housing
5 10 tax credit equal to the amount as computed under chapter 404A
5 11 for the new construction of eligible housing property. Any
5 12 credit in excess of the tax liability is nonrefundable but may
5 13 be carried forward for up to seven tax years or backward up to
5 14 three tax years.

5 15 b. However, if the original taxpayer who receives the
5 16 neighborhood assistance housing tax credit transfers all or a
5 17 portion of the tax credit, any transferee shall only be
5 18 entitled to use the amount of the tax credit transferred for a
5 19 tax year for which the original taxpayer could have claimed
5 20 the credit.

5 21 c. For purposes of this subsection, "eligible housing
5 22 property" means the same as used in section 404A.1.

5 23 EXPLANATION

5 24 The bill provides for an individual and corporate income
5 25 tax credit equal to 10 percent of the costs of the new
5 26 construction of eligible housing properties. Eligible housing
5 27 properties are properties constructed in HUD-eligible areas
5 28 which consist of either two single-family units or one
5 29 multifamily project containing at least three family units.
5 30 The value of each family unit must not exceed \$120,000. In
5 31 addition, the new housing construction project must be
5 32 approved by the governing body of the city, county, and
5 33 councils of government in which the property is to be located.
5 34 At least one of the governing bodies has to establish
5 35 construction standards and selection criteria. The project
6 1 must also be approved by the department of economic
6 2 development.

6 3 The tax credits may be carried forward seven years or
6 4 carried back three tax years. In addition, the taxpayer may
6 5 transfer to another any unused tax credit to be applied to the
6 6 individual or corporate income tax of the transferee.

6 7 LSB 1655HH 78

6 8 mg/jw/5.1