To: Legislative Tax Expenditure Committee
From: Wes Peterson, Director of Government Relations
Date: December 4, 2013
Re: Disaster Recovery Housing Projects Tax Credit

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The following is a brief history of the credit that we have outlined from IFA staff who worked with this statute after it was adopted.

Background

The Disaster Recovery Housing Project Tax Credit was adopted in 2009. Quick synopsis:

- Requires the property to be located in an area that the Governor or President declared a disaster area during the time period from May 1, 2008 and August 31, 2008
- Tax credit equals 75% of the taxpayer's "qualifying investment"
- Defines "qualifying investment" as the costs incurred that are directly related to a disaster recovery housing project which are incurred on or after May 12, 2009 and prior to July 1, 2010
- Prohibits the tax from being refundable or transferable
- Caps the tax credit at $3 million per year

IFA Experience

IFA proposed rules and filed the Notice of Intended in August/September of 2009. IFA received public comments regarding the proposed rules. The majority of the changes that were requested would have required a change in the Law not in the rules, including:

- Extending the period of time a qualified investment could be made
- Expanding the type of taxpayer who is eligible for the credit to include community banks and insurance companies
- Allowing for a transfer of tax credit certificates to allow for a wider range of potential investors
- Allowing the taxpayer to carry forward the unutilized tax credits

IFA never adopted the rules in a final form which was not required. No applications were ever submitted for the tax credit certificates due to the issues outlined above.

In 2011, the Department of Revenue and IFA discussed repealing the section. DOR included the repeal in their pre-filed bill for the 2012 legislative session but this section was not adopted.

IFA still agrees that the repeal of the section would be appropriate at this time.