Credit for Affordable Housing

Background

Statutory Reference: 36 MRS §5219-WW
Enactment: 2020
Sunset: 2028
GF Revenue Loss Estimate: $14.25M FY26 & FY27
Administering Agency: Maine State Housing Authority (MaineHousing) & MRS

The Credit for Affordable Housing is a refundable tax credit available to taxpayers who receive a credit certificate from the Maine State Housing Authority (MaineHousing) for the taxable year for a qualifying affordable housing project. There are two versions of the credit:

(1) A credit available for projects that qualify for the federal low-income housing tax credit that is equal to the size of that credit,[1] and

(2) A credit capped at $500,000 per single project and available for projects that do not claim the federal credit and meet other state criteria.

Taxpayers cannot receive the credit until after the affordable housing project is placed in service for federal tax purposes.

MaineHousing has a capped annual credit allocation ($10M) that can be carried forward if unused.[2] MSHA is directed by statute to make certain percentages of the credit allocation available for particular types of projects, including senior housing, affordable housing in rural areas, and supportive housing. MaineHousing has rule-making authority to determine the process for allocating credits.

Projects must continue to be qualified affordable housing projects for 45 years following the date they are placed in service or credits can be recaptured by the state.

Proposed Evaluation Parameters

To guide each full tax expenditure evaluation, 3 MRS §999 requires that the Government Oversight Committee approve:

(1) the purpose, intents or goals of the tax expenditure;
(2) the intended beneficiaries of the tax expenditure;
(3) the evaluation objectives; and
(4) performance measures appropriate for analyzing the evaluation objectives.

The following table includes OPEGA's proposal, relative to these four statutory evaluation parameters, for the Government Oversight Committee's consideration.

[1] Under 36 MRS §5219-WW(4)(C) MSHA can provide a credit in a lesser amount than the federal low-income housing credit if it is necessary to avoid a reduction of the federal credit that is available to the project.
[2] Even with the carryforward, no more than $15M in credits can be allocated in a calendar year.

Purposes, Intent or Goals Derived from 36 MRS §5219-WW(10)
1. To create new affordable housing units for residents of the State 2. To create new affordable housing units for seniors, working families and persons with disabilities 3. To preserve the affordability of residential units developed or operated with USDA, Office of Rural Development, Rural Housing Service financial assistance.
Intended Beneficiaries Derived by OPEGA from 36 MRS §5219-WW
1. Direct recipients: Developers of qualifying affordable housing projects in Maine 2. Direct beneficiaries: Mainers in need of affordable housing units including seniors, low-income populations, those in rural areas, persons with disabilities and those in need of supportive housing.
Evaluation Objectives (3 MRS §999)
1. The fiscal impact of the tax expenditure, including past and estimated future impacts; 2. The extent to which the design of the tax expenditure is effective in accomplishing the tax expenditure's purposes, intent or goals and consistent with best practices; 3. The extent to which the tax expenditure is achieving its purposes, intent or goals, taking into consideration the economic context, market conditions and indirect benefits; 4. The extent to which those actually benefiting from the tax expenditure are the intended beneficiaries; 5. The extent to which it is likely that the desired behavior might have occurred without the tax expenditure, taking into consideration similar tax expenditures offered by other states; 6. The extent to which the State's administration of the tax expenditure, including enforcement efforts, is efficient and effective; 7. The extent to which there are other state or federal tax expenditures, direct expenditures or other programs that have similar purposes, intent or goals as the tax expenditure, and the extent to which such similar initiatives are coordinated, complementary or duplicative; 8. The extent to which the tax expenditure is a cost-effective use of resources compared to other options for using the same resources or addressing the same purposes, intent or goals; and 9. Any opportunities to improve the effectiveness of the tax expenditure in meeting its purposes, intent or goal.
Performance Measures 36 MRS §5219-WW(10)
1. The number and type of new residential units created 2. The number and type of affordable USDA, Office of Rural Development, Rural Housing Service residential units preserved 3. The amount of credits issued during the period being reviewed and the amount of other investment leveraged by the credits 4. The extent to which allocations of the credits have met the targets described in 36 MRS §5219-WW(8).