

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0200-12  
Bill No.: HCS for SS for SCS for SB 28  
Subject: Tax Credits; Housing  
Type: Original  
Date: May 6, 2019

---

Bill Summary: This proposal modifies provisions regarding the low-income housing tax credit.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2020	FY 2021	FY 2022	Fully Implemented (FY 2033)
General Revenue			\$0 or (\$16,275,258) to \$0 or \$0 to \$3,156,132	\$0 or (\$151,013,351) to \$0 or \$0 to \$27,108,513
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 or (\$16,275,258) to \$0 or \$0 to \$3,156,132</b>	<b>\$0 or (\$151,013,351) to \$0 or \$0 to \$27,108,513</b>

Oversight is presenting the various alternative assumptions that could determine the fiscal impact. The assumptions section explains each set of assumptions and how the fiscal impact could be calculated.

**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 20 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2033)</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2033)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2033)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Fully Implemented (FY 2033)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**Program Basic Information and History**

**Oversight** notes according to the Tax Credit Analysis submitted by the Department of Economic Development and the Missouri Housing Development Commission (MHDC) regarding this program to the Budget/Appropriations Committees, the Missouri Low-Income Housing tax credit program (combined 9% + 4%) had the following activity;

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Certificates Issued	369	265	105	325	285
Projects	28	30	24	36	36
Amount Authorized	\$157,419,280	\$156,736,570	\$167,123,390	\$166,302,030	\$0
Amount Issued	\$138,646,050	\$124,988,930	\$101,939,700	\$188,597,820	\$169,066,380
Amount Redeemed	\$155,168,646	\$140,292,351	\$170,028,538	\$165,661,698	\$169,138,875

Amount Outstanding - \$865,635,248    Amount Authorized but Unissued - \$276,989,810

Missouri Housing Development Commission separated the authorized and issuance amounts for Oversight into the 9% and 4% credit.

Authorized and Issued 2010-2018

Year	Authorized			Issued		
	4%	9%	Total	4%	9%	Total
2010	\$26,428,200	\$122,640,000	<b>\$149,068,200</b>	\$55,240,530	\$95,513,000	<b>\$150,753,530</b>
2011	\$22,550,000	\$80,410,000	<b>\$102,960,000</b>	\$1,694,140	\$92,765,800	<b>\$94,459,940</b>
2012	\$41,069,310	\$130,825,000	<b>\$171,894,310</b>	\$55,196,960	\$134,337,130	<b>\$189,534,090</b>
2013	\$36,035,210	\$134,840,000	<b>\$170,875,210</b>	\$16,975,000	\$95,478,380	<b>\$112,453,380</b>
2014	\$20,134,280	\$137,285,000	<b>\$157,419,280</b>	\$15,796,050	\$122,850,000	<b>\$138,646,050</b>
2015	\$12,371,570	\$144,365,000	<b>\$156,736,570</b>	\$14,286,660	\$110,702,270	<b>\$124,988,930</b>
2016	\$22,603,390	\$144,520,000	<b>\$167,123,390</b>	\$25,164,700	\$76,775,000	<b>\$101,939,700</b>
2017	\$18,342,030	\$147,960,000	<b>\$166,302,030</b>	\$20,497,820	\$168,100,000	<b>\$188,597,820</b>
2018	\$0	\$0	<b>\$0</b>	\$32,465,380	\$136,601,000	<b>\$169,066,380</b>

The issuance of tax credits occur once construction is complete on a development. A typical development will complete construction and will be issued the tax credits between 24 and 36 months after the initial authorization.

**ASSUMPTION** (continued)

**Oversight** notes the Missouri Low-Income Housing Tax Credits are made up of the 9% credits and the 4% tax exempt credits. Currently the 9% credit is capped at 100% of the federal tax credit amount (\$16,886,033) for 2019 and the 4% credit is capped at \$6 million per statute. The MHDC authorizes a credit and reserves the authorization amount for projects prior to the building of the housing. Once the project is built, inspected and filled with tenants, then MHDC issues an eligibility statement that reserves the tax credit for the developer. If MHDC were to authorize/approve projects in FY 2020, there is generally a two to three year lag before the credits would be issued (while the projects are being constructed). Oversight assumes for the purposes of this fiscal note, that credits authorized in FY 2020 would be issued in FY 2022. Those credits would then be issued at a rate of 1/10th the authorized amount each year for 10 years (for a current total cost of \$168,860,330).

The Missouri Housing Development Commission provided the following information on the history of the federal tax credit cap. The federal government determines the amount of the cap by multiplying the state population by the multiplier (as determined by the IRS). From 1986 through 2000, the initial credit allocation amount was \$1.25 per capita. The allocation was increased to \$1.50 in 2001, to \$1.75 in 2002 and 2003, and indexed for inflation annually thereafter. The initial minimum tax credit ceiling for small states was \$2,000,000, and was indexed for inflation annually after 2003. Attached is a chart of the history of the federal cap provided by MHDC.

<b>Year</b>	<b>Missouri Population</b>	<b>Multiplier</b>	<b>Base Housing Credit Ceiling</b> (= Pop. x Multiplier)
2009	5,911,605	\$ 2.30	\$ 13,596,692
2010	5,987,580	\$ 2.10	\$ 12,573,918
2011	5,988,927	\$ 2.15	\$ 12,876,193
2012	6,010,688	\$ 2.20	\$ 13,223,514
2013	6,021,988	\$ 2.25	\$ 13,549,473
2014	6,044,171	\$ 2.30	\$ 13,901,593
2015	6,063,589	\$ 2.30	\$ 13,946,255
2016	6,083,672	\$ 2.35	\$ 14,296,629
2017	6,093,000	\$ 2.35	\$ 14,318,550
2018	6,113,532	\$ 2.70	\$ 16,506,536
2019*	6,126,452	\$ 2.75625	\$ 16,886,033
* 2019 Estimate. The Housing Credit Ceiling for 2019 will not be officially established until IRS Form 8610 is filed with the IRS in February 2020.			

ASSUMPTION (continued)

MHDC noted that due to the Tax Cuts and Jobs Act signed into law in December 2017, there is an additional 12.5% increase added to the multiplier in FY 2018 - 2022. For example in 2018 the “base” was  $\$2.40 \times 1.125 = \$2.70$ .

Agency Impact Responses

In response to the previous version, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal may impact Total State Revenue and the calculation under Article X, Section 18(e).

This proposal places a cap on authorizations of the low-income housing tax credit. The new cap for projects financed through tax-exempt bond issuances would be \$4 million and tax credits not financed through tax-exempt bonds would be capped at 72.5% of the amount of federal low-income housing tax credits allocated to the state.

Based on Tax Credit Analysis Form data published by the Missouri Department of Economic Development, the average authorizations for FY 2015-FY 2017 is \$163,387,330. The estimated annualized 2019 Federal LIHTC available to Missouri is \$168,500,000. 72.5% of the \$168,500,000 is \$122,162,500. Adding the two caps would result in a total of \$126,162,500.

Based on the historical authorized patterns of this tax credit, the proposal could increase Total State Revenue and General Revenue by approximately \$16,417 after the first year and \$37,224,830 once fully implemented.

However, since the cap is tied to a Federal allocation amount that varies each year, there could be an unknown positive or negative impact to Total State Revenue in the future.

Officials at the **Missouri Housing Development Commission (MHDC)** assume for purposes of estimating the impact on Total State Revenue, we compared this proposal to current statute. We assume the following:

- a) 10-year credit for both the 9% MOLIHTC and the 4% MOLIHTC;
- b) State Authorization Limit on the 9% MOLIHTC equal to the lessor of 72.5% of the federal housing credit allocation or \$123 million; and
- c) annual authorization cap on the 4% MOLIHTC equal to \$4,000,000.

Estimated first year impact to Total State Revenue is a savings of \$6,900,143. The cumulative savings through FY 2030 is \$304,748,538.

ASSUMPTION (continued)

Base Assumption for the 9% MOLIHTC

	Year	Population	Population Change	Multiplier	Housing Credit Ceiling 9%	Full Credit Stream	72.5% of HCC	Annual State Credit (10 Years)
<b>A</b>	2014	6,044,171						
<b>C</b>	2015	6,063,589	19,418	\$2.30	\$13,946,255			
<b>T</b>	2016	6,083,672	20,083	\$2.35	\$14,296,629			
<b>U</b>	2017	6,093,000	9,328	\$2.35	\$14,318,550			
<b>A</b>	2018	6,113,532	20,532	\$2.70	\$16,506,536			
<b>L</b>	2019	6,126,452	12,920	\$2.75625	\$16,886,033			
<b>P</b>	2020	6,142,908	16,456	\$2.80	\$17,200,143	\$172,001,430	\$124,701,036	\$12,470,104
<b>R</b>	2021	6,159,364	16,456	\$2.85	\$17,554,189	\$175,541,885	\$127,267,867	\$12,726,787
<b>O</b>	2022	6,175,821	16,456	\$2.55	\$15,748,343	\$157,483,425	\$114,175,483	\$11,417,548
<b>J</b>	2023	6,192,277	16,456	\$2.60	\$16,099,920	\$160,999,197	\$116,724,418	\$11,672,442
<b>E</b>	2024	6,208,733	16,456	\$2.65	\$16,453,142	\$164,531,425	\$119,285,283	\$11,928,528
<b>C</b>	2025	6,225,189	16,456	\$2.70	\$16,808,011	\$168,080,108	\$121,858,079	\$12,185,808
<b>T</b>	2026	6,241,645	16,456	\$2.75	\$17,164,525	\$171,645,249	\$124,442,805	\$12,444,281
<b>E</b>	2027	6,258,102	16,456	\$2.80	\$17,522,684	\$175,226,845	\$127,039,462	\$12,703,946
<b>D</b>	2028	6,274,558	16,456	\$2.85	\$17,882,490	\$178,824,897	\$129,648,051	\$12,964,805
	2029	6,291,014	16,456	\$2.90	\$18,243,941	\$182,439,406	\$132,268,569	\$13,226,857
	2030	6,307,470	16,456	\$2.95	\$18,607,037	\$186,070,371	\$134,901,019	\$13,490,102
	2031	6,323,926	16,456	\$3.00	\$18,971,779	\$189,717,792	\$137,545,399	\$13,754,540

**Oversight** notes in an earlier version of this bill, MHDC assumed the same population and multiplier from 2018 through 2031. Upon further inquiry from Oversight as to the history of the program, they revised their response to more accurately predict future impact.

Officials at the **Department of Revenue (DOR)** assume that based on Tax Credit Analysis Form data published by the Missouri Department of Economic Development, the average amount of Low Income Housing Tax Credit(s) authorized each year (average for FY 15 - FY 18) equals \$122,540,498 (which would be issued throughout, roughly, ten years).

Per the Tax Credit Analysis Form, as mentioned above, the average amount of Low Income Housing Tax Credit(s) issued each year is \$13,850,000 (which includes issuances from ten years' worth of authorizations), when added together with each year's issuances, because, roughly, ten percent of the amount authorized is issued each year, the total amount of Low Income Housing Tax Credit(s) issued each year (average for FY 15 - FY 18) equals \$138,508,817.

ASSUMPTION (continued)

Per the same Tax Credit Analysis Form, the average amount of Low Income Housing Tax Credit(s) redeemed each year equals \$158,660,862 for FY15-FY18.

Information provided to the Department by MHDC leads the Department to believe that the Federal LIHTC housing credit ceiling has been as shown below:

2018 (estimated) - \$167,437,470 (\$16,743,747 annual)  
2017 - \$151,089,250 (\$15,108,925 annual)  
2016 - \$145,454,750 (\$14,545,475 annual)

Using the values above, the Department has determined that the average Federal LIHTC equals \$154,660,490. This leads the to the Department's conclusion that the maximum amount of Low Income Housing Tax Credit(s), on average, that may be authorized each year to taxpayers by the state equals \$112,128,855 when fully implemented ( $\$154,660,490 \times 72.5\%$ ).

The Department has included in its summary the outstanding Low Income Housing Tax Credits that have been authorized but not issued, estimating that the amount issued at the average amount issued per year. Each year, the amount issued (10 percent of each authorization) is reduced, understanding that each year after this legislation is implemented, the new amounts, pursuant to this legislation, will take the place of previous issuance allocations.

The Department estimates that, based on values reported on the Low Income Housing Tax Credit Form 14, it would take 8 years for the outstanding Low Income Housing Tax Credits authorized to be issued (and redeemed). The Department also took into consideration the amount of Low Income Housing Tax Credit outstanding and available for redemption. The Department estimates that these amounts will be exhausted in totality in six years after this legislation is implemented.

The amounts authorized and issued, including all outstanding amounts and amounts that would become pursuant to this legislation, was reviewed against the average amount of Low Income Housing Tax Credits redeemed. The Department believes that this amount would continue to be redeemed until the amount available, in total, is less than the average amount redeemed, showing the true fiscal impact.



ASSUMPTION (continued)

Year	Increase to General Revenue
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$12,389,774
2027	\$37,256,014
2028	\$39,894,011
2029	\$42,532,007
2030	\$42,532,007
2031	\$42,532,007
2032	\$42,532,007

The chart below shows the fiscal impact in the event that the 72.5% of the Federal Low Income Housing allocation to Missouri is in excess of the \$123,000,000, which would require the authorization of Missouri Low Income Housing Tax Credits to remain at \$123,000,000.

Year	Increase to General Revenue
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0
2027	\$28,559,099
2028	\$30,109,980
2029	\$31,660,862
2030	\$31,660,862
2031	\$31,660,862
2032	\$31,660,862

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume a potential unknown increase of premium tax revenues as a result of a cap on the Low-Income Housing tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty

ASSUMPTION (continued)

Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

Proposed Changes by SB 28

**Oversight** notes SS for SB 28 would create a state authorization limit in an amount to not exceed 72.5% of the federal cap for the state's 9% credits starting July 1, 2019. As noted below, the federal cap is currently \$16,886,033. Therefore the new state cap would be \$12,242,374 ( $\$16,886,033 \times 72.5\%$ ) for the remainder of CY 2019.

This version of SB 28 sets the state authorization limit to the lesser of: 72.5% of the federal allocation amount or \$123 million. Due to the Tax Cuts and Jobs Act temporary increase, the \$123 million cap would be in place in FY 2021, while all other fiscal years to FY 2032 are expected to fall under the 72.5% cap.

Additionally, an amendment added language regarding the transferability of the tax credits. **Oversight** notes that the State Auditor Report of the Low Income Housing Program of 2014 noted that to improve the efficiency of the program several improvements should be made including;

- a) converting to a certificated credit model;
- b) making the credit refundable;
- c) use of direct appropriation of the credits; and
- d) reduction in the number of years the tax credits are spread over.

MHDC informed **Oversight** that under the current state program, the state tax credits that are issued are taxable at the federal level. Moving to a certificated credit model could allow a developer to form a non-profit thereby making the credit non-taxable at the federal level. Massachusetts, Vermont, California and New York have created a certificated credit model that improves efficiencies in the program and increases the value of their tax credits. Oversight has reached out to those states for additional information.

**Oversight** notes that any changes on the transferability or certificated credit model would require a ruling by the IRS before the market would know the credit could be considered non-taxable or not. Oversight recognizes this could cause uncertainty in the market while awaiting the IRS ruling. Per MHDC, the ruling could take more than a year from the time any language is changed; however, Oversight assumes that any uncertainty in the market for these credits would be unlikely

ASSUMPTION (continued)

to result in the price per credit being lower than the current taxable program; Oversight notes these provisions are not likely to impact the cost of the program.

**Oversight** notes these changes would impact when and how the credits are redeemed which may impact state cash flow but does not impact the amount of credits issued. Oversight for fiscal note purposes assumes that all credits are redeemed in the year they are issued.

The proposal would also reduce, starting July 10, 2019, the amount of the state's 4% credits from its current \$6 million cap to \$4 million annually. The 4% credit cap is in addition to the 72.5% cap stated above. This proposal allows if any of the \$4 million credits are not authorized to the cap, the remainder can be added to the 9% credit cap above. Average authorizations of the 4% credit from CY 2012 - CY 2017 was \$25,092,632.

**OVERSIGHT FISCAL NOTE ASSUMPTIONS**

**Oversight** throughout this fiscal note will use the following assumptions:

- A) The issuance of all authorized credits will occur in the 2<sup>nd</sup> fiscal year after project authorization (for example: FY 2020 authorization = FY 2022 issuance).
- B) All credits issued will be 1/10th the authorization amount for 10 years and will be redeemed starting in the year of issuance.
- C) Missouri's population will continue to grow at the rate of 16,456 persons per year (based on average history of increase).
- D) The base Multiplier will be held at \$2.45 as the history of the multiplier has shown years of growth and years of no growth.
- E) Due to the temporary 12.5% increase for the multiplier between 2018-2021, the fully implemented year for the fiscal note will be FY 2033.
- F) Based on CY 2012 -2017 authorizations, Oversight will assume authorizations of the 9% will equal the cap plus the carryforward and authorizations for the 4% credit will equal \$25 million.
- G) This fiscal note in its projections only includes future authorizations and issuances of the 9% and 4% credits and does not include any past authorized or issued credits that may be outstanding.
- H) The following chart, based on Oversight's assumptions, will determine the federal cap for the future fiscal years.

ASSUMPTION (continued)

	<b>Authorization Year</b>	<b>Population</b>	<b>Multiplier</b>	<b>Federal Cap (9%) (over 10 years)</b>
<b>A C T U A L</b>	2012	6,010,688	2.20	132,235,136
	2013	6,021,988	2.25	135,494,730
	2014	6,044,171	2.30	139,015,933
	2015	6,063,589	2.30	139,462,547
	2016	6,083,672	2.35	142,966,292
	2017	6,093,000	2.35	143,185,500
	2018	6,113,532	2.70	165,065,364
	2019	6,126,452	2.756250	168,860,333
<b>E S T I M A T E D</b>	2020	6,142,908	2.756250	169,313,902
	2021	6,159,364	2.756250	169,767,470
	2022	6,175,820	2.45	151,307,590
	2023	6,192,276	2.45	151,710,762
	2024	6,208,732	2.45	152,113,934
	2025	6,225,188	2.45	152,517,106
	2026	6,241,644	2.45	152,920,278
	2027	6,258,100	2.45	153,323,450
	2028	6,274,556	2.45	153,726,622
	2029	6,291,012	2.45	154,129,794
	2030	6,307,468	2.45	154,532,966
	2031	6,323,924	2.45	154,936,138
	2032	6,340,380	2.45	155,339,310

ASSUMPTION (continued)

**OVERSIGHT'S EXPLANATION OF ASSUMPTIONS**

In the past when evaluating tax credits, **Oversight** has compared the creation of a new tax credit through proposed language to the current status of the tax credit (not existing). If the tax credit was existing and changes were proposed, Oversight compared the current status of the program to the changes that were made. However, Oversight notes that this is the first time a program has been evaluated that has had a possible "temporary" stoppage of the credit.

Due to MHDC currently not being allowed to authorize future projects (explained below) and how this program authorizes and issues credits, and the future of this program, the assumptions used to evaluate the changes in this legislation could have alternative impacts depending on which assumptions are accepted. Oversight has chosen to present each of those alternative assumptions and impacts:

Baseline 1

**Oversight** notes that on December 19, 2017, the MHDC approved a Qualified Allocation Plan (QAP) that does not allow additional MOLIHTC projects to be authorized. This QAP was effective for FY 2018 and continues until such time as another QAP is adopted. No MOLIHTC credits have been authorized for FY 2018 or FY 2019 because of this QAP.

**Oversight** notes that pursuant to §33.282 all tax credit estimates must be submitted to the Missouri House of Representatives Budget Committee and the Senate Appropriations committee. Those estimates must be approved annually or the tax credits can not be authorized. In May 2018, the Missouri House of Representatives Budget Committee voted to prohibit the authorization of MOLIHTC credits for FY 2019.

**Oversight** assumes that should MHDC not approve another QAP allowing for the authorization of the MOLIHTC credits, **or** the Missouri House of Representatives continue to prohibit the authorization of the MOLIHTC credits in future years, then no future projects would be authorized regardless of proposed changes. The impact would be as follows:

ASSUMPTION (continued)

**Actual Past Authorizations and Estimated Authorizations if Program Remains Stopped**

<b>Baseline 1</b>			
	<b>Authorization Year</b>	<b>MO Authorized/ Estimated Cap (9%)</b>	<b>Tax Exempt Bond Authorized/Cap (4%)</b>
<b>A C T U A L</b>	2012	\$130,825,000	\$41,069,310
	2013	\$134,840,000	\$36,035,210
	2014	\$137,285,000	\$20,134,280
	2015	\$144,365,000	\$12,371,570
	2016	\$144,520,000	\$22,603,390
	2017	\$147,960,000	\$18,342,030
	2018	\$0	\$0
	2019	\$0	\$0
<b>E S T I M A T E D</b>	2020	\$0	\$0
	2021	\$0	\$0
	2022	\$0	\$0
	2023	\$0	\$0
	2024	\$0	\$0
	2025	\$0	\$0
	2026	\$0	\$0
	2027	\$0	\$0
	2028	\$0	\$0
	2029	\$0	\$0
	2030	\$0	\$0
	2031	\$0	\$0
	2032	\$0	\$0

Baseline 2

**Oversight** notes that should MHDC adopt a new QAP and neither budget/appropriation committee prohibit the authorization of the credits, then the authorization of tax credits could begin starting July 1, 2019. Should the program be restarted without any future changes to the program the impact would be:

ASSUMPTION (continued)

**Actual Past Authorizations and Estimated Authorizations if Program starts and NO changes are made**

<b>Baseline 2</b>			
	<b>Authorization Year</b>	<b>MO Authorized/ Estimated Cap (9%)</b>	<b>Tax Exempt Bond Authorized/Cap (4%)</b>
<b>A C T U A L</b>	2012	\$130,825,000	\$41,069,310
	2013	\$134,840,000	\$36,035,210
	2014	\$137,285,000	\$20,134,280
	2015	\$144,365,000	\$12,371,570
	2016	\$144,520,000	\$22,603,390
	2017	\$147,960,000	\$18,342,030
	2018	\$0	\$0
	2019	\$0	\$0
<b>E S T I M A T E D</b>	2020	\$169,313,902	\$25,000,000
	2021	\$169,767,470	\$25,000,000
	2022	\$151,307,590	\$25,000,000
	2023	\$151,710,762	\$25,000,000
	2024	\$152,113,934	\$25,000,000
	2025	\$152,517,106	\$25,000,000
	2026	\$152,920,278	\$25,000,000
	2027	\$153,323,450	\$25,000,000
	2028	\$153,726,622	\$25,000,000
	2029	\$154,129,794	\$25,000,000
	2030	\$154,532,966	\$25,000,000
	2031	\$154,936,138	\$25,000,000
	2032	\$155,339,310	\$25,000,000

**Oversight** notes that due to the stoppage of this program previously by the QAP and by the appropriation committee the current impact of the program is zero. If this assumption is accepted then any restarting of the program would be an additional cost to the state for the issuance/redemption of tax credits.

ASSUMPTION (continued)

Impact 2

**Oversight** notes that should MHDC adopt a new QAP and the House Appropriations Committee allow the authorization of the credits, then the authorization of tax credits would begin starting July 1, 2019. Should the program be restarted, but would not have been restarted without the reforms in SB 28, which change the program from 100% of the federal allocation amount to 72.5% of the federal allocation amount or \$123 million for the 9% credits and the 4% credits would be reduced from \$6 million to \$4 million, Oversight projects the changes as follows:

	Authorization Year	Baseline 1		SB 28 Impact 2		Difference
		MO Authorized/ Estimated Cap (9%)	Tax Exempt Bond Cap (4%)	MO Authorized/ Estimated Cap (9%)	Tax Exempt Bond Cap (4%)	
<b>A C T U A L</b>	2012	\$130,825,000	\$41,069,310	\$130,825,000	\$41,069,310	
	2013	\$134,840,000	\$36,035,210	\$134,840,000	\$36,035,210	
	2014	\$137,285,000	\$20,134,280	\$137,285,000	\$20,134,280	
	2015	\$144,365,000	\$12,371,570	\$144,365,000	\$12,371,570	
	2016	\$144,520,000	\$22,603,390	\$144,520,000	\$22,603,390	
	2017	\$147,960,000	\$18,342,030	\$147,960,000	\$18,342,030	
	2018	\$0	\$0	\$0	\$0	
	2019	\$0	\$0	\$0	\$0	
	<b>E S T I M A T E D</b>	2020	\$0	\$0	\$122,752,579	\$40,000,000
2021		\$0	\$0	\$123,000,000	\$40,000,000	-\$163,000,000
2022		\$0	\$0	\$109,698,003	\$40,000,000	-\$149,698,003
2023		\$0	\$0	\$109,990,302	\$40,000,000	-\$149,990,302
2024		\$0	\$0	\$110,282,602	\$40,000,000	-\$150,282,602
2025		\$0	\$0	\$110,574,902	\$40,000,000	-\$150,574,902
2026		\$0	\$0	\$110,867,202	\$40,000,000	-\$150,867,202
2027		\$0	\$0	\$111,159,501	\$40,000,000	-\$151,159,501
2028		\$0	\$0	\$111,451,801	\$40,000,000	-\$151,451,801
2029		\$0	\$0	\$111,744,101	\$40,000,000	-\$151,744,101
2030		\$0	\$0	\$112,036,400	\$40,000,000	-\$152,036,400
2031		\$0	\$0	\$112,328,700	\$40,000,000	-\$152,328,700
2032		\$0	\$0	\$112,621,000	\$40,000,000	-\$152,621,000



ASSUMPTION (continued)

Impact 3

**Oversight** notes that should MHDC adopt a new QAP and the House Appropriations Committee allow the authorization of the credits, then the authorization of tax credits would begin starting July 1, 2019. Should the program be restarted and would have been restarted regardless of reforms in SB 28, which change the program from 100% of the federal allocation amount to 72.5% of the federal allocation amount or \$123 million for the 9% credits and the 4% credits would be reduced from \$6 million to \$4 million, Oversight projects the changes as follows:

**Actual Past Authorizations vs Estimated Impact of SB 28**

	Authorization Year	Baseline 2		SB 28 Impact 3		Difference
		MO Authorized/ Estimated Cap (9%)	Tax Exempt Bond Cap (4%)	MO Authorized/ Estimated Cap (9%)	Tax Exempt Bond Cap (4%)	
<b>A C T U A L</b>	2012	\$130,825,000	\$41,069,310	\$130,825,000	\$41,069,310	
	2013	\$134,840,000	\$36,035,210	\$134,840,000	\$36,035,210	
	2014	\$137,285,000	\$20,134,280	\$137,285,000	\$20,134,280	
	2015	\$144,365,000	\$12,371,570	\$144,365,000	\$12,371,570	
	2016	\$144,520,000	\$22,603,390	\$144,520,000	\$22,603,390	
	2017	\$147,960,000	\$18,342,030	\$147,960,000	\$18,342,030	
	2018	\$0	\$0	\$0	\$0	
	2019	\$0	\$0	\$0	\$0	
<b>E S T I M A T E D</b>	2020	\$169,313,902	\$25,000,000	\$122,752,579	\$40,000,000	\$31,561,323
	2021	\$169,767,470	\$25,000,000	\$123,000,000	\$40,000,000	\$31,767,470
	2022	\$151,307,590	\$25,000,000	\$109,698,003	\$40,000,000	\$26,609,587
	2023	\$151,710,762	\$25,000,000	\$109,990,302	\$40,000,000	\$26,720,460
	2024	\$152,113,934	\$25,000,000	\$110,282,602	\$40,000,000	\$26,831,332
	2025	\$152,517,106	\$25,000,000	\$110,574,902	\$40,000,000	\$26,942,204
	2026	\$152,920,278	\$25,000,000	\$110,867,202	\$40,000,000	\$27,053,076
	2027	\$153,323,450	\$25,000,000	\$111,159,501	\$40,000,000	\$27,163,949
	2028	\$153,726,622	\$25,000,000	\$111,451,801	\$40,000,000	\$27,274,821
	2029	\$154,129,794	\$25,000,000	\$111,744,101	\$40,000,000	\$27,385,693
	2030	\$154,532,966	\$25,000,000	\$112,036,400	\$40,000,000	\$27,496,566
	2031	\$154,936,138	\$25,000,000	\$112,328,700	\$40,000,000	\$27,607,438
	2032	\$155,339,310	\$25,000,000	\$112,621,000	\$40,000,000	\$27,718,310

ASSUMPTION (continued)

**Summary**

Baseline 1 - If MHDC does not adopt a new QAP or the Missouri House Appropriation Committee does not allow the low income housing program to restart. NO impact. **(\$0)**

Baseline 2 - If MHDC does adopt a new QAP and the Missouri House Appropriations Committee does allow the low income housing program to restart in FY 2020, then current law will cost **\$178,121,864** in FY 2023.

Impact 1- If MHDC does not adopt a new QAP or the Missouri House Appropriation Committee does not allow the low income housing program to restart, then SB 28 would have NO fiscal impact. **(\$0)**

Impact 2 - If the program restarts in 2020, but would not have been restarted without the reforms in SB 28, then for FY 2033 the impact will be  $[(\$151,013,351) - \$0 = \mathbf{(\$151,013,351)}]$ .

Impact 3 - If the program restarts in 2020, and would have been restarted regardless of reforms in SB 28, then for FY 2033 the impact will be  $[(\$151,013,351) - (\$178,121,864) = \mathbf{\$27,108,513}]$ .

Fiscal Year	Baseline 1	Baseline 2	SB 28 Impact 1	SB 28 Impact 2	SB 28 Impact 3
2022	\$0	-\$19,431,390	\$0	-\$16,275,258	\$3,156,132
2023	\$0	-\$38,908,137	\$0	-\$32,583,399	\$6,324,738
2024	\$0	-\$56,538,896	\$0	-\$47,553,200	\$8,985,696
2025	\$0	-\$74,209,972	\$0	-\$62,552,230	\$11,657,742
2026	\$0	-\$91,921,366	\$0	-\$77,580,490	\$14,340,876
2027	\$0	-\$109,673,076	\$0	-\$92,637,980	\$17,035,096
2028	\$0	-\$127,465,104	\$0	-\$107,724,701	\$19,740,403
2029	\$0	-\$145,297,449	\$0	-\$122,840,651	\$22,456,798
2030	\$0	-\$163,170,111	\$0	-\$137,985,831	\$25,184,280
2031	\$0	-\$181,083,091	\$0	-\$153,160,241	\$27,922,850
2032	\$0	-\$179,604,997	\$0	-\$152,088,623	\$27,516,374
<b>2033</b>	<b>\$0</b>	<b>-\$178,121,864</b>	<b>\$0</b>	<b>-\$151,013,351</b>	<b>\$27,108,513</b>



FISCAL DESCRIPTION

This proposal modifies the Missouri Low Income Housing Tax Credit.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Missouri Housing Development Commission  
Office of Administration Division of Budget and Planning



Kyle Rieman  
Director  
May 6, 2019

Ross Strobe  
Assistant Director  
May 6, 2019