

1 VIRGINIA ACTS OF ASSEMBLY — CHAPTER

2 *An Act to amend the Code of Virginia by adding in Chapter 3 of Title 58.1 an article numbered 13.4,*
3 *consisting of sections numbered 58.1-439.29 and 58.1-439.30, relating to Virginia housing*
4 *opportunity tax credit.*

5 [S 1197]

6 Approved

7 **Be it enacted by the General Assembly of Virginia:**

8 **1. That the Code of Virginia is amended by adding in Chapter 3 of Title 58.1 an article numbered**
9 **13.4, consisting of sections numbered 58.1-439.29 and 58.1-439.30, as follows:**

10 *Article 13.4.*11 *Virginia Housing Opportunity Tax Credit Act.*12 **§ 58.1-439.29. Definitions.**13 *As used in this article, unless the context requires a different meaning:*14 *"Authority" means the Virginia Housing Development Authority, or its successor agency.*15 *"Credit period" means the credit period as defined in § 42(f)(1) of the Internal Revenue Code, as*
16 *amended.*

17 *"Eligibility certificate" means a certificate issued by the Authority to the owner of a qualified project*
18 *certifying that such project qualifies for the Virginia housing opportunity tax credit authorized by this*
19 *article, and specifying the amount of housing opportunity tax credits that the owner of such qualified*
20 *project may claim in each year of the credit period. The Authority shall issue an eligibility certificate to*
21 *a qualified project upon the Authority's approval of a final cost certification that complies with the*
22 *Authority's requirements.*

23 *"Federal low-income housing tax credit" means the federal tax credit as provided in § 42 of the*
24 *Internal Revenue Code, as amended.*

25 *"Housing opportunity tax credit" or "tax credit" means the tax credit created by this article.*

26 *"Qualified project" means a qualified low-income building, as defined in § 42(c) of the Internal*
27 *Revenue Code, as amended, that is located in Virginia, is placed in service on or after January 1, 2021,*
28 *and is issued an eligibility certificate.*

29 *"Qualified taxpayer" means a taxpayer owning an interest, direct or indirect, through one or more*
30 *pass-through entities, in a qualified project at any time prior to filing a tax return claiming a housing*
31 *opportunity tax credit.*

32 *"Taxpayer" means an individual, corporation, S corporation, partnership, limited partnership, limited*
33 *liability partnership, limited liability company, joint venture, or nonprofit organization.*

34 *"Virginia tax liability" means the income taxes imposed by Articles 2 (§ 58.1-320 et seq.), 6*
35 *(§ 58.1-360 et seq.), and 10 (§ 58.1-400 et seq.) of this chapter, Chapter 12 (§ 58.1-1200 et seq.),*
36 *Article 1 (§ 58.1-2500 et seq.) of Chapter 25, and Article 2 (§ 58.1-2620 et seq.) of Chapter 26. An*
37 *insurance company claiming a housing opportunity tax credit against the taxes, licenses, and other fees,*
38 *finances, and penalties imposed by Article 1 of Chapter 25, including any retaliatory tax imposed on*
39 *insurance companies by the Code of Virginia, shall not be required to pay any additional tax as a result*
40 *of claiming the housing opportunity tax credit. The housing opportunity tax credit may fully offset any*
41 *retaliatory tax imposed by the Code of Virginia.*

42 **§ 58.1-439.30. Tax credit.**

43 *A. A housing opportunity tax credit shall be allowed for each qualified project for each year of the*
44 *credit period, in an amount equal to the amount of federal low-income housing tax credit allocated or*
45 *allowed by the Authority to such qualified project, except that there shall be no reduction in the tax*
46 *credit allowable in the first year of the credit period due to the calculation in 26 U.S.C. § 42(f)(2).*

47 *B. For taxable years beginning on and after January 1, 2021, but before January 1, 2026, a*
48 *qualified taxpayer may claim a housing opportunity tax credit against its Virginia tax liability prior to*
49 *reduction by any other credits allowed the taxpayer. The housing opportunity tax credit may be*
50 *allocated by pass-through entities to some or all of its partners, members, or shareholders in any*
51 *manner agreed to by such persons, regardless of whether or not any such person is allocated or*
52 *allowed any portion of any federal low-income housing tax credit with respect to the qualified project,*
53 *whether or not the allocation of the housing opportunity tax credit under the terms of the agreement has*
54 *substantial economic effect within the meaning of § 704(b) of the Internal Revenue Code, and whether*
55 *or not any such person is deemed a partner for federal income tax purposes as long as the partner or*
56 *member would be considered a partner or member as defined under applicable state law, and has been*

57 admitted as a partner or member on or prior to the date for filing the qualified taxpayer's tax return,
58 including any amendments thereto, with respect to the year of the housing opportunity tax credit. Such
59 pass-through entities or qualified taxpayer may assign all or any part of its interest, including its
60 interest in the tax credits, to one or more pass-through entities or qualified taxpayers, and the qualified
61 taxpayer shall be able to claim the housing opportunity tax credit so long as its interest is acquired
62 prior to the filing of its tax return claiming the housing opportunity tax credit.

63 C. The housing opportunity tax credit authorized by this article shall not be refundable. Any housing
64 opportunity tax credit not used in a taxable year may be carried forward for the succeeding five years.

65 D. A qualified taxpayer claiming a housing opportunity tax credit shall submit a copy of the
66 eligibility certificate at the time of filing its tax return with the Department. If the owner of the qualified
67 project has applied to the Authority for the eligibility certificate but the Authority has not yet issued the
68 eligibility certificate at the time the qualified taxpayer files its original tax return claiming the housing
69 opportunity tax credit, the taxpayer may claim the housing opportunity tax credit based upon the amount
70 of tax credit set forth in the carryover allocation or 42(m) letter, as applicable, issued to the qualified
71 project and shall amend its tax return to include the eligibility certificate upon its receipt. If the amount
72 of tax credit in the eligibility certificate is different than the amount of tax credit previously claimed, the
73 taxpayer shall adjust the tax credit amount claimed on the amended tax return.

74 E. If under § 42 of the Internal Revenue Code, as amended, a portion of any federal low-income
75 housing credits taken on a qualified project is required to be recaptured or is otherwise disallowed
76 during the credit period, the taxpayer claiming housing opportunity tax credits with respect to such
77 project shall also be required to recapture a portion of any tax credits authorized by this article. The
78 percentage of housing opportunity tax credits subject to recapture shall be equal to the percentage of
79 federal low-income housing credits subject to recapture or otherwise disallowed during such period. Any
80 tax credits recaptured or disallowed shall increase the income tax liability of the qualified taxpayer who
81 claimed the tax credits in a like amount and shall be included on the tax return of the qualified
82 taxpayer submitted for the taxable year in which the recapture or disallowance event is identified.

83 F. The Authority shall administer the housing opportunity tax credit program and shall be authorized
84 to promulgate the regulations and guidelines necessary to implement and administer the provisions of
85 this article. Such regulations and guidelines may include the imposition of application, allocation,
86 certification, and monitoring fees designed to recoup the costs of the Authority in administering the
87 housing opportunity tax credit program. The Authority may also promulgate regulations and guidelines
88 in consultation with the Department to allow a qualified project to elect in its application to the
89 Authority to sell all or any portion of its credits awarded pursuant to this article to one or more
90 unrelated taxpayers. Regulations and guidelines regarding the sale of credits, if promulgated, shall not
91 take effect prior to January 1, 2023, and shall not apply to credits awarded prior to January 1, 2023.

92 G. The total amount of tax credits authorized under this article shall not exceed \$15 million per
93 calendar year.