FISCAL IMPACT REPORT

		ORIGINAL DATE 01/28/10	
SPONSOR	Rodriguez	**LAST UPDATED**	**HB**
SHORT TITLE	Affordable Housing Tax Credit Use & Vouchers		**SB** 144
			ANALYST White

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	**FY11**	**FY12**		
$0.0	($51.0)	($106.0)	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Mortgage Finance Authority (MFA)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 144 expands the Affordable Housing Tax Credit Act, to permit the New Mexico Mortgage Finance Authority (MFA) to issue an investment voucher to a person who has made an investment of materials for an affordable housing project approved by the authority. The proposed legislation also amends the Act to allow for the allocation of tax credits for affordable rental housing developments in counties with populations greater than 100,000, thereby expanding the program to all New Mexico counties. The effective date of this legislation is July 1, 2010.

FISCAL IMPLICATIONS

Senate Bill 144 expands the tax credit program to include counties with populations greater than 100,000, which combined makeup more than half of the state's population (Bernalillo, Dona Ana, Santa Fe, and San Juan). The Taxation and Revenue Department (TRD) expects that the inclusion of these counties will cause credit claims to more than double. However, because of the effective date of this legislation this will only have a partial general fund impact in FY11, with a much greater impact in FY12 and beyond. These impacts could be mitigated in part due to a possible slight increase in construction activity associated with affordable housing projects.

The possibility of this increased activity however, also hinges greatly on the success of the federal Low Income Housing Tax Credit (LIHTC) program discussed in the other substantive issues section below.

Mortgage Finance Authority (MFA):

> "In addition, MFA respectfully submits that in return for its investment, the state inures the benefit of more than $57 million in leveraged development sources, the benefits derived from an estimated $57 million in additional estimated wages and salaries, proprietors' income, and corporate profits (presumably additional tax revenue derived from purchases made with these wages, income, and profits, etc.) and the many benefits associated with 395 quality affordable rental units in areas in which they are sorely needed. If SB 144 were enacted, the state will only be broadening the pool of opportunities and thereby improving its investment ratio."

SIGNIFICANT ISSUES

In calendar year 2010 the MFA expects to have the authority to allocate $3.8 million in credit awards. Although MFA may have the authority to allocate up to this amount, this entire allocation may not be issued in terms of investment vouchers. Since inception the authority has awarded more than $3.7 million in tax credits however only $721,050 have actually been claimed (paid out) as investment vouchers. According to the Taxation and Revenue Department $26,782 in claims were paid out in 2007 and $88,135 in claims were paid out in 2008. The authority notes that the relationship between the amounts of credits awarded and the amounts of investment vouchers issued is "due in part to timing of the solicitation and collection of donations, and partly because program participants were unable to collect as much in donations as they had anticipated when applying for tax credits."

Mortgage Finance Authority (MFA):

Basic program information -

1. MFA has awarded $3,733,736 in affordable housing tax credits resulting in the payment of $721,050 from the general fund to date.

2. Projects consist of a total of 395 units:
    - 198 new single family for-sale units
    - 65 new rental units
    - 132 rental units that will be acquired and rehabilitated

OTHER SUBSTANTIVE ISSUES

MFA notes in its analysis that for the first time in the federal LIHTC program's history, last year saw a distinct withdrawal from the tax credit market as many large investors had no major tax liability to use the credits against. This stalled a variety of projects and ended others due to large equity gaps in their financing plans. The LIHTC program plays a large part in affordable housing projects throughout the country. The authority states that the program has played an integral gap financing role particularly in "rental developments that propose to serve very low income households and households with special needs."

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Projects in counties with populations over 100,000 would still not be eligible for credit awards from the MFA at an estimated savings to the general fund of $157 thousand over the next two fiscal years. Furthermore, investments in materials for eligible affordable housing projects would still not be eligible for investment vouchers.

DMW/svb