

VERMONT AFFORDABLE HOUSING TAX CREDIT

The State of Vermont has an annual allocation of \$700,000 of State Affordable Housing Tax Credits, which may be used for affordable housing projects. Four hundred thousand (\$400,000) is for rental housing projects and is available to projects which qualify for the federal Housing Credit. Three hundred thousand (\$300,000) is available for owner-occupied (homeownership) units. Vermont Housing Finance Agency (“VHFA”) is the State Allocating Agency for the Vermont Affordable Housing Tax Credit.

The credit is allocated to eligible affordable housing projects, and is a five year credit which based on a taxpayer’s eligible cash contribution may be claimed each year for five years against its Vermont individual income tax, corporate income tax, franchise tax, or insurance premium tax.

The State Affordable Housing Tax Credit is unique from the federal Housing Credit in that the purchaser is not required to have an ownership interest in the project. The State Affordable Housing Tax Credit is a low risk investment in affordable housing. While the individual’s or corporation’s investment is used to finance affordable housing, the investor’s return is not tied to the financial performance or regulatory compliance of the affordable housing project.

Upon receipt of an allocation of State Affordable Housing Tax Credits, the project sponsors can then sell these credits. When an eligible cash contribution is made by a taxpayer to the project, a tax credit certificate is issued when the project is placed in service. The taxpayer then files the tax credit certificate with its Vermont tax return for each of five years to receive the credit. Should taxpayers not be able to use the entire amount of annual credit available in any one year, they may carry the credit forward and apply it against tax liability for up to 10 years following the original five-year period.

VHFA publishes a Housing Credit Allocation Plan annually which governs the allocation priorities and process for Federal and State Affordable Housing Tax Credits. For more information, please contact VHFA staff at (802) 652-3400.