



VERMONT AFFORDABLE HOUSING TAX CREDIT

The State of Vermont has an annual allocation of \$825,000 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 only available to projects which qualify for the Federal Housing Tax Credit Program. Four hundred twenty-five thousand (\$425,000) 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. It is a five-year credit based on a taxpayer's eligible cash contribution that may be claimed each year for five years against their 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 affordable housing project's financial performance or regulatory compliance.

Upon receipt of an award of State Affordable Housing Tax Credits, the project sponsors can then sell these credits. When a taxpayer makes an eligible cash contribution 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 their 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.

Additionally, VHFA oversees a down payment assistance program funded through an extra two hundred fifty thousand dollars (\$250,000) in tax credits.

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.