

North Dakota Housing Incentive Fund

What Contributors Need to Know

Contributions help your community

The Housing Incentive Fund (HIF) is all about helping build needed affordable housing that would likely not otherwise be built. A contribution to HIF can assist worthy housing projects in your area that help your community prosper and grow.

The housing projects developed under HIF provide additional multifamily rental housing units that are affordable to individuals and families of modest means. The HIF program is meant to help make stronger communities by providing affordable housing choices for all of its residents.

Contributors have a say in where their dollars are spent

Contributors may express a preference that their contribution benefit a specific eligible housing project, community or area. Funding for projects depends on many factors but the North Dakota Housing Finance Agency (NDHFA) will use its best efforts to fulfill the contributor's preferences.

Contributions earn a state tax credit

Taxpayers receive a credit against their state income tax liability equal to their contribution to HIF. The credits are claimed in the tax year that the contribution was made. If a taxpayer cannot use the entire tax credit in the first tax year, it may be carried forward for up to 10 tax years. Once a contribution is received by NDHFA, a tax credit certificate will be issued to the contributor and the Office of the Tax Commissioner.

There are no limits on the size of a contribution

Any individual, business or financial institution with a potential state tax liability under NDCC Chapter 57-38 is eligible to contribute.

Contributions can be as small or as large as you'd like – provided there are tax credits remaining to accommodate your contribution. The maximum amount of tax credits authorized is \$20 million. The amount issued to date is available at www.NDHousingIncentiveFund.org or call Bill Hourigan at 701-328-8088 to discuss your contribution.

Tax credits will be issued to contributors on a first-come, first-served basis until the \$20 million maximum threshold is reached. Once a contribution is received and the tax credit certificate is issued by NDHFA, it is not refundable.

Now is a great time to contribute

Contributions must be received by the fund before the end of an individual's or business's tax year, but contributors don't need to wait until year's end to make a contribution.

Taxpayers who make estimated quarterly state tax payments (e.g., self-employed individuals or corporations) can adjust the amount of their estimated payments to account for the anticipated reduced tax liability that will result from applying the HIF tax credit on the state tax return at the end of the tax year.

Wage earners who have fulfilled their state income tax obligation through payroll deduction and businesses and others who have already made their tax payments for the year could receive a tax refund from the state when they claim their HIF tax credit.

Contributors should consult a tax professional about making a contribution. An outside legal opinion available to tax professionals through the Agency indicates that a contribution could be eligible as a charitable deduction on federal income taxes. Our research also suggests that a contribution could qualify for financial institutions as a CRA investment.

How the tax credits work

Taxpayers claim their earned HIF tax credit on their state tax return at the end of the tax year. The tax credit certificate does not represent an advance state tax payment or any other value to the taxpayer. The certificate simply evidences that the taxpayer has earned the HIF tax credit by contributing to the fund.

If the credits exceed a taxpayer's tax liability for the tax year, any unused portion of the tax credits may be carried over for up to 10 tax years. After the 10-year period, any unused portion of the tax credits is forfeited and no refund is offered either for the credits or for the contribution corresponding with the forfeited credits.

The tax credits are not transferrable and must be used by the taxpayer who makes the contribution. Passthrough entities like partnerships, limited liability companies, S-corporations and limited partnerships must pass the credit through to the owners based on their respective ownership interest.

The contributor only receives the tax credits in exchange for their contribution and is not becoming a partner or an owner in the housing project. A business contributing to HIF may enter into a public-private partnership with the project developer and the Agency to make some units in a project available for employee housing. Businesses interested in forming a partnership should contact the Agency.

In accordance with state statute, the name of the taxpayer making the contribution and the amount of the contribution is considered to be public record. The Agency will forward information regarding contributions to the Office of the State Tax Commissioner but otherwise holds personal and financial information confidential.

Where can I get more information about HIF?

More information about the Housing Incentive Fund is available on the Internet at www.NDHousingIncentiveFund.org or by contacting NDHFA.



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