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FIRST REPRINT

S.B. 448

SENATE BILL NO. 448—COMMITTEE ON REVENUE
AND ECONOMIC DEVELOPMENT

(ON BEHALF OF THE COMMITTEE TO STUDY
ISSUES REGARDING AFFORDABLE HOUSING)

MARCH 25, 2019

Referred to Committee on Revenue and
Economic Development

SUMMARY—Provides for transferable tax credits for affordable
housing in this State. (BDR 32-381)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; providing for the issuance of
transferable tax credits to a project for the acquisition,
development, construction, improvement, expansion,
reconstruction or rehabilitation of low-income housing;
and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing federal law establishes a federal income tax credit in an amount equal
2 to a certain percentage of the costs of constructing a low-income housing project.
3 Under existing federal law, to be eligible for this credit, a project is required to
4 meet certain criteria and be a residential rental project for which: (1) 20 percent or
5 more of the residential units in the project are restricted in the amount of rent
6 charged to occupants of the units and occupied by individuals whose income is 50
7 percent or less of the median gross income for the area in which the project is
8 located; or (2) 40 percent or more of the residential units in the project are restricted
9 in the amount of rent charged to occupants of the unit and occupied by individuals
10 whose income is 60 percent or less of the median gross income for the area in
11 which the project is located. (26 U.S.C. § 42) Existing state law and regulations: (1)
12 designate the Housing Division of the Department of Business and Industry as the
13 state agency that allocates and distributes the federal low-income housing tax
14 credit; (2) require the Housing Division to develop and publish a qualified
15 allocation plan that sets forth the priorities of this State for the allocation of federal
16 low-income housing tax credits and the criteria for selecting applicants to receive
17 an allocation of federal low-income housing tax credits; and (3) require the



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18 Housing Division to allocate and distribute federal low-income housing tax credits
19 to applicants who comply with the qualified allocation plan and qualify to receive
20 such credits in accordance with the plan. (NRS 319.145; NAC 319.951-319.998)

21 This bill authorizes the Housing Division of the Department of Business and
22 Industry to issue transferable tax credits that are authorized to be taken against
23 certain state taxes to the sponsor of a project for the acquisition, development,
24 construction, improvement, expansion, reconstruction or rehabilitation of low-
25 income housing, as defined by existing federal law. **Section 9** of this bill authorizes
26 the sponsor of such a project to apply on behalf of the project for the issuance of
27 transferable tax credits. **Section 9** further authorizes the Housing Division to
28 approve such an application if the project sponsor complies with the requirements
29 of the qualified allocation plan for the allocation and distribution of federal low-
30 income housing tax credits and a declaration setting forth the applicable restrictions
31 on the rent charged to occupy a unit in the project and other conditions for the
32 issuance of transferable tax credits has been recorded in the office of the county
33 recorder of the county in which the project is located. Under **section 9**, the
34 transferable tax credits are awarded based on the amount of transferable tax credit
35 threshold points awarded to a project and in accordance with the procedure set forth
36 in the qualified allocation plan. The transferable tax credits authorized by **section 9**
37 may be applied to: (1) the excise tax on banks and payroll taxes imposed by
38 chapters 363A and 363B of NRS; (2) the gaming license fees imposed by the
39 provisions of NRS 463.370; (3) the general tax on insurance premiums imposed by
40 chapter 680B of NRS; or (4) any combination of such taxes and fees.

41 **Section 10** of this bill limits to \$10,000,000 the amount of transferable tax
42 credits which the Housing Division is authorized to approve in each fiscal year and
43 prohibits the Housing Division from approving applications and issuing
44 transferable tax credits for any fiscal year beginning on or after July 1, 2023.
45 **Section 10** also provides that if the Housing Division determines that approval of
46 an application that would cause the amount of transferable tax credits issued by the
47 Housing Division in a fiscal year is necessary to ensure the maximum development
48 of affordable housing in this State through the issuance of transferable tax credits,
49 the Housing Division is authorized to approve the application unless approval of
50 the application would cause the amount of transferable tax credits approved for the
51 fiscal year to exceed \$13,000,000. If the Housing Division approves more than
52 \$10,000,000 of transferable tax credits in a fiscal year, the Housing Division is
53 required to reduce the amount of transferable tax credits authorized to be approved
54 in the next fiscal year by the amount of transferable tax credits approved in excess
55 of \$10,000,000 in the previous fiscal year. Under **section 10**, if less than
56 \$10,000,000 of transferable tax credits are approved in any fiscal year, the
57 remaining amount of transferable tax credits carries forward to any fiscal year
58 ending on or before June 30, 2023.

59 **Section 11** of this bill requires the project sponsor to repay any portion of
60 transferable tax credits to which the project sponsor is not entitled if the Housing
61 Division determines that the project sponsor becomes ineligible for the credits or is
62 found to have violated a restriction or condition set forth in the declaration of
63 restrictive covenants and conditions recorded for the project. **Section 12** of this bill
64 requires the Housing Division to make and submit reports to the Legislature
65 concerning transferable tax credits provided to a project pursuant to this bill.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** Chapter 360 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 2 to 12, inclusive, of this
3 act.

4 **Sec. 2.** *As used in sections 2 to 12, inclusive, of this act,*
5 *unless the context otherwise requires, the words and terms defined*
6 *in sections 3 to 8, inclusive, of this act have the meanings ascribed*
7 *to them in those sections.*

8 **Sec. 3.** *“Declaration of restrictive covenants and conditions”*
9 *means an agreement between the Division and a project sponsor*
10 *that sets forth the applicable restrictions concerning rent for a*
11 *project and any other conditions upon which transferable tax*
12 *credits are issued to the project sponsor by the Division pursuant*
13 *to sections 2 to 12, inclusive, of this act.*

14 **Sec. 4.** *“Division” means the Housing Division of the*
15 *Department of Business and Industry.*

16 **Sec. 5.** *“Federal low-income housing tax credit” means the*
17 *credit or reduction in liability for federal income taxes that is*
18 *awarded pursuant to 26 U.S.C. § 42.*

19 **Sec. 6.** *“Project” means a project for the acquisition,*
20 *development, construction, improvement, expansion,*
21 *reconstruction or rehabilitation of a qualified low-income housing*
22 *project, as defined in 26 U.S.C. § 42(g), located in this State.*

23 **Sec. 7.** *“Project sponsor” means a person who acquires an*
24 *ownership interest in a project and is designated by the*
25 *participants in the project to apply for a certificate of eligibility for*
26 *transferable tax credits pursuant to section 9 of this act.*

27 **Sec. 8.** *“Qualified allocation plan” means the plan*
28 *established by the Division pursuant to NRS 319.145 for allocating*
29 *federal low-income housing tax credits.*

30 **Sec. 9. 1.** *On behalf of a project, the project sponsor may*
31 *apply to the Division for a certificate of eligibility for transferable*
32 *tax credits which may be applied to:*

33 (i) *Any tax imposed by chapter 363A or 363B of NRS;*

34 (ii) *The gaming license fees imposed by the provisions of*
35 *NRS 463.370;*

36 (iii) *Any tax imposed by chapter 680B of NRS; or*

37 (iv) *Any combination of the fees and taxes described in*
38 *paragraphs (a), (b) and (c).*

39 **2.** *To apply for a certificate of eligibility for transferable tax*
40 *credits, the project sponsor must:*

41 (i) *Submit an application on a form prescribed by the*
42 *Division; and*



1 (b) Comply with the requirements to obtain an allocation of
2 federal low-income housing tax credits which are set forth in the
3 qualified allocation plan.

4 3. The Division shall:

5 (a) Review each application for a certificate of eligibility for
6 transferable tax credits submitted pursuant to subsection 2 and
7 any supporting documents to determine whether the requirements
8 for eligibility for a reservation of transferable tax credits are met
9 and the amount of transferable tax credit threshold points
10 awarded to the project;

11 (b) Determine the amount of transferable tax credits for which
12 the project may be eligible, which amount must equal the amount
13 determined by the Division to be necessary to make the project
14 financially feasible after considering all other sources of
15 financing for the project; and

16 (c) Reserve the amount of transferable tax credits for which
17 each project is determined to be eligible pursuant to paragraph (b)
18 in the order of the amount of transferable tax credit threshold
19 points awarded to each such project pursuant to paragraph (a)
20 until a reservation is made for each project or the amount of
21 transferable credits reserved for the fiscal year is equal to the
22 amount of transferable tax credits which the Division is
23 authorized to approve for the fiscal year pursuant to section 10 of
24 this act, whichever occurs first. If the amount of transferable tax
25 credits reserved for the fiscal year reaches the amount of
26 transferable tax credits which the Division is authorized to
27 approve for the fiscal year pursuant to section 10 of this act before
28 each eligible project is reserved the full amount of transferable tax
29 credits for which it is determined to be eligible pursuant to
30 paragraph (b), the Division may take any action that the Division
31 determines will ensure the maximum development of affordable
32 housing in this State, including, without limitation, proportionally
33 reducing the reservation of each project for which transferable tax
34 credits are reserved or reserving for the last project to receive a
35 reservation of transferable tax credits an amount of transferable
36 tax credits that is less than the full amount of transferable tax
37 credits for which the project was determined to be eligible
38 pursuant to paragraph (b).

39 4. If the Division reserves transferable tax credits for a
40 project pursuant to subsection 3, the Division shall provide written
41 notice of the reservation which identifies the amount of the tax
42 credits reserved for the project to:

43 (a) The project sponsor;

44 (b) The Department;

45 (c) The Nevada Gaming Control Board;



1 (d) *The Office of Finance; and*

2 (e) *The Fiscal Analysis Division of the Legislative Counsel*
3 *Bureau.*

4 5. *The Division:*

5 (a) *Shall terminate a reservation of transferable tax credits if*
6 *the project for which the reservation is awarded is not closed*
7 *within the period specified in paragraph (a) of subsection 6 unless,*
8 *before the expiration of that period, the Division receives from the*
9 *project sponsor a written request for an extension of not more*
10 *than 45 days. The Division may grant only one extension pursuant*
11 *to this paragraph and, if the project is not closed before the*
12 *expiration of the extension period, the Division must terminate the*
13 *reservation of transferable tax credits. A request for an extension*
14 *submitted pursuant to this paragraph must be accompanied by*
15 *proof satisfactory to the Division that:*

16 (1) *The requirements for financing the project have been*
17 *substantially completed;*

18 (2) *The delay in closing was the result of circumstances*
19 *that could not have been anticipated by and were outside the*
20 *control of the project sponsor at the time the application was*
21 *submitted by the project sponsor; and*

22 (3) *The project will be closed not later than 45 days after*
23 *the Division receives the request.*

24 (b) *May terminate a reservation of transferable tax credits if*
25 *the Division determines that any event, circumstance or condition*
26 *occurs for which a reservation of federal low-income housing tax*
27 *credits may be terminated. If transferable tax credits are*
28 *terminated pursuant to this paragraph, the Division may issue a*
29 *reservation for the amount of transferable tax credits terminated*
30 *to other projects eligible for transferable tax credits in the order of*
31 *the amount of transferable tax credit threshold points awarded to*
32 *each such project pursuant to paragraph (a) of subsection 3.*

33 6. *Except as otherwise provided in this section, to be issued*
34 *transferable tax credits:*

35 (a) *Not later than 270 days after the Division provides written*
36 *notice of the reservation of transferable tax credits pursuant to*
37 *subsection 4, the project sponsor must demonstrate to the Division*
38 *that the project has been closed by providing proof satisfactory to*
39 *the Division that the project sponsor has:*

40 (1) *Purchased and holds title in fee simple to the project site*
41 *in the name of the project sponsor.*

42 (2) *Entered into a written agreement with a contractor who*
43 *is licensed in this State to begin construction.*



1 (3) *Obtained adequate financing for the construction of the*
2 *project. The applicant must provide written commitments or*
3 *contracts from third parties.*

4 (4) *Executed a written commitment for a loan for*
5 *permanent financing for the construction of the project in an*
6 *amount that ensures the financial feasibility of the project. The*
7 *commitment may be subject to the condition that the construction*
8 *is completed and the project is appraised for an amount sufficient*
9 *to justify the loan in accordance with the requirements of the*
10 *lender for credit. If the project is a rural development project that*
11 *receives loans or grants from the United States Department of*
12 *Agriculture, the applicant must provide a form approved by the*
13 *Division that indicates that money has been obligated for the*
14 *construction of the project before the expiration of the period. An*
15 *advance of that money is not required before the expiration of the*
16 *period.*

17 (b) *Upon completion of the project, the project sponsor must*
18 *submit to the Division a final application for transferable tax*
19 *credits on a form provided by the Division, a certification of costs*
20 *on a form provided by the Division and such other information as*
21 *the Division deems necessary to determine whether the project*
22 *qualifies for the issuance of transferable tax credits. Upon receipt*
23 *of a final application pursuant to this paragraph, the Division*
24 *shall complete a review of the project, the project sponsor and the*
25 *certification of costs. If, after such review, the Division determines*
26 *that the project complies with the requirements upon which*
27 *transferable tax credits were reserved pursuant to this section and*
28 *a declaration of restrictive covenants and conditions has been*
29 *recorded in the office of the county recorder for the county in*
30 *which the project is located:*

31 (1) *The Division shall:*

32 (I) *Determine the appropriate amount of transferable*
33 *tax credits for the project, which must be the amount the Division*
34 *determines is necessary to make the project financially feasible*
35 *after all other sources of funding are allocated and paid toward*
36 *the final cost of the project indicated in the certification of costs*
37 *and may not exceed the amount of transferable tax credits*
38 *reserved for the project pursuant to this section; and*

39 (II) *Notify the project sponsor that the transferable tax*
40 *credits will be issued;*

41 (2) *Within 30 days after the receipt of the notice, the project*
42 *sponsor shall make an irrevocable declaration of the amount of*
43 *transferable tax credits that will be applied to each fee or tax set*
44 *forth in subsection 1, thereby accounting for all of the credits*
45 *which will be issued; and*



1 (3) Upon receipt of the declaration described in
2 subparagraph (2), issue transferable tax credits to the project
3 sponsor in the amount approved by the Division. The project
4 sponsor shall notify the Division upon transferring any
5 transferable tax credits. The Division shall notify the Department
6 of Taxation, the Office of Finance, the Fiscal Analysis Division of
7 the Legislative Counsel Bureau and the Nevada Gaming Control
8 Board of all transferable tax credits issued, segregated by each fee
9 or tax set forth in subsection 1, and of all transferable tax credits
10 transferred, segregated by each fee or tax set forth in subsection 1.

11 7. The project sponsor may submit a request to the
12 Administrator of the Division to protect from disclosure any
13 information in the application which, under generally accepted
14 business practices, would be considered a trade secret or other
15 confidential proprietary information of the business. After
16 consulting with the business, the Administrator of the Division
17 shall determine whether to protect the information from
18 disclosure. The decision of the Administrator of the Division is
19 final and is not subject to judicial review. If the Administrator of
20 the Division determines to protect the information from disclosure,
21 the protected information:

22 (a) Is confidential proprietary information of the business;

23 (b) Is not a public record;

24 (c) Must be redacted by the Administrator of the Division from
25 any copy of the application that is disclosed to the public; and

26 (d) Must not be disclosed to any person who is not an officer
27 or employee of the Division unless the lead participant consents to
28 the disclosure.

29 8. The Division may adopt any regulations necessary to carry
30 out the provisions of sections 2 to 12, inclusive, of this act.

31 9. The Nevada Tax Commission and the Nevada Gaming
32 Commission:

33 (a) Shall adopt regulations prescribing the manner in which
34 transferable tax credits described in this section will be
35 administered.

36 (b) May adopt any other regulations that are necessary to
37 carry out the provisions of sections 2 to 12, inclusive, of this act.

38 10. As used in this section:

39 (a) "Certification of costs" means a report from an
40 independent certified public accountant attesting:

41 (1) To the amount of the actual costs of construction of the
42 project; and

43 (2) That those costs may be included in the eligible basis of
44 the project pursuant to the provisions of 26 U.S.C. § 42.



1 (b) "Transferable tax credit threshold points" means points
2 awarded based on specific objectives determined by the Division
3 through the dissemination of a strategic plan for the development
4 of affordable housing created by the Division, the review of
5 housing data and the receipt of input from persons interested in
6 the development of affordable housing.

7 **Sec. 10. 1.** Except as otherwise provided in this subsection,
8 the Division shall not approve any application for transferable tax
9 credits submitted pursuant to section 9 of this act if:

10 (a) Approval of the application would cause the total amount
11 of transferable tax credits approved pursuant to section 9 of this
12 act for each fiscal year to exceed \$10,000,000. Any portion of the
13 \$10,000,000 per fiscal year for which transferable tax credits have
14 not previously been approved may be carried forward and made
15 available for approval during the next or any future fiscal year
16 ending on or before June 30, 2023. If the Division determines that
17 approval of an application that would cause the total amount of
18 transferable tax credits approved pursuant to section 9 of this act
19 in a fiscal year to exceed \$10,000,000 is necessary to ensure the
20 maximum development of affordable housing in this State through
21 the approval of transferable tax credits pursuant to section 9 of
22 this act, the Division may approve the application unless the
23 approval of the application would cause the total amount of
24 transferable tax credits approved pursuant to section 9 of this act
25 in the fiscal year to exceed \$13,000,000. If the Division approves
26 an application for transferable tax credits that causes the total
27 amount of transferable tax credits approved pursuant to section 9
28 of this act in a fiscal year to exceed \$10,000,000, the Division must
29 reduce the amount of transferable tax credits which may be
30 approved pursuant to section 9 of this act in the next fiscal year by
31 the amount of transferable tax credits approved in excess of
32 \$10,000,000 in the previous fiscal year.

33 (b) The Division receives the application on or after July 1,
34 2023.

35 2. The transferable tax credits issued to a project sponsor
36 pursuant to section 9 of this act expire 4 years after the date on
37 which the transferable tax credits are issued to the project
38 sponsor.

39 **Sec. 11. 1.** A project sponsor that is found to have
40 submitted any false statement or made any false representation in
41 any document submitted for the purpose of obtaining transferable
42 tax credits pursuant to sections 2 to 12, inclusive, of this act or
43 that fails to comply with the requirements of the qualified
44 allocation plan or the declaration of restrictive covenants and
45 conditions shall repay to the Department or the Nevada Gaming



1 *Control Board, as applicable, any portion of the transferable tax*
2 *credits to which the project sponsor is not entitled.*

3 *2. Transferable tax credits purchased in good faith are not*
4 *subject to forfeiture or repayment by the transferee unless the*
5 *transferee submitted fraudulent information in connection with*
6 *the purchase.*

7 **Sec. 12.** *The Division shall, on or before October 1 of each*
8 *year, prepare and submit to the Governor and to the Director of*
9 *the Legislative Counsel Bureau for transmittal to the Legislature*
10 *an annual report which includes, for the immediately preceding*
11 *fiscal year:*

12 *1. The number of applications submitted for a certificate of*
13 *eligibility for transferable tax credits pursuant to section 9 of this*
14 *act;*

15 *2. The number of projects for which transferable tax credits*
16 *were approved;*

17 *3. Each type of project for which transferable tax credits were*
18 *approved;*

19 *4. The amount of transferable tax credits approved;*

20 *5. The amount of transferable tax credits used;*

21 *6. The amount of transferable tax credits transferred;*

22 *7. The amount of transferable tax credits taken against each*
23 *allowable fee or tax, including the actual amount used and*
24 *outstanding, in total and for each project; and*

25 *8. The number of units of affordable housing created because*
26 *of the issuance of transferable tax credits pursuant to section 9 of*
27 *this act. As used in this subsection, "unit of affordable housing"*
28 *means a residential unit in a project that is a rent-restricted unit,*
29 *as defined in 26 U.S.C. § 42(g)(2).*

30 **Sec. 13.** *The provisions of subsection 1 of NRS 218D.380 do*
31 *not apply to any provision of this act which adds or revises a*
32 *requirement to submit a report to the Legislature.*

33 **Sec. 14.** *This act becomes effective:*

34 *1. On July 1, 2019, for the purpose of adopting regulations and*
35 *performing any other administrative tasks that are necessary to carry*
36 *out the provisions of this act and on January 1, 2020, for all other*
37 *purposes.*

38 *2. Expires by limitation on January 1, 2030.*

