

# COMMUNITY INVESTMENT TAX CREDIT PROGRAM

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**MARCH 19, 2025**

# Franchise Excise Tax Credit

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Tax credit when banks extend:

- Qualified Loans
- Qualified Investments
- Grants or Contribution

To:

Eligible housing entities for engaging in eligible affordable housing activities.

# Loan and Investment Types

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- **Qualified Loan** – Loan that is 2 % below the WSJ prime rate.
- **Qualified Low-Rate Loan** – Loan that is 4 % below the WSJ prime rate.
- **Qualified Long Term Investment** – An investment that extends for more than 5 years.
- **Grants or Contributions** – Funds extended to an eligible entity with no expectation of repayment.

# Tennessee State Law

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- **Original Law** enacted 6/22/05: TCA Section 67-4-2109 (h)(1)(A) and TCA Section 67-4-2109 (h)(2)(A)

One-time credits based on total amount of the loan, investment, grant, or contribution.

- **Amendment** enacted 6/27/06: TCA Section 67-4-2109 (h)(1)(B) and TCA Section 67-4-2109 (h)(2)(B)

Annual credits for qualified loans and qualified low rate loans based on the unpaid principal balance of the loan as of December 31<sup>st</sup> of each year.

# Credit Amount

Eligible Investments	Credit Amount
Qualified Loan (2 % below prime rate)	5 % credit applied one time or 3 % credits applied annually to unpaid principal balance as of December 31 <sup>st</sup> of each year for the life of the loan or 15 years – whichever is earlier
Qualified Long Term Investment (longer than 5 years)	5 % credit applied one time
Qualified Low-rate Loan (4 % below prime rate)	10 % credit applied one time or 5 % credit applied annually to unpaid principal balance as of December 31 <sup>st</sup> of each year for the life of the loan or 15 years – whichever is earlier
Grant or Contribution (any amount)	10 % credit applied one time

# Dollar for Dollar Credits

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Example:

- \$100,000 QLR loan @ 4 % below prime with one-time credits ➡ \$10,000 – 10 % credit
- \$100,000 LR loan @ 2 % below prime with one-time credits ➡ \$5,000 – 5 % credit

# Tax Credits

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- Tax Credits may be claimed retroactively back to the date the bill was signed into law (6/22/05).
- Unused one-time credits earned on or after 12/31/2008 may be carried forward for up to 25 years. Credits earned prior to 12/31/2008 may be carried forward for 15 years.
- Annual credits may not be carried forward.

# THDA and TN Dept. of Revenue

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CITC is jointly administered by THDA and the TN Department of Revenue.

- THDA certifies the eligibility of the loan, the entity and activity.
- Dept. of Revenue approves the franchise and excise tax credits.

# Eligible Housing Entities

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- Tennessee Non-profit Organizations – 501 (c)(3) agencies organized under the laws of Tennessee
- Development Districts
- Public Housing Authorities
- THDA

# Eligible Activities

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- Create or preserve affordable housing - acquisition, construction, rehabilitation.
- Assist low-income households in obtaining affordable housing – down-payment assistance, pre-purchase counseling.
- Build capacity of non-profit organizations to provide affordable housing opportunities – operational support (refinancing).
- Other low-income housing related activities approved by THDA Executive Director and Commissioner of Dept. of Revenue.

# Income Limits

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- Low-income Tennesseans are defined as households with incomes at or below 80 % of the area median.
- CITC uses the income limits established by the US Department of Housing and Urban Development for the Section 8 programs.
- Tennessee limits may be found at:  
<https://www.huduser.gov/portal/datasets/il.html>

# Decertification

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- If the eligible entity does not accomplish the approved activity, the bank bears no fault and retains the tax credit.
- Failure of the eligible entity to comply with the terms of the CITC Program will result in decertification deeming the entity ineligible to participate in the program for up to 36 months.
- Opportunity to cure findings may be offered prior to decertification.

# Required Documents

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- Certificate of Contribution for Tax Credit (the Application).
- 501 (c)(3) letter from the IRS.
- Certificate of Existence from TN Secretary of State (dated within 30 days of the date of application).
- Project Narrative describing the proposed activity (narrative has been revised as of 3/15/2025).

**\*\*Note** – Application & Project Narrative forms are located on the CITC page of the THDA website at [www.thda.org](http://www.thda.org). Go to: Government & Nonprofit Partners > Community Investment Tax Credit.

# Required Documents

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Required documentation for LIHTC Projects:

- Copy of the organizational chart
- All LIHTC projects will be referred to the legal department to review.
- An Attorney Opinion letter may be required after the legal department has completed their review.
- Certificate of Existence for the Development Owner.
- Certificate of Existence for the General Partner.

# Application Process

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- Obtain application (Certificate of Contribution for Tax Credit) from the THDA website at [www.thda.org](http://www.thda.org). Click: Government & Nonprofit Partners > Community Investment Tax Credit.
- Application should be **completed**, **signed**, and **dated** by the eligible entity and the bank.
- Obtain Project Narrative Form from the THDA website.
- Application and required documentation may be submitted to THDA via email. Submit to: [CITC@thda.org](mailto:CITC@thda.org).
- Upon loan closing submit copy of Promissory Note to [CITC@thda.org](mailto:CITC@thda.org).

# Application Process

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- THDA certifies the eligibility of the entity and activity and sends the application to the Dept. of Revenue.
- Department of Revenue approves the tax credit.
- THDA sends a notification letter to the eligible housing entity and the bank upon THDA certification of the application.
- Department of Revenue sends a tax credit approval letter to the bank.

# CITC Application

❖ Forms available on the CITC page of the THDA website at <https://thda.org/government-nonprofit-partners/community-investment-tax-credit>

❖ Applications must be submitted to [citc@thda.org](mailto:citc@thda.org)

❖ One application per loan

❖ Accepted on a rolling basis

❖ Must be signed by the bank and the applicant

❖ Every application is assigned an application number and control number.

2025

January							February							March							April						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
29	30	31	1	2	3	4	26	27	28	29	30	31	1	23	24	25	26	27	28	1	30	31	1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31	1	23	24	25	26	27	28	1	23	24	25	26	27	28	29	27	28	29	30	1	2	3
2	3	4	5	6	7	8	2	3	4	5	6	7	8	30	31	1	2	3	4	5	4	5	6	7	8	9	10

  

May							June							July							August						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
27	28	29	30	1	2	3	1	2	3	4	5	6	7	29	30	1	2	3	4	5	27	28	29	30	31	1	2
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12	3	4	5	6	7	8	9
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19	10	11	12	13	14	15	16
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26	17	18	19	20	21	22	23
25	26	27	28	29	30	31	29	30	1	2	3	4	5	27	28	29	30	31	1	2	24	25	26	27	28	29	30
1	2	3	4	5	6	7	6	7	8	9	10	11	12	3	4	5	6	7	8	9	31	1	2	3	4	5	6

  

September							October							November							December						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
31	1	2	3	4	5	6	28	29	30	1	2	3	4	26	27	28	29	30	31	1	30	1	2	3	4	5	6
7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13
14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20
21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27
28	29	30	1	2	3	4	26	27	28	29	30	31	1	23	24	25	26	27	28	29	28	29	30	31	1	2	3
5	6	7	8	9	10	11	2	3	4	5	6	7	8	30	1	2	3	4	5	6	4	5	6	7	8	9	10

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# Reporting Requirements

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- Progress or Completion reports are due by January 31<sup>st</sup> of each year.
- Progress and Completion Report forms may be found on the CITC page of the THDA website.
- Progress and Completion Reports may be emailed to [CITC@thda.org](mailto:CITC@thda.org).

# CITC Application – Part I

**PART I – BUSINESS AND CONTRIBUTION INFORMATION** (Completed by Contributor)

Name of financial institution: \_\_\_\_\_  
 Business mailing address: \_\_\_\_\_  
 Contact person and title: \_\_\_\_\_ Telephone number: (\_\_\_\_) \_\_\_\_\_  
 Email Address: \_\_\_\_\_  
 Tennessee Franchise and Excise number: \_\_\_\_\_  
 Tax Year (Check One)       Calendar Year       Fiscal year from \_\_\_\_\_ to \_\_\_\_\_

Type of Investment (Check All That Apply):

<input type="checkbox"/> Qualified loan (2% below prime rate)	\$ _____	Date Approved _____
<input type="checkbox"/> Qualified low-rate loan (4% below prime rate)	\$ _____	Date Approved _____
<input type="checkbox"/> Qualified investment (longer than 5 years)	\$ _____	Date Approved _____
<input type="checkbox"/> Grant or contribution	\$ _____	Date Approved _____

Type of Credit (Check One):       Annual       One Time

Submitted by: \_\_\_\_\_  
 Name of Financial Institution

By: \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_  
 Signature      Print Name and Title      Date

# CITC Application – Part II

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## **PART 2 – ELIGIBLE HOUSING ORGANIZATION** (Completed by Eligible Organization)

(Check One)

Tennessee Nonprofit Organization

Public Housing Authority

Development District

THDA

Name of eligible organization:

Business mailing address:

Contact person and title:

Telephone number: ( )

Email Address:

# Eligible Activity

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Type of Eligible Activity (Check All That Apply):

Activities that create or preserve affordable housing:

- |   |    |                      |
|---|----|----------------------|
| <input type="checkbox"/> Construction of single family and multi-family housing | \$ | <input type="text"/> |
| <input type="checkbox"/> Conversion   | \$ | <input type="text"/> |
| <input type="checkbox"/> Rehabilitation   | \$ | <input type="text"/> |
| <input type="checkbox"/> Acquisition  | \$ | <input type="text"/> |
| <input type="checkbox"/> Land   | \$ | <input type="text"/> |
| <input type="checkbox"/> Refinancing (i.e. through loan funds)                  | \$ | <input type="text"/> |

Activities that help obtain housing:

- |   |    |                      |
|---|----|----------------------|
| <input type="checkbox"/> Down payment assistance  | \$ | <input type="text"/> |
| <input type="checkbox"/> Pre-purchase counseling  | \$ | <input type="text"/> |
| <input type="checkbox"/> IDAs for homeownership   | \$ | <input type="text"/> |
| <input type="checkbox"/> Supportive services tied to housing (including but not limited to services for the elderly, developmentally or mentally disabled, youth transitioning from foster care, homeless, and other targeted groups) | \$ | <input type="text"/> |
| <input type="checkbox"/> Deposits: Utilities and security   | \$ | <input type="text"/> |

# Eligible Activity (cont.)

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Activities that build capacity:

- Operational support \$
- Investment in technology \$
- Training (support for nonprofits providing training or receiving training) \$
- Technical assistance (for nonprofits who provide or to fund those who need assistance) \$

Other activities:

- Emergency mortgage assistance \$
- Home improvements for handling accessibility \$
- Activities to help maintain housing and prevent homelessness \$
- Post-purchase, foreclosure prevention counseling \$
- Activities to promote public awareness about affordable housing \$
- Research \$

# Applicant Signature

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## ELIGIBLE HOUSING ORGANIZATION CONCURRENCE (Completed by Eligible Organization)

To the best of my knowledge, I endorse that the information contained in this form is true and correct and that the document has been fully authorized by the governing body of the eligible housing organization. I will comply with the program rules and regulations if certification is granted. I also confirm that I am aware that providing false information can subject the individual signing this document to criminal sanctions up to and including a Class E Felony.

Submitted by:   
Name of Eligible Housing Organization

By:     
Signature Print Name and Title Date

Please include the following attachments before submitting form to THDA:

- (1) **Copy of 501(c)(3) designation letter from the IRS.**
- (2) **Tennessee Nonprofit Organizations must attach a current copy of a Certificate of Existence from the Secretary of State's Office dated no more than 12 months prior to the date of application.**
- (3) **Project Narrative: Please use the attached outline to briefly describe your proposed activity. Tell what you are going to do, where you are going to do it, who and how many will benefit, how the funds will be used, income level of population served, and the expected time frame for completion.**



## Community Investment Tax Credit Program

### Project Narrative

(Please include additional sheets if necessary)

**\*The Project Narrative must be completed in its entirety. Please answer all questions. If the question is not applicable enter n/a. The information reported must be typed. Handwritten copies will not be accepted\***

1. CITC Eligible Entity Name: \_\_\_\_\_
2. CITC Eligible Entity Federal Tax ID# \_\_\_\_\_
3. Proposed Activity (activity should be the same as the activity selected on the CITC application; enter the activity(s) identified on the application): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Project Narrative (cont.)

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- a) How will the bank funds be used? \_\_\_\_\_  
\_\_\_\_\_
- b) Number of units to be created or preserved? \_\_\_\_\_
- c) Are you serving a special needs population? \_\_\_\_\_ If so, indicate the population to be served. \_\_\_\_\_
- d) Is this a homeownership or rental activity? \_\_\_\_\_
4. Loan type: (Is this a permanent loan, construction loan or line of credit)?  
\_\_\_\_\_

# Project Narrative (cont.)

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5. Is this a line of credit? \_\_\_\_\_ If yes, complete the questions below. If not, proceed to question 6.
- a) Has the line of credit already been established? \_\_\_\_\_
  - b) Is there a specific term for the line of credit? \_\_\_\_ If yes, what is the term \_\_\_\_\_
  - c) Is there a maximum loan amount? \_\_\_\_\_ If yes, what is the amount? \_\_\_\_\_
  - d) Have you already drawn down funds from the line of credit? \_\_\_\_\_
  - e) Any approval would be for this use of the loan only. Please confirm that the use of the loan would be for the specific activities identified above. \_\_\_\_\_  
\_\_\_\_\_
6. Is this a loan participation? \_\_\_\_\_ If yes, list the lead bank and the participating banks  
\_\_\_\_\_

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7. Is this a refinance? \_\_\_\_\_ If yes, complete the questions below. If this not a refinance, proceed to Question 8.
- a. What is the interest rate **and** term of the current loan? \_\_\_\_\_
  - b. What is interest rate **and** term of the new loan? \_\_\_\_\_
  - c. Have you financed this loan using CITC prior to this application? \_\_\_\_\_ If yes, provide the following:
    1. Prior application date: \_\_\_\_\_
    2. Bank name: \_\_\_\_\_
    3. Loan amount: \_\_\_\_\_
    4. Dept. of Revenue Control Number: \_\_\_\_\_
    5. THDA Application Number: \_\_\_\_\_
  - d. Explain how the refinance & interest savings and/or longer term will assist in accomplishing one or more of the CITC eligible activities? Please describe in detail under one or more of the categories below as appropriate.

# Project Narrative (cont.)

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**NOTE: If there is not enough space below, please attach a separate page.**

1. How will the interest savings and/or longer term help to continue to maintain affordable rents and/or help to preserve or create new units?

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2. How will the interest savings and/or longer term from refinancing help low-income households obtain housing?

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3. How will refinancing build capacity? Please list specific activities and/or programs that will help build capacity as a result of this refinance.

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4. Other activities as approved by the THDA Executive Director and Commissioner of the Department of Revenue. Please explain below.

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# Project Narrative (cont.)

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8. Is this a capacity building activity that does not involve a refinance? \_\_\_\_\_ If yes, please answer the following questions:

a. Will this loan be utilized to assist with operational support? \_\_\_\_\_ if yes, list operational support activities.

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b. Will the loan be used to purchase technology and/or IT resources? \_\_\_\_\_ If yes, please list technology and/or IT resources to be purchased.

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# Project Narrative (cont.)

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c. Will the loan be utilized to acquire, rehabilitate and/or create additional office space? \_\_\_\_\_ If yes, please list the affordable housing activities that will be conducted in the office space.

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d. Will the loan be utilized to hire additional staff? \_\_\_\_\_ If yes, please explain

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e. Other:

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9. Will the loan be used for infrastructure? \_\_\_\_\_ If yes, please attach an additional page listing the infrastructure activities and associated costs.

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# Project Narrative (cont.)

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10. Property address or addresses of the activity including the county where the activity will take place (If there are multiple addresses, please list addresses on an additional sheet and attach with the application):

Address: \_\_\_\_\_  
 City: \_\_\_\_\_  
 County: \_\_\_\_\_

**\*Note: If the address has not been identified, the Eligible Entity must notify THDA within 30 days of identifying an address. For applicants utilizing a line of credit, the address must be identified prior to applicant approval.**

11. If serving multiple counties, how many units in each county? Enter the County name and the number of units in each county in the table below.

County name	# of Units in Each County

# Project Narrative (cont.)

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12. In the table below, enter the county name and the amount of the loan, grant, or contribution going toward each activity in each county. Fill in the activity type in the space provided. Please use an additional sheet if necessary.

	Activity	Activity	Activity
County name			
	\$	\$	\$
	\$	\$	\$
	\$	\$	\$

13. In the table below, enter the county name, each activity, and the number of households expected to benefit from each activity in each county.

	Activity	Activity	Activity
County name			

# Project Narrative (cont.)

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14. Enter income level of population served (**all must be at or below 80 % of the area median**): \_\_\_\_\_

15. Additional sources and amounts of funding not including the CITC loan:  
(Please include all source(s) and amount from each source)

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16. Are there any market rate units? \_\_\_\_\_ If so, how many? \_\_\_\_\_

a. Will any additional loans identified in question 15 be utilized toward the construction of the units (not including the CITC loan)? \_\_\_\_\_ If yes, please list the additional loans

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# Project Narrative (cont.)

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17. Attach a copy of the loan agreement or draft loan agreement for the CITC loan.

18. Expected time frame for completion: \_\_\_\_\_

**For projects utilizing LIHC funds only:**

19. Development Name? \_\_\_\_\_

a) Have tax credits already been awarded? \_\_\_\_\_ If yes, what is the award amount  
and what is the TN #? \_\_\_\_\_

b) Structure of the ownership entity

Development Owner \_\_\_\_\_

# Project Narrative (cont.)

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\*Attach a copy of the Certificate of Existence for the Development Owner

Sole General Partner or Sole Managing Member \_\_\_\_\_

Relationship of CITC Eligible Entity to GP or MM \_\_\_\_\_

- c) If the ownership entity is a limited partnership, does the CITC eligible entity own and completely control 100% of the sole general partner? \_\_\_\_\_
- d) Is the general partner, the sole general partner? \_\_\_\_\_
- e) If the ownership entity is a limited liability company, does CITC eligible entity own and completely control 100% of the sole managing member? \_\_\_\_\_

# Project Narrative (cont.)

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- f) Is the managing member, the sole managing member? \_\_\_\_\_
- g) Submit a copy of the organizational chart from the LIHC application.
- h) Submit a copy of the Certificate of Existence for the General Partner (dated no more than 30 days prior to the date of application submission).
- i) Submit a copy of the Certificate of Existence for the Development Owner (dated no more than 30 days prior to the date of application submission).

# Project Narrative (cont.)

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**\*\*\*\* NOTE \*\*\*\* After the loan closes or the grant or contribution is made please send to THDA a copy of the Promissory Note (or other documentation from the bank confirming that the grant or contribution was made).**

Contact Person: \_\_\_\_\_

Title: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Date: \_\_\_\_\_

# Reminders

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- ❖ Application must be signed and dated by the financial institution and the applicant.
- ❖ The contact person listed is the person all correspondence will be sent to.
- ❖ Loan allocations in Part 2 must match the total loan amount in Part 1.
- ❖ Activities selected on the application must correspond with the activities described in the project narrative.
- ❖ Under Part 1 be sure to indicate type of loan and type of credit requested.
- ❖ One application per loan.

# Contact Information

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Program Description, application, and forms may be found on the CITC page of the THDA website at [www.thda.org](http://www.thda.org). Click: Government & Nonprofit Partners > Community Investment Tax Credit.

Questions or comments to:

**Toni Shaw**

Housing Program Manager

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615-815-2034

**Nekishia Potter**

Senior Housing Program Coordinator

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615-815-2224