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Sequence Number: 09-16-15
 Notice ID(s): 2386
 File Date: 9/11/15

Notice of Rulemaking Hearing

Hearings will be conducted in the manner prescribed by the Uniform Administrative Procedures Act, Tennessee Code Annotated, Section 4-5-204. For questions and copies of the notice, contact the person listed below.

Agency/Board/Commission:	Comptroller of the Treasury
Division:	State Board of Equalization
Contact Person:	Kelsie Jones
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Any Individuals with disabilities who wish to participate in these proceedings (to review these filings) and may require aid to facilitate such participation should contact the following at least 10 days prior to the hearing:

ADA Contact:	Amber Velotta
Address:	1400 James K. Polk State Office Bldg., 505 Deaderick Street Nashville, TN 37243-1402
Phone:	615-401-7925
Email:	Amber.Velotta@cot.tn.gov

Hearing Location(s) (for additional locations, copy and paste table)

Address 1:	Legislative Plaza, Room 31		
Address 2:			
City:	Nashville, TN		
Zip:	37219		
Hearing Date :	11/06/2015		
Hearing Time:	10:00 am	<input checked="" type="checkbox"/> CST	<input type="checkbox"/> EST

Additional Hearing Information:

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Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) (ALL chapters and rules contained in filing must be listed. If needed, copy and paste additional tables to accommodate more than one chapter. Please enter only **ONE** Rule Number/Rule Title per row.)

Chapter Number	Chapter Title
0600-10	Subsidized Affordable Housing
Rule Number	Rule Title
0600-10-.01	Purpose
0600-10-.02	Definitions
0600-10-.03	Determining Value for LIHTC Property
0600-10-.04	Determining Value for Rural Rental Housing Property
0600-10-.05	Determining Value for Section 1602 Affordable Housing

0600-10-.06	Implementation for New Versus Existing Properties
0600-10-.07	Effective date

Substance of proposed rules:

Rule 0600 would be amended by adding the following language as a new chapter 0600-10:

Chapter 0600-10
Subsidized Affordable Housing

0600-10-.01 Purpose

The purpose of these rules is to define the value of subsidized affordable housing for property taxes in a manner that is certain and predictable, that furthers the federal incentives to assure a reasonable affordable housing supply, and that comports with state constitutional standards for ad valorem taxation.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.02 Definitions

As used in these rules, unless the context otherwise requires:

- (1) "Low-income housing tax credit (LIHTC) property" means low-income housing property restricted under government regulations pursuant to § 42 of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 42, the low-income housing tax credit program;
- (2) "Rural rental housing property" means property financed or refinanced by a loan made, insured, or guaranteed by a branch, department or agency of the United States government under § 515 of the Housing Act of 1949, codified in 42 U.S.C. § 1485, the rural rental housing program;
- (3) "Section 1602 affordable housing" means low-income housing property restricted under government regulations pursuant to § 42 of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 42, but for which credits have been surrendered in return for a loan as authorized by § 1602 of the American Reinvestment and Recovery Act of 2009;
- (4) "Subsidized affordable housing" means property participating in federal programs to incentivize private housing investment in return for rent concessions to needy tenants. These programs include, but are not limited to, those authorized under the § 515 Rural Rental Housing program, § 42 of the Internal Revenue Code of 1986, or § 1602 of the American Reinvestment and Recovery Act of 2009; and
- (5) "Taxpayer" means any owner of property subject to taxation or any party liable for property taxes.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.03 Determining Value for LIHTC Property

- (1) The taxable value of LIHTC property shall consist of a restricted use component and a component representing the economic benefit of the subsidy to the property owners.
- (2) The restricted use component shall be the income approach value resulting from using actual rents paid or payable by needy tenants and by such factors for vacancy, collection loss, expenses, reserves, and capitalization rates as are typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (3) With regard to the value of the subsidy component, a taxpayer of low-income housing tax credit property shall elect to either:
 - a. Have the assessor include in the assessor's annual appraisal, the present value of all future tax credits for each of the unused tax credit years remaining on the property; or
 - b. Have the assessor include in the assessor's annual appraisal, instead of the present value of all future tax credits, the average annual present value of the credit as calculated in (3)(a) above,

based on the full life of the credits, and this average annual value shall be used in each year the credit remains in effect.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.04 Determining Value for Section 515 Rural Rental Housing Property

- (1) The taxable value of rural rental housing property shall be calculated by the income approach value resulting from using actual rents paid or payable by needy tenants plus the loan subsidy income attributed to the property for the year at issue. Additional income approach factors for vacancy, collection loss, expenses, reserves, and capitalization rates shall be based on those typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (2) The loan subsidy income attributed to the property shall be the difference between actual loan amortization and a typical market loan amortization for the year at issue.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.05 Determining Value for Section 1602 Affordable Housing

- (1) The taxable value of §1602 affordable housing property shall be calculated by the income approach value resulting from using actual rents paid or payable by needy tenants plus the forgivable loan income attributed to the property for the year at issue. Additional income approach factors for vacancy, collection loss, expenses, reserves, and capitalization rates shall be based on those typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (2) The forgivable loan income attributed to the property shall be the amount of loan principal forgiven for the year at issue.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.06 Implementation for New Versus Existing Properties

- (1) The assessor shall implement the value methods required by these rules as of January 1 after the taxpayer both informs the assessor of the taxpayer's election pursuant to rule 0600-10-.03 (3) and provides documentation necessary to permit the assessor to apply the correct method. The assessor shall update an existing valuation on the occasion of any county-wide reappraisal, or upon being directed by the county or state board of equalization to update the valuation for a year in which the assessment is properly appealed.
- (2) The taxpayer shall be bound by the method elected under rule 0600-10-.03 (3) when the subsidy is first used, for each year until the subsidy is exhausted. Existing properties in operation on the effective date of these rules shall be valued during the remaining period of the subsidy by the existing method most comparable to the alternate methods provided in these rules.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

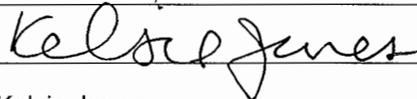
0600-10-.07 Effective date

These rules shall take effect January 1, 2016.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

I certify that the information included in this filing is an accurate and complete representation of the intent and scope of rulemaking proposed by the agency.

Date: November 11, 2015

Signature: 

Name of Officer: Kelsie Jones

Title of Officer: Executive Secretary, State Board of Equalization

Subscribed and sworn to before me on:

11th SEPTEMBER 2015
Shirley MARRIOTT
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY

Notary Public Signature:

My commission expires on:

08 MAY 2018

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Filed with the Department of State on:

9/11/15

Tre Hargett

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Secretary of State

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