



**The Texas Tax Credit Exchange Program  
(Section 1602 of the American Reinvestment and Recovery Act of 2009 “ARRA”)**

- Through the Recovery Act, the Texas Tax Credit Exchange Program allows developments who have been allocated tax credits in 2007, 2008 and through September 2009 to return their credits and potentially receive a cash grant in its place.
- The 2007 and 2008 developments that have a legally binding tax credit carryover will have priority for the cash replacement in lieu of tax credits. The total amount available is based on:
  - 100% of the 2007 and 2008 regular allocation of 9% credits can be returned to the Treasury by the State for \$0.85 per credit; and
  - 40% of the 2009 regular 9% credits.
- Requests for Exchange for 2009 regular 9% credits will be distributed based on the applicants’ original selection score and a modified regional allocation formula.
- Changes to the regional allocation formula emphasize at risk and rural developments. At risk funding targets will increase to 20% from 15% and the funding targets for rural developments will increase to 40% from 20%. When insufficient funds exist to fully fund the next highest scoring urban development, the remaining cash will collapse to attempt to fund the next highest scoring rural development before collapsing statewide to fund the highest scoring development in the most under funded subregion as is typically done in the regular tax credit allocation.
- The State has chosen to only exchange awardees wanting to return and exchange their entire allocation of tax credits. In addition the State has chosen to limit the amount of cash grant to an eligible exchange awardee to the lesser of the gap of funds needed to make the transaction financially viable without any fee deferral or a price per returned credit of between \$0.77 and \$0.85. Incentives to target more households earning 30% or less of the area median income in addition to what had been previously proposed will receive a credit price based on the following:
  - If no more 30% units are provided the base of \$0.77 will be used;
  - If 10% more 30% units are included, a price ceiling of \$0.81 will be used; and,
  - If 20% more 30% units are provided, a price ceiling of \$0.85 will be used.
- In addition the Department will enter into the limited partnership agreement as a special limited partner, or have subordinate loan rights to participate in any residual cash flow or profit on the future sale of the property. The base residual split to the Department will be 20%; however, if 10% more 30% units are included, the residual split to the Department will be reduced to 15% and if 20% more 30% units are included, the residual split to the Department will be reduced to 10%.
- Developers who previously returned their 2007 or 2008 9% tax credit allocation or who received a Determination Notice in association with a tax exempt bond transaction in 2007, 2008 or 2009 are eligible for exchange grants; however, they will only receive an exchange award after all eligible requests from active 9% allocated developments have been funded.
- Those deals not awarded cash will be allowed to keep their credits and attempt to close their transaction traditionally or with the aid of the Texas Tax Credit Assistance Program (TCAP).