

# Investment Opportunities



## About Midlands Housing Trust Fund

The Midlands Housing Trust Fund (MHTF) is a state CDFI certified by the South Carolina Department of Commerce. Supporters who wish to make an investment or donation to MHTF should contact the Executive Director of the Midlands Housing Trust Fund, at (803) 764-3976.

For more information on the South Carolina Community Development Tax Credits, please visit: <http://sctaxlawyers.net/sc-community-development-tax-credits>

## SC Community Development Tax Credits

South Carolina provides a 33% credit against state tax liabilities to businesses, corporations, insurance companies, financial institutions, and individual donors for each dollar invested or donated to a certified Community Development Corporation (CDC) or Community Development Financial Institution (CDFI). This credit is commonly referred to as the community development tax credit.

The community development tax credit was enacted in 2000 and is available until June 30, 2020. A total of \$5 million in credits are available, and no more than \$1 million in credits can be awarded in a single year. A large portion of the credits remains available.

The tax credit provides unique benefits to community supporters and donations can be structured to best suit a donor's circumstances. Unlike most tax credits and deductions, which apply only to donations, a contribution to a CDC or CDFI can be structured as a donation or an investment.

Donations to a tax-exempt organization are deductible for federal income tax purposes. Since South Carolina generally follows federal income tax, a federal income tax deduction also has the effect of reducing South Carolina taxable income. For example, if an individual is in the 39.6% federal tax bracket and 7% South Carolina tax bracket, a donation to a tax-exempt organization reduces taxable income by 46.6% and makes the effective cost to the donor of a donation 53.4% of the amount donated.

If a community supporter utilizes the community development tax credit they can receive a greater benefit than they would otherwise receive by simply deducting the amount of a donation for income tax purposes. If a credit is claimed for a donation to a CDFI then no income deduction can be claimed for South Carolina income tax purposes (the donor would still receive the federal income tax deduction). This is an acceptable trade off, however, since the 33% credit is more valuable than the South Carolina income tax deduction (the highest South Carolina income tax bracket is 7%). For example, a \$100 donation to a CDFI can offset \$33 of tax, while a \$100 donation to a regular tax-exempt organization can offset \$7 of tax.

**If someone loans a CDFI \$100,000 they would get an immediate \$33,333 tax credit, interest payments during the term of the loan, and a return of principal at maturity.**

A community supporter can also structure a contribution to a CDFI as an investment. For example, investments can be structured as a loan to a CDFI. The donor can receive an immediate tax credit for making the loan, interest payments on the loan, and ultimately a return of principal. This allows donors to make low interest loans to CDFIs while still earning an attractive rate of return. For example, if someone loans a CDFI \$100,000 they would get an immediate \$33,333 tax credit, interest payments during the term of the loan, and a return of principal at maturity.