

CONCLUSION: Although the Mississippi Home Corporation's criteria for scoring applications for the Low-Income Housing Tax Credit program includes experience points accounting for 21% to 29% of the total possible points, PEER determined that even developers with extensive experience incur major noncompliance violations. From 2018 to 2025, four developers—out of a total of 40 who submitted applications during that time—received an award 100% of the time. On average, applicants received awards for about half of the applications they submitted. PEER also determined that MHC's scoring documentation was not always accurate, reliable, or transparent.

What is the Mississippi Home Corporation?

MISS. CODE ANN. Section 43-33-704 (1972) created the Mississippi Home Corporation (MHC) in 1989, which was a continuation of the former Mississippi Housing Finance Corporation. MHC is a nine-member board, separate from the state, created to finance the acquisition, construction, and rehabilitation of single-family housing for people of low to moderate income.

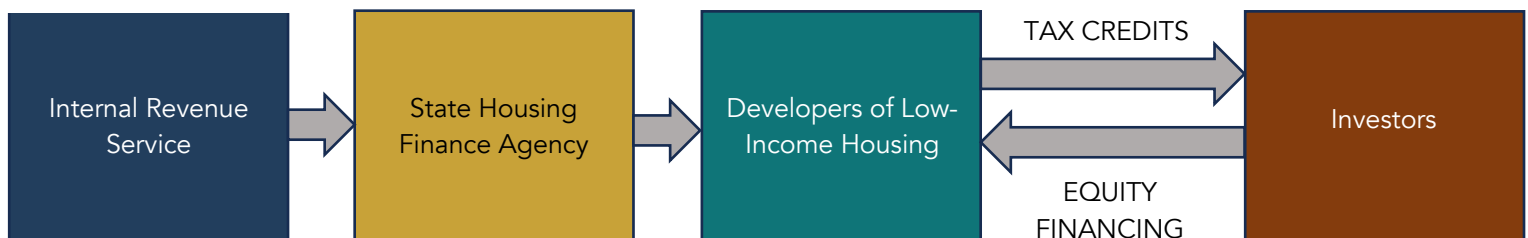
MHC administers programs for both individuals and developers. This report focuses only on MHC's administration of the Low-Income Housing Tax Credit (LIHTC) Program.

What is the Low-Income Housing Tax Credit (LIHTC) Program?

Section 42 of the Internal Revenue Code is the federal regulation governing the LIHTC program, allowing the IRS to award federal income-tax credits to developers or owners of residential properties in order to offset construction costs. In exchange, developers or owners reserve a certain fraction of units to be rent restricted for lower-income households. The LIHTC program allows developers of such property a dollar-for-dollar reduction in their federal taxes over a ten-year period. The LIHTC program has strict rent and household income restrictions.

How does the LIHTC program work?

The IRS allocates an annual LIHTC amount to each state based on the state's population. MHC, as the state's housing finance agency, carries out the administration of the LIHTC program in Mississippi. Developers that are awarded credits convert the credits into equity by selling them to investors, such as financial institutions. The equity that is raised reduces the amount of debt and other funding that the developer would otherwise require.



What are the different types of tax credits?

There are two different types of LIHTC programs: Under the 4% program, investors can claim 4% of their investment as a tax credit each year as long as 25% of the project is funded with tax-exempt bonds. There are minimum scoring requirements and it is not competitive. Under the 9% program, investors can claim 9% of their investment as a tax credit each year. This is a competitive program. This report looks only at the 9% tax credit program.

How does MHC award tax credits?

Section 42 of the Internal Revenue Code requires MHC to award at least 10% of its federal allocation to nonprofit entities. MHC has three other set-aside categories. Specifically, MHC awards 25% of its allocation to smaller credit amount developers; and then awards the remainder of its allocation to rehabilitation projects and new construction projects. From 2023 through 2025, MHC received \$27.4 million in federal allocations and awarded \$22.6 million in tax credits to 33 applicants.

Key Findings

- **Experience accounts for approximately 21% to 29% of the total possible points available for an application for the LIHTC program in Mississippi depending on the year.**
From 2021 through 2025, an applicant could earn up to 33 points for experience out of a total of 114 to 157 points, depending on the year.
- **On average, applicants received awards for about half of the applications they submitted.**
From 2018 through 2025, MHC received 216 applications from 40 different developers. Only four of those developers received an award 100% of the time over the eight-year period. Three of the four submitted a single application and received a single award. The remaining developer submitted two applications and received two awards.
- **Even developers with extensive experience incur major noncompliance violations.**
From 2022 through 2025, nine applications out of 108 submitted were disqualified for major noncompliance violations. Each of those nine applications were submitted by applicants who had previously been awarded multiple tax credits by MHC.
- **MHC's scoring documentation was not always accurate, reliable, or transparent.**
PEER identified examples of inaccuracies on scoring sheets. MHC staff stated that the scoring sheets were not always filled out properly but that the scores on the sheets were correct. In addition, the final score awarded to an applicant from which tax credit awards were based did not always match the scores indicated on the scoring sheet. MHC staff stated that the differing final scores were the result of appeals made by the applicants in which MHC revised the applicant's final score. When this happens, the original score sheet is not revised. These inaccuracies in documentation make it difficult to audit MHC's LIHTC program. There should be a single final scoring sheet that includes any necessary evidence which supports any applicable revisions made by MHC in determination of a final score for the consideration of a tax credit award.

Does experience matter?

MHC awards points to applicants based on certain criteria, including experience. From 2021 to 2025, an applicant could earn up to 33 experience points, accounting for 21% to 29% of the total points possible depending on the year. Between 2022 and 2025, PEER identified four instances where applicants' total scores would have changed if experience were not a factor in scoring.

What do other states do?

Some states have programs to assist first-time applicants. For example, Indiana and Ohio require an experienced co-signing developer on the project; Indiana and Michigan allocate credits for first-time developers; and Indiana and Wisconsin provide extra points for first-time applicants.

Summary of Report Recommendations

1. Considering experienced developers have been disqualified for major noncompliance violations and that experience does not always determine success, MHC should consider the following options related to experience points when determining awards for its LIHTC program:
 - a. remove experience points from its selection criteria and scoring process;
 - b. reduce the weight of experience in its selection criteria and scoring process;
 - c. provide a set-aside category for emerging developers as it does with its small credit amount, rehabilitation, and new-construction categories; or,
 - d. provide an alternative pathway by which emerging developers may competitively seek tax credits through MHC's 9% program.
2. MHC should maintain accurate, reliable, and transparent documentation of the scoring process such that the scores on its score sheets match how it is filled out and that instances of score adjustments resulting from appeals is properly documented on the score sheet.