

Florida & Alabama Annual Brownfields Conference 2022 **2X**

Virtual Conference Oct 26-27, 2021 - In-Person Conference April 24-27, 2022

Recognizing Rehabilitation Resources: Four Steps to Renewed Interest in Your Real Estate

Certificate 'VCTC' Transfers

Voluntary Cleanup Tax Credits

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Clocktower Tax Credits



Florida VCTC Program Highlights

- ▶ Program inception: 1998
 - ▶ Administered by the Florida Department of Environmental Protection
 - ▶ Monitored by the Department of Revenue
- ▶ Amounts:
 - ▶ Yearly Program Cap = initially set at \$2million → \$5million → NOW \$10million/year
 - ▶ 2021 state funded backlog from 2019 in the amount of \$27.5 million
 - ▶ Awards capped at \$500,000 annually per site per year
 - ▶ Plus 25% of total cleanup costs up to \$500,000 in final year of cleanup (SRCO) & bonuses
- ▶ Credit can offset only corporate income tax liability
- ▶ **TRAN\$FERABLE = Yes, you can \$ell them!**
 - ▶ 1X - 5 year carryforward

Why and When would you sell a tax credit?

- ▶ Why sell?
 - ▶ Project owner cannot utilize the credit
 - ▶ Source of capital for project owner
- ▶ When to start the process?
 - ▶ Contract prior to or at issuance
 - ▶ Payment upon transfer
- ▶ Who buys VCTC's and Why?
 - ▶ Corporations who do business in Florida
 - ▶ Save money on state tax liability
 - ▶ Manage effective tax rate and Improve cash flow
 - ▶ Enhance corporate image and/or support social initiatives
 - ▶ Fulfills banking CRA requirements - Community Reinvestment ACT

Tax Credit Universe

Federal

State

Credits Based on Core Business: Tax Deductions

- Earned Income
- Child Care
- Research & Development

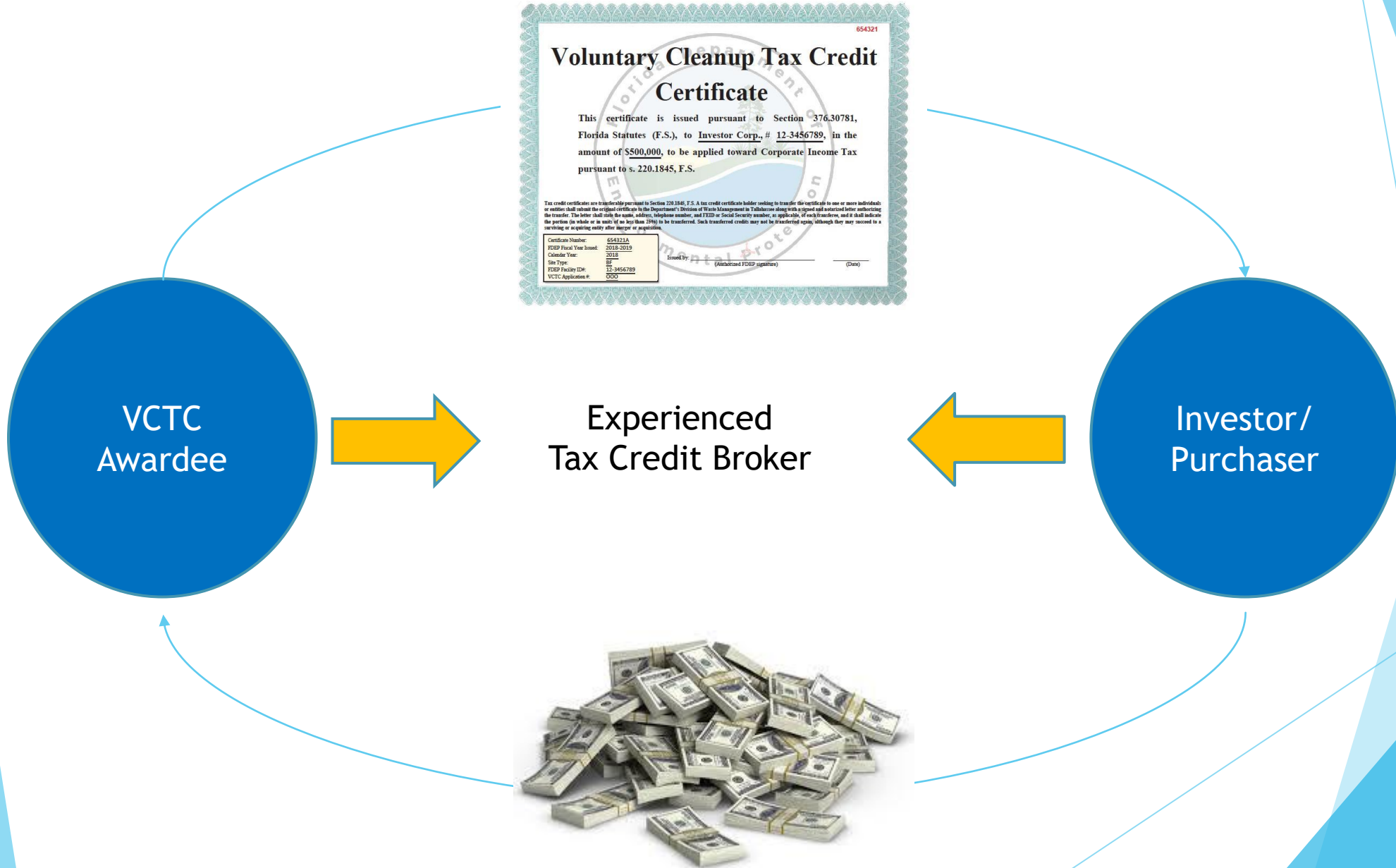
- Job Creation
- Payroll
- Research & Development

Investment Based Credits: Available Through a Broker

- Affordable Housing
- Historic Redevelopment
- Economic Development

- Affordable Housing
- Historic Redevelopment
 - Alabama \$20MM/year
 - Florida- proposed leg.
- Economic Development
- Film & Media Production
- **BROWNFIELDS-Florida**

Florida VCTC Sale Cycle



Elements of Florida VCTC \$ale/Transfer

- ▶ Engagement Agreement with Broker
- ▶ Purchase Agreement with Investor
 - ▶ Due Diligence
 - ▶ Approval Letter/Certificate
 - ▶ Application with Technical, CPA and Applicant Certifications
- ▶ Purchase Agreement Indemnification
 - ▶ The Department may revoke or modify this written decision granting eligibility for tax credits under Section 376.30781, F.S., if it is discovered that the tax credit applicant submitted any false statement, representation, or certification in any application, record, report, plan, or other document filed in an attempt to receive tax credits. If the Department modifies or revises this order, it shall immediately notify the Department of Revenue.
- ▶ FSAA Letters for Transferees - per the Chief, Bureau of Auditing under the Office of Chief Financial Officer Jimmy Patronis
 - ▶ The FDEP Single Audit does not apply to the secondary market for the buying and selling of credits

Suggestions for Enhancement to the VCTC program

- ▶ Increase funding to greater than \$10 million/year
 - ▶ Oversubscription is now common occurrence
- ▶ Transferee utilization
 - ▶ Offset premium tax liability and/or sales/use tax
 - ▶ Open program to more investors
- ▶ Rolling release of credits by FDEP
 - ▶ Ease burden of concentrated administration for all parties; Developers, DEP and facilitators

Questions

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