

Exemption Administration Manual - Part 2 Multiple Dwellings

Section 4.07 - PHFL Section 556

Limited-Dividend Housing Companies or Limited-Profit Housing Companies (Property purchased or leased from a municipality or a municipal housing authority)

PHFL Section 556

Exemption Code(s): Limited-dividend housing company 4854_
Limited-profit housing company 4865_

Year Originally Enacted: 1961

Related Statutes: Pub Hsng L §58

SUMMARY: If allowed by local option, this exemption applies to four different types of property:

1. property that is sold by a municipality or a municipal housing authority (MHA) to a limited-dividend housing company and used for housing for low-income or moderate-income persons;
2. property that is leased to a limited-dividend housing company by a municipality or an MHA and used for housing for low-income or moderate-income persons;
3. property that (a) was owned by a municipality or an MHA, (b) is included in a housing project which was financed or aided by the municipality, (c) is now owned by a limited-profit (Mitchell-Lama) mutual (co-op) housing company, and (d) is used for housing for low-income or middle-income persons;
4. property that (a) is owned by a municipality or an MHA, (b) is included in a housing project which was financed or aided by the municipality, (c) is leased to a limited-profit (Mitchell-Lama) mutual (co-op) housing company, (d) is used for housing for low-income or middle-income persons.

Such property is exempt from taxation to the extent provided by the local option, subject to minimum limits on taxes payable as described under Limitations on Exemption below. Duration of the exemption is limited, and the property is liable for special ad valorem levies and special assessments.

A. ELIGIBILITY REQUIREMENTS:

1. **Ownership Requirements:** Property must be (1) owned by a limited-dividend housing company which purchased the property from a municipality or an MHA, (2) leased by a limited-dividend housing company from a municipality or an MHA, (3)(a) owned by a limited-profit (Mitchell-Lama) mutual (co-op) housing company which purchased the property from a municipality or an MHA and (b) included in a housing project which was financed or aided by the municipality, or (4)(a) leased to a limited-profit (Mitchell-Lama) mutual (co-op) housing company by a municipality or an MHA and (b) included in a housing project which was financed or aided by the municipality. The specific organizational requirements are as follows:

Limited-dividend housing company organized between 5/10/26 and 6/30/39 under State Housing Law of 1926:

Laws under which incorporation required: L. 1926, ch. 823 (State Housing Law - repealed effective 7/1/39).

Restrictions on corporate purposes or activities as stated in certificate of incorporation: (1) Company must be organized exclusively to acquire, construct, maintain, and operate housing projects authorized by the State Board of Housing or other appropriate state authority and (2) no stockholder of the corporation may receive, in repayment of his investment, any sum in excess of the par value of the stock, together with cumulative dividends at the rate of 6% per year.

Limited-dividend housing company (other):

Laws under which incorporation required: PHFL Article 4.

Restrictions on corporate purposes or activities as stated in certificate of incorporation: (1) Company must be organized exclusively to acquire, construct, maintain, and operate housing projects subject to the supervision of the State Commissioner of Housing or other state authority and (2) no stockholder of the company may receive, in repayment of his investment or interest in the company's capital, any sum in excess of the par value of the

stock, or the amount of his contribution to or beneficial interest in capital, together with cumulative distributions on capital at the rate of 6% per year.

Limited-profit (Mitchell-Lama) housing company (co-op):

Laws under which incorporation required: PHFL Article 2.

Restrictions on corporate purposes or activities as stated in certificate of incorporation: (1) Company must be organized to plan, acquire, construct, own, maintain, and operate housing projects subject to the supervision of the State Commissioner of Housing or other appropriate agency, (2) no director or subscriber of company may receive, in repayment of his investment in the company's stock, any sum in excess of the par value of the stock, together with such dividends or other compensation permitted under PHFL Article 2, and (3) company's housing projects must, to the extent of at least 80%, be occupied by persons or families entitled to occupancy through ownership of shares in the company.

2. **Property Location Requirements:** None.
3. **Property Use Requirements:** Property owned by or leased to a limited-dividend housing company must be used for housing for low-income or moderate-income persons or families, while the property owned by or leased to a limited-profit (Mitchell-Lama) mutual (co-op) housing company must be used for low-income or middle-income persons or families. For a description of the income limits for low-income persons, see Chart ID, PHFL Article 2, 31, and Article 4, §85-a. The statute sets no limits on the incomes of moderate-income or middle-income persons.
4. **Certification by State or Local Government:** None required.
5. **Required Construction Start Date or Other Time Requirement:** None.

B. **LOCAL OPTION:** Yes – Each county, city, town, and village in which the property is located may choose (1) whether or not to allow the exemption for each project and (2) whether to allow exemption of all or part of the value of the project.

C. **LIMITATION ON EXEMPTION:**

	General Municipal Taxes	School District Taxes	Special Ad Valorem Tax	Special Assessments
1. Amount	Local option may limit*	Local option may limit*	No exemption allowed	No exemption allowed
2. Duration	Yes**	Yes**	No exemption allowed	No exemption allowed
3. Taxing Jurisdiction				
a. County or County Special Districts	Ex***	NA	Tax	Tax
b. City	Ex***	NA	NA	Tax
c. Town or Town Special District	Ex***	NA	Tax	Tax
d. Village	Ex***	NA	NA	Tax
e. School District	NA	Ex***	NA	NA
	Ex-Exempt	Tax-Taxable	NA-Not Applicable	

* In addition, in the case of property that is leased or was formerly owned by an MHA, taxes paid must not be less than the amount which the MHA would have been required to pay had it not sold or leased the property.

**Duration of the exemption is limited to the period during which (1) the capital loans of the housing company are outstanding, (2) in a lease situation, the obligations of the municipality or MHA to the government granting assistance continue, or (3) the housing project is repossessed by the municipality or MHA.

After the tax exemption period has expired, any project that received this exemption may be granted an additional tax exemption period of up to 50 years, or until such time as the project no longer complies with the operating requirements of the Mitchell-Lama Program, whichever is sooner.

*** If allowed by local option.

D. **PAYMENTS IN LIEU OF TAXES:** None required.

E. **CALCULATION OF EXEMPTION:**

1. **General Municipal and School District Taxes:** % of assessed value allowed by local option (subject to minimum limits on taxes payable as described under Limitations on Exemption above.)
 2. **Special Ad Valorem Levies and Special Assessments:** No exemption allowed.
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F. **CODING OF EXEMPTION ON ASSESSMENT ROLL:**

<u>Code</u>	<u>Description of Alternative Codes Possible</u>
4854	Limited-dividend housing company
4865	Limited-profit housing company

Assessment Roll Section(s): Taxable (ARLM Section 1).

NOTE: These codes should not be used to identify property that is exempt under any of the statutes listed under Similar Exemptions below.

G. **FILING REQUIREMENTS (Owner or Occupant of Property):** None.

H. **REPORTING REQUIREMENTS (Assessor):** None.

I. **SIMILAR EXEMPTIONS:** See [Chart IA](#) and [Chart IB](#).

| [Top of Page](#) | | [Table of Contents](#) | | [Next Page](#) |

| [Assessors' Manual](#) | | [ORPS Home Page](#) |

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