



County Technical Assistance Service

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Low Cost Housing for Elderly Persons

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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Low Cost Housing for Elderly Persons

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Property of Tennessee nonprofit corporations which is used for the permanent housing of low income persons with disabilities, or low income elderly or handicapped persons, is exempt in accordance with T.C.A. § 67-5-207. The property must be financed by a grant under § 811 or § 211 of the National Affordable Housing Act (42 U.S.C. §§ 8013, 12741) or the McKinney-Vento Homeless Assistance Act (42 U.S.C. § 11301 et seq.), or be financed or refinanced by a loan made, insured, or guaranteed by a branch, department or agency of the United States government under § 515(b) or § 521 of the Housing Act of 1949 (42 U.S.C. §§ 1485(b) or 1490a), § 202 of the Housing Act of 1959 (12 U.S.C. § 1701q), §§ 221, 223, 231 or 236 of the National Housing Act (12 U.S.C. §§ 1715l, 1715v, or 1715z-1), or § 8 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974 (42 U.S.C. § 1437f). For the purposes of this section, a loan is considered to be guaranteed if the federal housing agency has consented to assignment of a housing assistance program contract as security for the loan. Eligibility for the exemption under these programs continues so long as there is an unpaid balance on the loan. Following payment of the loan in full, a property shall continue to be exempt from taxation so long as the project is restricted to use for elderly persons or persons with disabilities as defined in the programs. In the case of a property financed by a grant, eligibility for the exemption under these programs continues so long as the project is restricted to use for elderly persons or persons with disabilities as defined in the programs. The property must be used as below-cost housing for elderly or handicapped persons or persons with disabilities within the program definitions, who have incomes not in excess of limits established for the enumerated program by the department of housing and urban development (HUD). If a property was approved by HUD for participation in the program without specific low income guidelines, the property may nevertheless qualify for exemption on a pro rata basis if at least 50 percent of the residents (low income residents) have incomes which would qualify under HUD guidelines for any of the enumerated programs. In such cases the property shall be exempt in the same percentage which low income residents represent of the total occupancy of the property at full capacity, determined as of January 1 each year, on the basis of information supplied to the assessor on or before April 20.¹

Also exempted under T.C.A. § 67-5-207 is the property of not-for-profit organizations funded under the HOME Investment Partnerships Program (42 U.S.C. § 12701 et seq.) or the state-funded Housing Opportunities Using State Encouragement (HOUSE) Program, and used as permanent housing for low income and very low income elderly, disabled or handicapped persons.² To qualify for an exemption, a not-for-profit corporation must first be exempt from federal income taxation by virtue of qualifying as an exempt charitable organization or as an exempt social welfare organization under the provisions of the Internal Revenue Code.³ Additional requirements are set forth in T.C.A. § 67-5-207(b)(1) - (5). Furthermore, all claims for exemption under T.C.A. § 67-5-207 are subject to the provisions of T.C.A. § 67-5-212(b) regarding exemptions for charitable institutions.⁴

Certain facilities permitted by federal statute in such housing projects are not exempt from property taxation. For example, under Department of Housing and Urban Development regulations, these housing projects may contain such facilities such as snack bars, craft shops, grocery stores, restaurants, and beauty shops, which are not considered charitable and therefore not exempt from taxation.⁵

In lieu of any taxes for which a property is granted exemption under T.C.A. § 67-5-207, the owners of projects which exceed 12 units must agree to make payments to any county, municipality, metropolitan government, or district for improvements, facilities or services rendered by the county, municipality, metropolitan government or district, but if no amount is agreed the payments shall be not less than twenty-five percent (25%) of the amount of tax that would be due if the project were not exempt. In no event may such payments be required from public housing authorities operating under *Tennessee Code Annotated* Title 13, Chapter 20.⁶

¹T.C.A. § 67-5-207(a)(1).

²T.C.A. § 67-5-207(d).

³T.C.A. § 67-5-207(b).

⁴T.C.A. § 67-5-207(c).

⁵Op. Tenn. Atty. Gen. 79-140 (February 22, 1979).

⁶T.C.A. § 67-5-207(a)(2).

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