

# **2014 Arizona Housing Forum**

## **Tax Reform, the LIHTC and the Future of Housing Policy: Federal Legislative Update**

# Agenda

- **Tax Reform**
- **9% & 4% Fixed LIHTC Extender**
- **Permanent Fix Rate Legislation**
- **The Role of Advocacy**
- **The Future**

# Tax Reform

To Dream the Impossible Dream



# The Chairman



**The Tax Reform Act of 2014**

### ***Specific Provisions Related to LIHTC***

***Allocation of basis:*** Under the provision, State and local housing authorities would allocate qualified basis, rather than credit amounts. The annual amount of allocable basis for each State would be equal to \$31.20 multiplied by the State's population, with a minimum annual amount of \$36,300,000.

***Credit period:*** Under the provision, the credit period would be extended from 10 years to 15 years to match the current 15-year compliance period.

***Repeals Recapture rules:*** Because the credit period would be aligned with the compliance period, the recapture rules would be repealed.

***Repeals 4% Credit:*** The 4-percent credit would be repealed.

***Credit amount:*** The 9-percent credit for newly constructed property and substantial rehabilitations would be retained. The amount of the credit would continue to equal the qualified basis in the qualified low-income building multiplied by the applicable percentage.

***Floating rate:*** The IRS would determine the applicable percentage generally for the month that the building is placed in service, which would be equal to the percentage that would yield over a 15-year period a credit amount that would have a present value equal to 70 percent of the qualified basis of the building.

***Repeals Basis boost for QCT's and DDA's:*** The increased basis rule for high-cost and difficult development areas would be repealed.

***Eliminates General Public Use:*** The general-public-use requirement would be revised to eliminate the special occupancy preference for members of specific groups. Only preferences for individuals with special needs and for veterans would remain.

***Eliminates Special preferences:*** The provision would repeal the requirement that States include in their low-income-housing selection criteria the energy efficiency of the project and the historic nature of the project.

# Where do we go from here?



## **ACTION Campaign Comments on the Tax Reform Act of 2014 Discussion Draft**

July 2014

On behalf of nearly 650 national, state and local businesses and organizations<sup>1</sup> dedicated to protecting and strengthening the Low-Income Housing Tax Credit (Housing Credit), the A Call To Invest in Our Neighborhoods (ACTION) Campaign commends House Ways and Means Chairman David Camp for preserving the Housing Credit in his tax reform discussion draft.

America is in the midst of an affordable housing crisis, and the need for quality affordable housing has never been more critical. According to Harvard's Joint Center for Housing Studies, there were only 3.3 million affordable and available rental homes for 11.5 million extremely low-income renters in 2012, creating an 8.2 million affordable home supply gap. We appreciate the Chairman's recognition that the Housing Credit is the nation's most effective tool to address this vast and growing housing need. Since its creation during the Reagan administration, the Housing Credit has financed more than 2.6 million quality affordable homes, currently producing or preserving nearly 90,000 – 95,000 more each year.

We also appreciate the Chairman's invitation to provide feedback on this discussion draft. While we are very pleased with the Chairman's support for the Housing Credit and the proposal to increase Housing Credit resources by 3 – 5 percent, the draft has proposed some changes that will make building and preserving affordable housing more difficult or even impossible. In particular, we are deeply concerned about the proposals to eliminate the 4 percent credit for the acquisition of affordable housing, to eliminate multifamily tax-exempt bonds, to lengthen the credit period from ten to fifteen years and to eliminate the basis boost. Below we have provided comments on behalf of the affordable housing industry related to each Housing Credit proposal, beginning with those of greatest concern.

<sup>1</sup> See a full list of ACTION Campaign members [here](#).

# The Senate



**Sen. Ron Wyden (D-OR)**



**Sen. Orrin Hatch (R-UT)**

- Hearings this summer examining tax incentives and how corporations are taxed.
- First steps in push for comprehensive tax reform.

# Then versus Now: Tax Reform Act of 1986



- Closing Tax Shelters raised \$36 billion
- Corporate taxes Increased \$120 billion
- Net equaled \$156 billion for individual tax cuts.

The Camp Proposal would dwarf 1986 Act with elimination of individual and corporate tax provisions estimated to raise \$5 trillion over 10 years with goal of lower individual and corporate tax rates.

# The Fixed 9% & 4% Credits

Here We Go Again

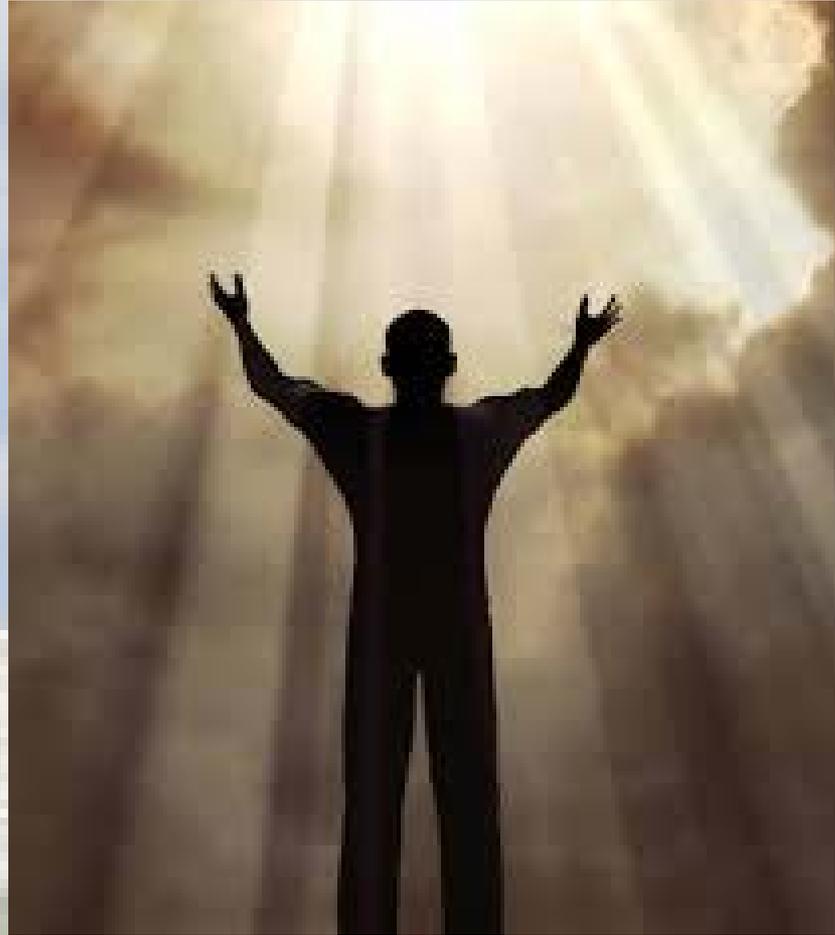


# 9% & 4% Fixed LIHTC

- Tax Extenders
  - Senate Finance passed bill including 9% & 4% LIHTC.
  - House Ways and Means focused permanence.
  - Extenders package w/ 9% fixed rate set for lame-duck.
- Permanent 9%/4% fix
  - Senate Bill introduced – S. 1442
  - House Bill introduced – H.R. 4717

# Advocacy

I'm A Believer



# Advocacy



## LOW-INCOME HOUSING TAX CREDIT IMPACTS IN ARIZONA



### A PROVEN JOB CREATOR

Every 1,000 affordable apartments developed using the Housing Credit supports 1,130 jobs for a year according to an economic impact model from the National Association of Home Builders (NAHB). This amounts to nearly 96,000 jobs supported by the Housing Credit annually, mostly in small businesses. In Arizona, Housing Credit development has supported 52,780 jobs.

### RUN BY STATES, VERSATILE IN SERVING LOCAL NEEDS

States administer the Housing Credit, which reduces federal costs substantially. They are also able to target Housing Credits towards target specific, local needs, such as housing for homeless veterans or people with disabilities, in urban, suburban and rural neighborhoods.

### THE NATION'S MOST SUCCESSFUL AFFORDABLE HOUSING PRODUCTION TOOL

Since its creation in 1986, the Housing Credit has provided financing for 2.6 million quality affordable apartments, producing or preserving 90,000 to 95,000 affordable apartments each year for America's hardworking families, veterans, people with special needs, seniors, teachers, nurses, firefighters and police. In Arizona, it has provided the financing for the development or rehabilitation of 46,708 homes between 1987 and 2012, according to the National Council of State Housing Agencies' 2012 Factbook.

### A CATALYST FOR PRIVATE INVESTMENT

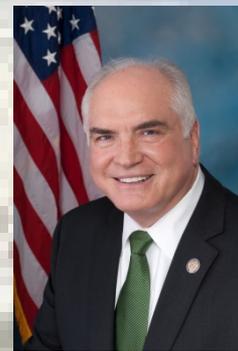
Over its history, the Housing Credit has leveraged nearly \$100 billion in equity capital. Housing Credit development also generates \$9.1 billion in local income and \$3.5 billion in federal, state and local tax revenues nationwide each year.

In Arizona alone, Housing Credit investment has led to a return of \$5.03 billion in local income and generated \$1.98 billion in tax revenues, according to estimates from NAHB.

### UNIQUELY ACCOUNTABLE

The Housing Credit is "pay-for-performance" – investors can claim credits only after properties are built and occupied by income-eligible residents at affordable rents. If properties fall out of compliance, credits can be recaptured, meaning private sector investors – not taxpayers – bear the financial risk. This private sector oversight has resulted in an extraordinarily low foreclosure rate of only 0.62 percent over the Housing Credit's history.

# Ways and Means Member Site Visits



# The Future



# The Next Congress

## Senate Finance Committee



Sen. Wyden  
(D-OR)



Sen. Hatch  
(R-UT)



Sen. Schumer  
(D-NY)



Sen. Crapo  
(R-ID)

## House Ways and Means Committee



Rep. Ryan (R-WI)



Rep. Levin (D-MI)



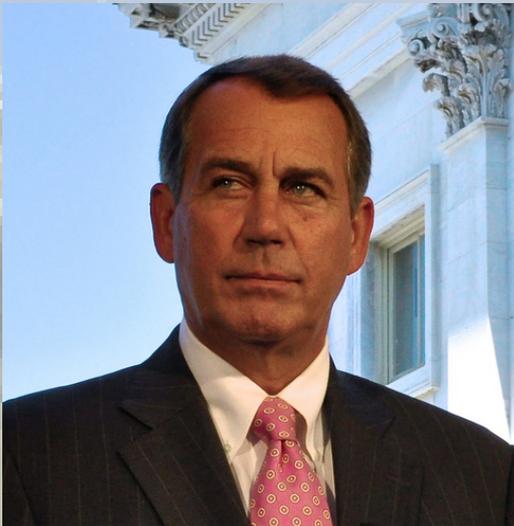
Rep. Hensarling (R-TX)



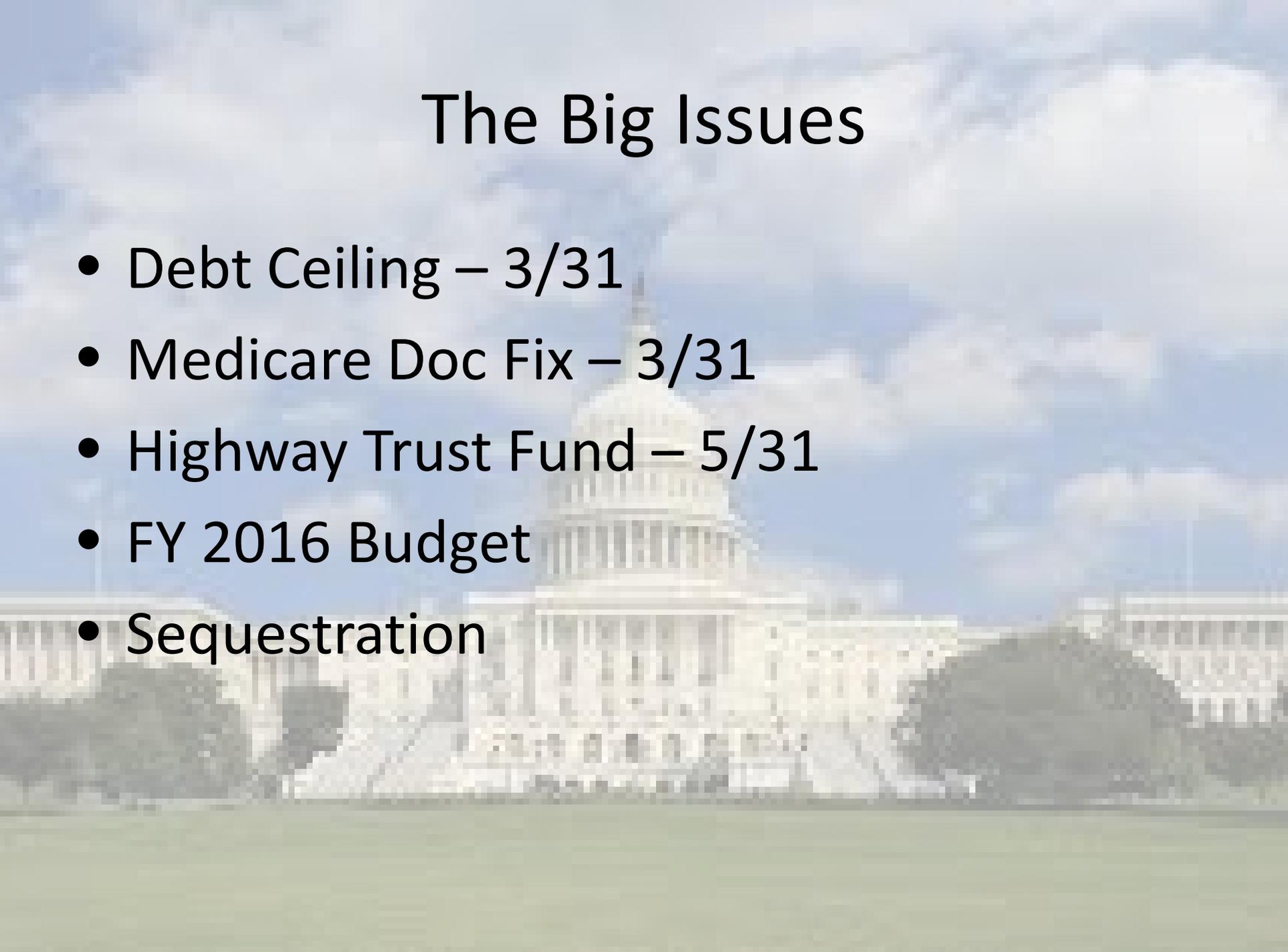
Rep. Waters (D-CA)

## House Financial Services Committee

# Can't We All Just Get Along?



# The Big Issues



- Debt Ceiling – 3/31
- Medicare Doc Fix – 3/31
- Highway Trust Fund – 5/31
- FY 2016 Budget
- Sequestration

# 2015 Housing Agenda

- Fixed Rate LIHTC
- Tax Reform
- Sequestration

## Potential Initiatives

- Income Averaging
- Cap Increase
- Converting Bond Volume Cap to LIHTC's
- ?

A photograph of the dome of the Massachusetts State House in Boston, viewed from a distance across a green lawn. The sky is blue with scattered white clouds. The dome is the central focus, with its white exterior and golden top. The building's wings extend to the left and right, partially obscured by trees and a fence in the foreground.

**Thank You!**  
**David Gasson**

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