

Tax Credit Reform Move Accelerates

With Congress about to begin debate on tax reform, an overhaul of the Low-Income Housing Tax Credit moves to center stage with the Senate Finance Committee taking the early lead.

Committee members focused on S 548, the proposed Affordable Housing Credit Improvements Act crafted by Sens. Maria Cantwell (D-WA) and Orrin Hatch (R-UT). The LIHTC program is a key element of the tax reform puzzle according to Sen. Ron Wyden (D-OR), the panel's ranking member, who called the lack of low-income housing a five-alarm fire across the country.

The Cantwell-Hatch proposal calls for a 50% cap increase in the LIHTC program phased in over five years. If adopted, the bill projects an additional 400,000 LIHTC-supported units over the next 10 years.

National Association of Home Builders Chairman Granger MacDonald tells the committee the NAHB estimates construction would increase federal tax revenue by \$11.6 billion and state and local revenues by \$5.6 billion.

"Fees, regulatory compliance, modern building and energy codes, building materials, land and labor costs determine whether a project is financially viable," MacDonald tells the committee. "If we want to provide affordable rental housing for lower-income households, we cannot do so without a subsidy."

The bill allows for income averaging at LIHTC developments. Now, LIHTC units are reserved for tenants earning no more than 60% of the area median income. The bill creates a new test allowing the 60% of the AMI ceiling to apply to the average of the units within a development. That would move the maximum income to qualify for an LIHTC apartment to 80% of the AMI.

Addressing the criticism of NIMBY opponents who object to low-income housing in high-income areas, MacDonald says, "In many higher-income areas as soon as you utter the word 'affordable,' the discussion often turns ugly and may take on racial overtones. This is the reality affordable housing developers face every day."

The measure would bar states from requiring special local approval of LIHTC developments. "This will ensure if the zoning allows it, an affordable project will be treated just like any other development," MacDonald adds.

Info: See S 548 at www.cdpublications.com/docs/9256

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