ACTION Campaign Applauds Proposal to Retain Low-Income Housing Tax Credit in Tax Reform Framework, Proposes Provisions to Increase its Efficacy

The undersigned businesses and organizations, representing over 2,000 national, state and local affordable housing stakeholders as part of the A Call To Invest in Our Neighborhoods (ACTION) Campaign, applaud Republican congressional and administration leadership for proposing to retain the Low-Income Housing Tax Credit (Housing Credit) in the “Unified Framework for Fixing Our Broken Tax Code.”

We also understand that negotiators intend to fully maintain the tax exemption on municipal bonds, including private activity tax-exempt multifamily Housing Bonds that provide financing to nearly half of all affordable housing financed by the Housing Credit. We strongly urge the tax-writing committees to include both the Housing Credit and multifamily Housing Bonds in the legislation they are developing.

President Reagan and the Congress showed remarkable foresight and creativity by creating the Housing Credit as part of the Tax Reform Act of 1986, and each successive Congress and administration has taken steps to extend and strengthen this critical development incentive. The Housing Credit is now our nation’s most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Coupled with Housing Bonds, the Housing Credit is responsible for nearly all of the affordable housing built and preserved in recent decades. It has financed over 3 million apartments since 1986, which have provided approximately 7 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

The Housing Credit is a model public-private partnership, bringing to bear private sector resources, market forces, and state-level administration. It incentivizes an activity that would not occur otherwise, and with greater efficiency by virtue of involving the private sector. We appreciate the recognition in the tax reform framework that the Housing Credit has “proven to be effective in promoting policy goals important in the American economy.” Its inclusion is a testament to the proven track record of the program and the need to address our nation’s vast and growing shortage of affordable housing.

As Congress begins the process of ensuring that “the tax code better reflects economic reality,” we encourage it to not only retain the Housing Credit, but to include the following provisions to strengthen and modernize our affordable housing delivery system:

Retain the Tax Exemption on Multifamily Housing Bonds

Nearly half of the affordable rental homes produced and preserved with the Housing Credit today are financed with the “4 percent” Housing Credit, which requires the use of multifamily Housing Bonds—a type of private activity municipal bond. The Housing Credit and Housing Bonds, used together, are especially integral to the preservation of existing affordable housing, which is an important policy goal that complements new construction. State utilization of private activity bond authority for Housing Bonds has increased substantially in recent years, underscoring the importance of this resource in state strategies to preserve and add to their affordable housing stock.

ACTION was very pleased to hear that administration and congressional negotiators support the tax-exemption for municipal bonds, including private activity Housing Bonds. We urge these negotiators and

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other lawmakers to ensure that any tax bill considered by the tax-writing committees fully maintains the tax exemption for multifamily private activity Housing Bonds.

**Enact the Affordable Housing Credit Improvement Act**

The Affordable Housing Credit Improvement Act, introduced by Senator Maria Cantwell (D-WA) and Senate Finance Committee Chairman Orrin Hatch (R-UT) in the Senate (S. 548), and by Representative Pat Tiberi (R-OH-12) and Ways and Means Committee Ranking Member Richard Neal (D-MA-1) in the House (H.R. 1661), includes provisions to modernize the Housing Credit and Housing Bonds by:

- Providing states with additional flexibility,
- Making the financing of affordable housing more predictable and streamlined,
- Facilitating Housing Credit development in challenging markets like rural and Native American communities,
- Increasing the Housing Credit’s ability to serve extremely low-income tenants, and
- Supporting the preservation of existing affordable housing.

The Senate version of the bill would also increase Housing Credit allocation authority by 50 percent, phased-in over five years, representing a significant step towards addressing our nation’s affordable housing needs. This legislation has the support of 21 Senators and over 100 Representatives on both sides of the aisle, including strong support among the Senate Finance and House Ways and Means Committee members. We encourage Congress to include this broadly supported legislation in any tax reform legislation they advance.

**Make Adjustments to the Housing Credit to Offset Other Changes in Tax Reform**

We also call on Congress to ensure that Housing Credit production and investment is not adversely impacted by a lower corporate tax rate and other changes Congress considers as part of tax reform. Depending on the specific changes to the tax system Congress eventually enacts, this may include:

- An additional allocation of credits,
- Changes to the discount formula, or
- Other modifications beyond those proposed in the Affordable Housing Credit Improvement Act.

Estimates from accounting firm Novogradac & Co. show that simply lowering the top corporate rate to 20 percent, absent modifications to protect the Housing Credit, would reduce investor equity pricing for the Housing Credit by 14 percent – an alarming decrease in the equity available for affordable housing production.

ACTION and its members stand ready to work with Congress to find a solution to ensure that the Housing Credit is not adversely impacted by other changes to the tax code.