



Housing Advisory Group



HOUSE WAYS & MEANS COMMITTEE APPROVED KATRINA HOUSING TAX RELIEF ACT OF 2007

On Wednesday, March 21, 2007, under the leadership of Chairman Charles B. Rangel and Ranking Republican Jim McCrery, the House Ways and Means Committee approved H.R. 1562, the "Katrina Housing Tax Relief Act of 2007," which would modify and extend several provisions of the "Gulf Opportunity Zone Act of 2005." The Gulf Opportunity Zone Act was passed in 2005 in order to facilitate rebuilding in the Gulf region impacted by Hurricanes Katrina, Rita, and Wilma. The Katrina Housing Tax Relief Act makes significant changes to eligibility requirements for low-income housing tax credits (LIHTC) and tax-exempt mortgage revenue bonds.

Specifically, the bill would modify the general LIHTC requirement that buildings be "placed-in-service" no later than the close of the second calendar year following the calendar year of the allocation, by extending the "placed-in-service" deadline until December 31, 2010, if such an allocation is made in 2006, 2007, or 2008. In addition, the bill would extend the "placed-in-service" date for the enhanced credit for "difficult development areas" provided under the LIHTC until December 31, 2010.

The bill would also allow developers to use the 70% present value or 9% credit with below market interest loans funded with Community Development Block Grant Funds ("CDBG funds") provided to the "Go Zones" states through a special HUD disaster waiver as they would be able to do so with regularly allocated CDBG funds (i.e., Community Development Block Grants will not be taken into account in determining if buildings are federally subsidized). Also, effective for owner-financing provided after the date of enactment of the bill and before January 1, 2011, the bill would modify certain requirements under the Mortgage Revenue Bonds program to allow homeowners to refinance existing mortgages in the case of homes that were substantially or totally demolished (i.e., generally, if the expenditures for such repair or reconstruction are 25 percent or more of the mortgagor's adjusted basis in the residence).

At this time, we do not know when the bill is expected to go to the House floor, but we will let you know as soon as more information becomes available. We also expect similar legislation to be introduced in the Senate.

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