



Housing Advisory Group



House Passes Katrina Housing Tax Relief Act of 2007

Extending housing tax breaks totaling \$237 million for the Gulf Coast's hurricane-affected areas, the House yesterday passed H.R. 1562, the "Katrina Housing Tax Relief Act of 2007," which modifies and extends several provisions of the "Gulf Opportunity Zone Act of 2005."

The Gulf Opportunity Zone Act passed in 2005 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.

Provisions of the bill include:

- Modifying 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.
- Extending the "placed-in-service" date for the enhanced credit for "difficult development areas" provided under the LIHTC until December 31, 2010.
- Increasing the usage of Gulf Opportunity Zone Bonds to refinance mortgages for hurricane-ravaged homes.

The bill will 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).

We will report to you shortly on when action on the legislation may be expected in the Senate.

HAG Contact Information :

[David Gasson](#)

Executive Director
(617) 624-8896

[Allison E. Marino](#)

Communications Associate
(617) 624-8678