



In the midst of all the debate on the financial sector rescue plan, we wanted to let you know about recent developments on legislation allocating additional low-income housing tax credits for areas hit hard by natural disasters. These provisions are tied up in an interesting stand-off between the House and Senate that has nothing to do with the low-income housing tax credit itself.

Overview

The House and Senate recently passed separate disaster relief packages that take different approaches for how to deliver appropriate relief.

The Senate bill, passed on September 23 as part of a larger tax package, largely follows the approach taken in the past of seeking targeted benefits for disaster victims in the weeks/months following the event. It provides disaster relief targeted to ten states affected by Midwestern flooding and storms, and to five counties/parishes in Texas and Louisiana hit by Hurricane Ike. There also is some additional relief that is not region-specific for victims of federally-declared disasters.

- Under the Midwestern Disaster Area portion of the Senate package, states are allowed to allocate volumes of additional low-income housing tax credit amounts in years 2008, 2009, 2010 of \$8 per person in the Midwestern Disaster Area. This is measured by population data issued before the earliest applicable disaster date for Midwestern Disaster Areas within the applicable state. The bill also includes additional allocation in years 2008, 2009, 2010 of \$16 per person for certain Texas and Louisiana counties or parishes hit by Ike. The per person allocation is based on the populations of Brazoria, Chambers, Galveston, Jefferson, and Orange counties in Texas and Calcasieu and Cameron parishes in Louisiana.

The House bill, passed on September 24, takes an approach that provides a national pool of disaster relief that could be used by anyone affected by a federally declared disaster area for disasters occurring after December 31, 2007 and before January 1, 2012.

- The bill provides additional allocation for the low-income housing tax credit that is capped at \$190 million and is available only to states which include a disaster area. Allocations are made by the Secretary of Treasury after consultation with the Director of FEMA, and a state must apply to be eligible. Allocations must be made ratably over the four-year period (2008-2011) unless the Secretary determines that a different allocation is warranted by the severity or frequency of federally declared disasters in the period. The Secretary is to give priority to housing loss disaster areas but may also provide allocations with respect to other buildings in the disaster area but outside of the housing loss disaster areas. The bill sets out criteria for determining a housing loss disaster area.

Outlook

Reconciling the overall disaster packages will be challenging because of the differing approaches and because of issues unrelated to disaster relief itself.

The Senate disaster provisions are part of a larger bill that includes a “patch” to keep additional families from being hit by the Alternative Minimum Tax, energy tax provisions, and extensions of tax provisions that have already expired or will expire at the end of the year. Senate Republicans and Democrats argued over whether to keep the package revenue neutral and finally negotiated an agreement to partially pay for the bill. The Senate has warned the House not to change any provision in the bill and to pass it as is.

House Democrats, on the other hand, have insisted that the extensions of expired provisions be fully offset while conceding that the AMT patch or disaster relief bills would not have to be paid for. As a result, the House separated the issues into three bills giving the Senate the opportunity to pass the AMT patch and disaster bills and to accept or reject the extenders bill if it doesn’t want to pay for it. The disaster relief package passed the House by a vote of 419-4.

The Senate indicates it will not consider these separate bills because its combined package was carefully negotiated on a bipartisan basis. The House Democrats are insistent that they will not accept the Senate package because the extensions of expiring provisions are not paid for.

There are few days remaining in this Congress. It is possible the House, in the last hours of the session, will accept the Senate’s “take it or leave it” offer. It also is possible that the House will stick to its guns and refuse to consider the Senate bill.

The situation is fluid and far overshadowed by the attention being given to the financial rescue bill. We will keep you posted on developments.

HAG Contact Information:

[David Gasson](#), Executive Director
(617) 624-8896

[Allison E. Marino](#), Communications Associate
(617) 624-8678