



House Hearing on LIHTC and HUD Programs

On May 24, 2007, the House Ways and Means Subcommittee on Select Revenue Measures held a hearing on tax incentives for affordable housing, specifically focusing on the low-income housing tax credit (LIHTC), the rehabilitation tax credit, and tax-exempt bond programs. Among the members who attended the hearing were Subcommittee Chairman Neal (D-MA), Subcommittee Ranking Member English (R-PA), Congressman McDermott (D-WA), Congressman Thompson (D-CA), Congressman Larson (D-CT), Congressman Blumenauer (D-OR), Congresswoman Schwartz (D-PA), Congressman Ramstad (R-MN), and Congressman Ryan (R-WI). The Subcommittee heard from an official from the U.S. Department of Treasury, Michael J. Desmond, Tax Legislative Counsel, an official from the U.S. Department of Housing and Urban Development (HUD), Orlando J. Cabrera, Assistant Secretary, Office of Public and Indian Housing, three state housing agency representatives, and five affordable housing industry experts, including Jeffrey H. Goldstein, Executive Vice President and COO, Director of Real Estate, of Boston Capital. ([Click here to read Jeff's written testimony.](#))

The hearing focused on ways to simplify the LIHTC program and to improve the effectiveness of the program. There was remarkable consistency in the witnesses' testimonies, each noting the successes of the LIHTC program and each touching on specific issues in the program that could be improved upon or revised to ensure a more efficient and successful program. Some of the specific issues and suggestions that received an extensive amount of coverage included the increasing operating and land costs and stagnant rents, specifically addressing the inaccuracies in the utility allowance calculations, the need to conform inconsistent rules, eliminating uncertainty by fixing the LIHTC percentages at 4- and 9-percent, and exempting individual and corporate AMT.

The hearing was the first positive hearing that has been held on the low-income housing tax credit in over a decade and was highly encouraging.

Interestingly, much attention was given to green energy issues, with Congressman Earl Blumenauer (D-OR) asking many questions regarding green energy and ways to incentivize energy efficient projects and "green building" within affordable housing. In addition, Michael Desmond mentioned that the Treasury Department plans to issue proposed regulations later this year that would permit more accurate utility allowance calculations and proposed regulations that would provide guidance concerning the circumstances in which a taxpayer is allowed to discontinue operating an LIHTC building as low-income housing, and which will define a qualified contract for these purposes.

On other positive fronts, last week the Senate passed H.R. 1675, the Preservation Approval Process Improvement Act of 2007, by Unanimous Consent. H.R. 1675 addresses concerns with the U.S. Department of Housing and Urban Development (HUD) Form 2530, Previous Participation Certificates, by exempting limited liability corporate investors from being required to file Form 2530 and by permitting paper filings from those required to file until HUD revises its regulations for filing using the Automated Partners Performance System (APPS). The bill previously passed in the House of Representatives on April 24, and will now be sent to the President for signature. In addition, last week Congress also passed the Supplemental Spending Bill, which also will now be sent to the President for signature. The Supplemental Spending Bill contains provisions related to the use of LIHTCs in the Gulf Opportunity Zones (GO Zones), extending until December 31, 2010 the placed-in-service deadlines for properties that received LIHTCs in 2006, 2007, or 2008, in the GO Zone, the Rita GO Zone, and the Wilma GO Zone, extending until December 31, 2010 the period for treating Go Zones as "Difficult Development Areas," and allowing properties placed in service by December 31, 2010 to use "disaster relief" Community Development Block Grant (CDBG) funds with 9-percent credits.

The low-income housing tax credit program and other affordable housing programs are receiving much attention from this Congress, and we are anticipating continued positive efforts on this front and look forward to seeing the end product of these efforts, which we will hopefully see in the not-too-distant future. We look forward to discussing these new developments with you at our annual meeting on June 5, 2007.

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