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HOUSING AND DEVELOPMENT REPORTER

HDR CURRENT DEVELOPMENTS

in Housing, Community Development, Finance and Taxation

JULY 12, 1999 Vol. 27, No. 10

Johnson Introduces Tax Credit Reform Bill; Prospects Improve For Credit, Bond Cap Increases

By Samuel F. Hankin

Ending the long wait for proposed changes to the low-income housing tax credit program, Rep. Nancy Johnson (R-Conn.) introduced her program reform bill (H.R. 2400) on June 30. The bill tightens housing finance agency allocation and inspection requirements, but provides developers with relief under the 10 percent expenditure test for carryover allocations and lightens the tax load for individual investors.

Meanwhile, support in the House and Senate for a 40 percent increase in the tax credit per capita cap to $1.75 and an acceleration of graduated bond cap increases is growing, boosting chances that these provisions will appear in an overall tax relief package, despite their omission from House Ways and Means Committee Chairman Bill Archer's (R-Texas) framework for tax legislation.

While Archer's framework doesn't include any specific housing or real estate provisions, he did say any capital gains relief would be retroactive to July 1, 1999.

Johnson's proposals contained few surprises. The bill would codify recommendations by the Ways and Means oversight subcommittee and the General Accounting Office (GAO) to streamline the tax credit program.

As promised, Johnson incorporated some parts of the reform measure she introduced last year (H.R. 3290), but dropped provisions relating to a cap on agency administrative fees and penalties for overallocations of tax credits. *(For background, see Current Developments, Vol. 25, p. 673.)*

Changes in Bill

The most notable change from the prior bill would make it easier to meet the 10 percent expenditure test for carryover allocations. Currently, developers must meet the 10 percent test by the end of the year in which credits are allocated.

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LIHTC

H. R. 2400, The Affordable Housing Improvement Act of 1999
Introduced by Congresswoman Nancy Johnson

Section-by-Section Description

This legislation would make a number of miscellaneous changes to improve the operation of the Low-Income Housing Tax Credit program. Some of these changes reflect the recommendations of the Oversight Subcommittee in its report to the Chairman in 1997.

Section 1. Short Title; Amendment of 1986 Code. This Act may be cited as the "Affordable Housing Improvement Act of 1999".

Section 2. Modification of Criteria for Allocating Housing Credits Among Projects. Subsection (a) modifies the selection criteria that allocating agencies must use in devising their qualified allocation plans. Three selection criteria are added and one is deleted. Selection criteria added include: 1) whether the project includes the use of existing housing as part of a community revitalization plan; 2) tenant populations of individuals with children; and 3) projects intended for eventual tenant ownership. The selection criteria deleted is: 1) participation of local tax-exempt organizations.

These changes are intended to modify the criteria an allocation agency must use in devising its qualified allocation plan to require the agency to take into account criteria that it may not now be considering including the treatment of families with children and potential tenant ownership.

Subsection (b) adds a preference to qualified allocation plans for projects which are located in qualified census tracts the development of which contributes to a concerted community development revitalization plan. with rural and urban areas

consistent w/ [illegible]

This change is intended to encourage greater utilization of the Housing Credit as part of local public-private partnerships to revitalize entire communities. It recognizes the value of this program not only in providing affordable housing, but in helping to rebuild communities. This new preference is in addition to existing preferences for projects which are targeted to the lowest income tenants and projects which serve qualified tenants for the longest periods of time.

Section 3. Additional Responsibilities of Housing Credit Agencies. Subsection (a) requires that prior to a Housing Credit allocation, the need for affordable housing in a particular area be supported by a comprehensive market study. The study is to be prepared by a neutral party, commissioned by the developer and approved by the allocating agency. This change is intended to ensure that projects not only meet the housing needs of the state but are needed in a particular location. In addition, a

Council of state hsg agencies proposed program for revitalization requirement is added that the allocating agency provide a written explanation to the public for any allocations which are made not in accordance with the established priorities and selection criteria developed by the agency. Subsection (b) requires allocating agencies to include in their qualified allocation plans a requirement for regular site visits to properties to monitor enforcement of habitability standards.

Section 4. Modifications to Rules Relating to Basis of Building Which is Eligible for Credit. Subsection (a) modifies the rule under which projects located in "high cost areas" are eligible to claim a credit up to 130% of the value of the normal credit. Under this change, projects which receive HOME funds would be eligible for the higher credit amount. The purpose of this change is to remove an impediment to the most difficult developments that utilize HOME funds, putting such projects in the same position as projects which use other federal assistance programs.

Subsection (b) modifies a rule that excludes from eligible basis common areas of a building that are used by individuals who are not tenants. This change would permit common areas in buildings located within qualified census tracts to be part of eligible basis so long as the space is designed to be used by individuals who otherwise meet the income targeting requirements of the program. This is intended to increase the availability of community facilities in low-income neighborhoods which currently have a shortage of space for such activities as Head Start, child care, and support services for seniors.

Only in QCT area

Section 5. Other Modifications

Subsection (a) amends the individual alternative minimum tax to permit housing credits to be used to reduce minimum tax liability. In general, under current law, tax credits may not be used to reduce AMT liability. This change is intended to permit individuals to obtain the tax benefits they expected to receive when they invested in the Housing Credit, notwithstanding the later application of the AMT to the taxpayer. This should increase the size of the individual market for Housing Credits. Subsection (b) modifies the 10% rule of current law which requires the expenditure of at least 10% of development costs by the end of the calendar year in which a credit allocation is made. This provision would apply that in the case of allocations made after July 1, the developer has 6 months from the allocation date to incur the 10% expenditure. Subsection (c) modifies the definition of "high cost areas" for which projects are eligible to claim a credit up to 130% of the value of the normal credit. For purposes of qualifying for the higher credit, the term "qualified census tracts" would be modified to also include tracts which have a poverty rate of at least 25%. This would have the effect of including more rural areas within the qualified census tract definition, facilitating development of affordable housing in such areas.

106TH CONGRESS
1ST SESSION

H. R. 2400

To amend the Internal Revenue Code of 1986 to modify the low-income housing credit.

IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1999

Mrs. JOHNSON of Connecticut introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To amend the Internal Revenue Code of 1986 to modify the low-income housing credit.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Affordable Housing Improvement Act of 1999".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

(a) SELECTION CRITERIA.—Subparagraph (C) of section 42(m)(1) (relating to certain selection criteria must be used) is amended—

(1) by inserting ", including whether the project includes the use of existing housing as part of a community revitalization plan" before the comma at the end of clause (iii), and

(2) by striking clauses (v), (vi), and (vii) and inserting the following new clauses:

"(v) tenant populations with special housing needs,

"(vi) public housing waiting lists,

"(vii) tenant populations of individuals with children, and

"(viii) projects intended for eventual tenant ownership."

(b) PREFERENCE FOR COMMUNITY REVITALIZATION PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause (ii) of section 42(m)(1)(B) is amended by striking "and" at the end of subclause (I), by adding "and" at the end of subclause (II), and by inserting after subclause (II) the following new subclause:

"(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan,".

SEC. 3. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

(a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—Subparagraph (A) of section 42(m)(1) (relating to responsibilities of housing credit agencies) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting a comma, and by adding at the end the following new clauses:

"(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the building is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and "(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.".

(b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (relating to qualified allocation plan) is amended by inserting before the period "and in monitoring for noncompliance with habitability standards through regular site visits".

SEC. 4. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

(a) HOME ASSISTANCE NOT TO DISQUALIFY BUILDING FOR ADDITIONAL CREDIT AVAILABLE TO BUILDINGS IN HIGH COST AREAS.—Clause (i) of section 42(i)(2)(E) (relating to buildings receiving HOME assistance) is amended by striking the last sentence.

(b) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4) of section 42(d) (relating to special rules relating to determination of adjusted basis) is amended—

(1) by striking "subparagraph (B)" in subparagraph (A) and inserting "subparagraphs (B) and (C)",

(2) by redesignating subparagraph (C) as subparagraph (D), and

(3) by inserting after subparagraph (B) the following new subparagraph:

"(C) INCLUSION OF BASIS OF PROPERTY USED TO PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

"(i) IN GENERAL.—The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C)) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

"(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 20 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as 1 facility.

"(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term 'community service facility' means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).".

SEC. 5. OTHER MODIFICATIONS.

(a) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) SPECIAL RULES FOR LOW-INCOME HOUSING CREDIT OF NONCORPORATE TAXPAYERS.—

"(A) IN GENERAL.—In the case of the low-income housing credit allowable to a taxpayer other than a corporation—

"(i) this section and section 39 shall be applied separately with respect to the credit, and

"(ii) in applying paragraph (1) to the credit—

"(I) subparagraph (A) shall not apply, and

"(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the low-income housing credit).

"(B) LOW-INCOME HOUSING CREDIT.—For purposes of this subsection, the term 'low-income housing credit' means the credit allowable under subsection (a) by reason of section 42(a)."

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting "or the low-income housing credit" after "employment credit".

(b) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILDINGS.—

(1) The first sentence of section 42(h)(1)(E)(ii) is amended by striking "(as of" the first place it appears and inserting "(as of the later of the date which is 6 months after the date that the allocation was made or".

(2) The last sentence of section 42(h)(3)(C) is amended by striking "project which" and inserting "project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which".

(c) DETERMINATION OF WHETHER BUILDINGS ARE LOCATED IN HIGH COST AREAS.—The first sentence of section 42(d)(5)(C)(ii)(I) is amended—

(1) by inserting "either" before "in which 50 percent", and

(2) by inserting before the period " or which has a poverty rate of at least 25 percent".

SEC. 6. EFFECTIVE DATE.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this Act shall apply to—

(1) housing credit dollar amounts allocated after December 31, 1999, and

(2) buildings placed in service after December 31, 1999, to the extent paragraph (1) of section 42(h) of the Internal Revenue Code of 1986 does not apply to any building by reason of paragraph (4) thereof, but only with respect to bonds issued after December 31, 1999.

(b) SECTIONS 2 AND 3.—In the case of the amendments made by sections 2 and 3, subsection (a) of this section shall be applied by substituting "December 31, 2000" for "December 31, 1999" each place it appears.

(c) CREDIT ALLOWED AGAINST MINIMUM TAX.—The amendments made by section 5(a) shall apply to taxable years beginning after December 31, 1999.

○

FAX THE ENTERPRISE FOUNDATION

TO: Lisa Green, National Economic Council
PHONE #: (202) 456-2803
FAX #: (202) 456-2223
DATE: August 13, 1999

FROM: Staci Jones, Assistant Dir.-Public Policy
PHONE #: (202) 543-4599
FAX #: (202) 543-8130
PAGE(S) incl. this one: 7

Hi Lisa:

Attached please find information on The Enterprise Foundation's work in Newark, NJ and our comments on the Renewal Communities provisions of the House tax bill.

Please feel free to contact me if you have any additional questions. I look forward to talking with you.

Thank you.

MEMO THE ENTERPRISE FOUNDATION

TO: LISA GREEN AUGUST 10, 1999

FR: STACI JONES

RE: RENEWAL COMMUNITY PROVISIONS IN H.R.2488, THE FINANCIAL FREEDOM ACT 0F 1999 – VIEWS OF ENTERPRISE FOUNDATION

When you met with Alan Greenlee and Bobby Rozen last month you expressed an interest in receiving the views of The Enterprise Foundation with respect to the Renewal Community provisions included in the House version of the tax bill. This memorandum discusses our view of that legislation.

In general, while we are pleased that the House Republican leadership has taken the initiative to support legislation designed to help revitalize economically distressed areas of the nation, we believe the Renewal Community provisions in the House bill would be quite limited in their effectiveness.

Summary of Provisions. The bill provides for the designation of 20 renewal communities across the nation of which at least four would be in rural areas. Communities now designated as enterprise zones or enterprise communities would be eligible to be designated renewal communities. Areas would be eligible to compete for such designation based on certain economic factors bearing on their need for economic development assistance. In addition, state and local governments would be required to submit a course of action that includes certain regulatory relief commitments.

Certain tax incentives would be made available within an area chosen as renewal communities. Those incentives include: capital gains relief, incentives for family development accounts, deductions for commercial revitalization expenditures, additional section 179 expensing, expensing of environmental remediation costs, and extension of Work Opportunity Tax Credit.

Comments on Provisions. Overall, the Enterprise Foundation believes the tax benefits proposed for individuals and businesses operating within a renewal community would be beneficial to the community but of limited effectiveness in raising the rate of investment and job creation with the designated area. We welcome all incentives to encourage economic development of distressed areas but believe more substantial incentives would be necessary to make a difference in the designated communities.

Capital Gains. It is our belief that tax incentives which would eliminate a tax on the gain from selling capital assets within the geographic area would have limited incentive effect in directing investment within the renewal community. Entrepreneurs are less focused on any potential for capital gains well into the future than they are on figuring out whether such investments will produce positive cash flows to generate an annual profit. Therefore, we do not believe the capital gains incentives will have much effect. In addition, the capital gains exclusion does not apply to the sale of a qualified community asset in a renewal community after 2007. To be a true incentive for private investment, capital gains exclusions should be valid whenever the sale of the community asset occurs.

Commercial Revitalization Deduction. We see more promise in the proposed commercial revitalization deduction which will provide immediate tax savings for investments. This proposal is similar to legislation that Congressman English and Senator Hutchison have introduced creating a Commercial Revitalization Tax Credit for investment within designated areas. The deduction based provision in the House bill is of less benefit to a developer but should nevertheless provide incentive effects. Unfortunately, however, each area would be limited to \$6 million of qualified deductions each year, which will significantly limit the availability of this incentive making the overall provision fairly insignificant.

Section 179 Expensing. We also support the section 179 expensing provision which permits businesses within a zone to expense an additional \$35,000 in annual capital expenditures. This provision will provide assistance to small businesses located within a renewal community making it easier to invest in new equipment. We would not anticipate this provision leading to a major and noticeable boost in private sector investment with a renewal community, but it would provide marginal assistance to help maintain small businesses.

Environmental Remediation. We support the extension of this provision permitting expensing of environmental remediation costs (brownfields) and support the broadest application of this treatment to all economically distressed areas to make it easier to redevelop former industrial sites.

Extension of the Work Opportunity Tax Credit. Although we have some question about the overall effectiveness of this program in raising employment levels for targeted groups to be hired, we support the extension of current law.

Family Development Accounts. We support federal policies to encourage lower income individuals to establish bank accounts but question whether this proposal will have much effect. Giving EITC recipients who reside within a renewal community a \$2,000 deduction for investment in a FDA is unlikely to have much effect. EITC recipients do not have the disposable income to put aside funds for this kind of restricted-use savings. And, for those EITC recipient who would be in a position to utilize a tax deduction, the tax benefits are probably insufficient to cause much of a change in behavior.

We hope these comments are useful and look forward to working with you on these issues in the future.

The Enterprise Newark Initiative

The Enterprise Foundation has been working with the city of Newark and local nonprofits to support the revitalization of Newark. The foundation is furnishing assistance to City National Urban Development Corporation (CNUDC) and other participants in efforts to revitalize Newark communities. The overall goals for the project are to:

- Strengthen links between growing downtown economic resources and outer neighborhood renewal efforts; and,
- Assist Newark public institutions to become more capable partners in rebuilding the city.

The prospects for revitalizing Newark depend on the effectiveness of individuals and organizations, their ability to collaborate with one another, and an enhanced capacity on the part of city government to support this work.

The Enterprise Foundation is dedicated to rebuilding neighborhoods and providing opportunities for people to take control of their lives and communities. Launched in 1982 by Jim and Patty Rouse, Enterprise has raised and committed more than $2.7 billion in loans, grants, and equity for the development of nearly 100,000 homes nationwide. Those funds leveraged an additional $2 billion in public and private financing. Enterprise works with a vast network of more than 1,200 nonprofit organizations in more than 400 locations to improve America's urban neighborhoods through housing, job creation and training, safety and a variety of support services.

The new optimism being felt for Newark's future is underwritten to a considerable degree by the sense that different sectors of the city are moving toward goals which are, or could be, largely shared. Those spurring momentum in the downtown recognize the importance of including those in more residential neighborhoods. Groups in the outer neighborhoods understand that expanding economic opportunity is a major priority of residents and that both the downtown and the broader region represent the most promising resources for finding that opportunity. Key city officials appreciate the value of working with communities that, whatever differences might exist on specific issues, agree on the overall thrust of the planning and development.

While these perspectives are broadly compatible, to become effective different actors must find specific avenues for agreement and collaboration. On the most basic level this is accomplished through specific projects and programs. The new level of economic activity in the downtown offers the most obvious set of opportunities. Groups who work with residents in public housing, for instance, could be an effective bridge to jobs for residents by working with an expanding downtown hospitality industry to tailor recruitment, training and support to employer and employee needs. Other links may be forged around entrepreneurship training and financing.

Enterprise's role in supporting these developments correspondingly focuses on both encouraging specific collaborations and, along with others, promoting ongoing connections among parties who have roles to play in planning and implementing change in the city. This will happen in the downtown by helping to convene groups who, by coordinating, can render more effective assistance to downtown businesses and others. The primary aim of bringing together sources of financing with technical assistance providers is to help local entrepreneurs become more "bankable" and to develop feasible business plans.

Beyond particular collaborative projects, Enterprise is encouraging the City, non-for-profits and private parties to consider the current master plan and zoning ordinance revision process as an opportunity to create a common vision for Newark's future that engages citizens, forges broad consensus and mobilizes capacities around achieving it. This master plan revision process can stimulate neighborhood planning as a core component in planning while connecting all areas of the city together around common themes such as economic development, transportation, etc. At present, there is no comparable venue for organizing these sectors productively. Enterprise's work includes providing direct capacity building assistance to the City, technical assistance to select not-for-profit groups and organizations and helping to raise additional resources for this work.

Newark Community Development System Capacity Building

Virtually all observers of Newark affairs agree that city government's capacity must grow or, rather than facilitating accelerated revitalization, the public sector will severely constrain what can be accomplished. Moreover, limitations of capacity represent a very serious issue for the ability of CNUDC or any new CDC to achieve significant productivity. Without expanded activity, new groups merely compete for stagnant resources with existing groups. Existing groups find their ability to "grow to scale" severely hampered as well.

The city itself well understands this need. In fact, it would be surprising if the same level of capacity and operational efficiency which held during years of relative decline and stagnation were equal to the work of enabling a significantly more dynamic level of civic activity. In light of this imperative, the administration has been increasingly open to ideas from outside city government for improving effectiveness.

Enterprise is currently assisting in two principle areas to expand the capacity of Newark's local government. The first involves strengthening the ability of communities to participate in planning for their futures, including for the expansion of economic opportunity in the context of updating Newark's master plan and zoning ordinance. Enterprise is providing technical assistance to groups sponsoring citizen involvement in the planning and seeking to expand resources for this work. The Foundation is also furnishing additional assistance to the city administration to carry out planning work.

A second area in which Enterprise will be helpful is with improvements to Newark's affordable housing production system. The mayor has announced a goal of creating 2,000 units of housing before the end of the year 2000. Over four years, 3,000 to 4,000 units are sought. These levels represent a dramatic increase over current levels of production. Enterprise is working with the Newark Director of Housing to propose a citywide system of marketing, education and counseling to expand the pool of qualified homebuyers to meet increased production goals. In addition, Enterprise is assisting the Affordable Housing Network operate the Community Building Funding Pool to provide support to groups wishing to plan to help residents take advantage of growing economic activity both in the downtown and the region

N A A H L

NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

Hsng Tax Credit

Post-it® Fax Note 7671	Date 9/10	# of pages ▶ 2
To Lisa Greer	From Judy Kennedy	
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September 10,1999

Note To: Cliff Kellogg

From: Judy Kennedy Judy

Also sent to Ruby

Subject: Potential Housing Credit Event for Secretary Summers

This responds to your request that I apprise you of any upcoming opportunities for the Secretary to draw media attention to the importance of expanding the low income housing credit. There's a terrific opportunity coming up in Westchester County, New York (the location of the Clintons' new home) that conveys many positive messages about both the efficiency and effectiveness of the credit and CRA.

1. NAAHL has been helping Bank of New York plan the first-ever fundraising dinner October 6 for the Westchester Housing Fund, which is celebrating its tenth anniversary of providing 0% loans to non-profit sponsors of low-income housing. The fund is proud of the fact that it started with only a$1 million of private capital and " has not lost even a nickel in ten years of operation," and its subsidiary, Hudson Valley Opportunity Fund, is about to open 24 units of low-income senior housing financed with the credit. Moreover, the low-income senior apartments are located in the affluent community of Rye, where market rents are out of the reach of most seniors' incomes.

2. The Hudson Valley Opportunity Fund investors are a consortia of banks including Bank of New York, Fleet, and small community banks who have partnered successfully with non-profit sponsors of low-income housing for the ten years with very little fanfare.

3. The sponosors would be willing to schedule the ribbon-cutting opening of the senior housing for the afternoon of October 6. They would be thrilled to have Secretary Summers appear at their first-ever fundraising dinner which starts at 6 PM that evening. They are currently hoping for 200 attendees (with many banks taking tables) but obviously the Secretary's appearance would enable them to draw even more participants and contributions.

Cliff, as you know well, this event is a classic example of the kind of quiet success story that the credit and CRA represent all over the country, but for which it's been difficult to engage the media. A visit by the Secretary or perhaps even Hilary Clinton would be just the draw we need to help get the story out. Please let me know if you would like any additional information or help on this.

WASHINGTON COUNSEL, P.C.
ATTORNEYS AT LAW

ROBERT M. ROZEN

UHTC

Lisa.

Following up on the July meeting that Alan Greenlee and I had with you, I just sent the attached memo to Paul Weinstein.

Thanks for your help.

Bobby

WASHINGTON COUNSEL, P.C.
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MEMORANDUM

TO: PAUL WEINSTEIN DT: SEPTEMBER 13, 1999

FR: BOB ROZEN

RE: NEW MARKETS INITIATIVE
CHANGES TO THE LOW-INCOME HOUSING TAX CREDIT

The recently passed, and soon to be vetoed, tax bill approved by Congress includes a number of miscellaneous changes in the Low-Income Housing Tax Credit ("LIHTC"). A few of those provisions would fit well within the President's New Markets Initiative in that they are designed to promote increased investment within economically distressed areas. Although such LIHTC investment of course goes directly to affordable housing, the resulting improved neighborhood conditions serve as a catalyst for the kind of business investment which is the primary focus of the New Markets Initiative.

It is our hope that the White House will direct the Treasury Department to support these changes to the LIHTC as part of the Administration's overall efforts to enact its New Markets Initiative. This could either be as part of potential tax bill negotiations this fall or in the President's next budget.

Preference for projects developed as part of a community revitalization plan. Under current law, State Housing Credit allocating agencies must develop a plan for allocating credits. The plan must include certain selection *criteria* including: (1) project location; (2) housing needs characteristics; (3) project characteristics; (4) sponsor characteristics; (5) participation of local tax-exempts; (6) tenant populations with special needs; and (7) public housing waiting lists. The State allocation plan must also give *preference* to housing projects: (1) that serve the lowest income tenants; and (2) that are obligated to serve qualified tenants for the longest periods.

The bill adds a couple of selection criteria to the list and removes one existing selection criteria. These are relatively unimportant although we do strongly object to the removal of selection criteria (5), which refers to the participation of local tax-exempt organizations. We would like for the Clinton Administration to work to restore that criteria if there is a provision deleting it as part of a tax bill negotiated later in the year.

However, far more important to our policy interests is a provision that would create a new preference for **projects which are located in qualified census tracts, the development of which contributes to a concerted community development revitalization plan.**

This change is intended to encourage greater utilization of the Housing Credit as part of local public-private partnerships to revitalize entire communities. It recognizes the value of this program not only in providing affordable housing, but in helping to rebuild communities.

The Local Initiatives Support Corporation and the Enterprise Foundation believe the addition of this preference would have two effects. First, it would encourage local communities to undertake concerted community development revitalization plans. Second, it would result in more Housing Credit properties being located in economically distressed areas. Both effects would increase overall investment in lower-income communities, which is of course, the purpose of the President's New Market Initiative.

Home Funding. Under current law, certain projects located in "high cost areas" are eligible to claim a credit up to 130% of the value of the normal credit. High cost areas include: "qualified census tracts" where median income is below 60% of area median, and "difficult to develop areas" which have been identified by HUD as having high housing costs relative to income. Under current law, projects receiving CDBG assistance are eligible for the higher credit amount but projects receiving HOME assistance are not.

This provision, which was included in the House bill but dropped from the conference agreement, would permit projects receiving HOME assistance to be eligible for the higher credit amount. This change is very important to the development of affordable housing in economically distressed areas where it can be most difficult to develop affordable housing. Such projects are most in need of higher credit amounts and it makes no sense to permit use of CDBG funds, but penalize the use of HOME funds when the funds can be used for identical purposes. This change would remove an impediment to the most difficult projects that utilize HOME funds, putting such projects in the same position as projects which use other federal assistance programs.

Definition of High Cost Areas. The bill includes a provision modifying the definition of "high cost areas" for which projects are eligible to claim a credit up to 130% of the value of the normal credit. For purposes of qualifying for the higher credit, the term "qualified census tracts" would be modified to also include tracts which have a poverty rate of at least 25%. This would have the effect of including more low-income rural areas within the qualified census tract definition, facilitating development of affordable housing in such areas.

Community Space. Access to affordable child care is an obstacle to employment for many lower income individuals. Particularly in economically distressed urban areas, the shortage of available community space makes access to child care and Head Start programs more difficult. Unfortunately, community space that is available in Housing Credit properties cannot be used to address this shortage or space.

The reason is that common areas in a Housing Credit property are part of the eligible basis on which the subsidy is based only if the space is used by individuals who are tenants of the building. The bill includes a provision that would permit common areas in buildings located within qualified census tracts to be part of eligible basis so long as the space is designed to be used by individuals who otherwise meet the income targeting requirements of the program. This is intended to increase the availability of community facilities in low-income neighborhoods which currently have a shortage of space for such activities as Head Start, child care, and support services for seniors.

I have attached a copy of the relevant conference report explanation and legislative language for your convenience.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to articles sold by the manufacturer, producer, or importer after the close of the first calendar month ending more than 30 days after the date of the enactment of this Act.

Subtitle D—Improvements in Low-Income Housing Credit

SEC. 1331. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT.

(a) INCREASE IN STATE CEILING.—Clause (i) of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking "$1.25" and inserting "the applicable amount under subparagraph (H)".

(b) APPLICABLE AMOUNT; ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING.—Paragraph (3) of section 42(h) (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraphs:

"(H) INITIAL AMOUNT OF STATE CEILING.—For purposes of subparagraph (C)(i), the applicable amount shall be determined under the following table:

"For calendar year	The applicable amount is
2000	$1.35
2001	1.45
2002	1.55
2003	1.65
2004 and thereafter	1.75.

"(I) COST-OF-LIVING ADJUSTMENT.—

"(i) IN GENERAL.—In the case of a calendar year after 2004 the $1.75 amount in subparagraph (H) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

"(ii) ROUNDING.—Any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 1999.

SEC. 1332. MODIFICATION OF CRITERIA FOR ALLOCATING HOUSING CREDITS AMONG PROJECTS.

(a) SELECTION CRITERIA.—Subparagraph (C) of section 42(m)(1) (relating to certain selection criteria must be used) is amended—

(1) by inserting ", including whether the project includes the use of existing housing as part of a community revitalization plan" before the comma at the end of clause (iii), and

(2) by striking clauses (v), (vi), and (vii) and inserting the following new clauses:

"(v) tenant populations with special housing needs,

"(vi) public housing waiting lists,

"(vii) tenant populations of individuals with children, and

"(viii) projects intended for eventual tenant ownership."

(b) PREFERENCE FOR COMMUNITY REVITALIZATION PROJECTS LOCATED IN QUALIFIED CENSUS TRACTS.—Clause (ii) of section 42(m)(1)(B) is amended by striking "and" at the end of subclause (I), by adding "and" at the end of subclause (II), and by inserting after subclause (II) the following new subclause:

"(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C)) and the development of which contributes to a concerted community revitalization plan,".

SEC. 1333. ADDITIONAL RESPONSIBILITIES OF HOUSING CREDIT AGENCIES.

(a) MARKET STUDY; PUBLIC DISCLOSURE OF RATIONALE FOR NOT FOLLOWING CREDIT ALLOCATION PRIORITIES.—Subparagraph (A) of section 42(m)(1) (relating to responsibilities of housing credit agencies) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting a comma, and by adding at the end the following new clauses:

"(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and "(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.".

(b) SITE VISITS.—Clause (iii) of section 42(m)(1)(B) (relating to qualified allocation plan) is amended by inserting before the period "and in monitoring for noncompliance with habitability standards through regular site visits".

SEC. 1334. MODIFICATIONS TO RULES RELATING TO BASIS OF BUILDING WHICH IS ELIGIBLE FOR CREDIT.

(a) HOME ASSISTANCE NOT TO DISQUALIFY BUILDING FOR ADDITIONAL CREDIT AVAILABLE TO BUILDINGS IN HIGH COST AREAS.—Clause (i) of section 42(i)(2)(E) (relating to buildings receiving HOME assistance) is amended by striking the last sentence.

(b) ADJUSTED BASIS TO INCLUDE PORTION OF CERTAIN BUILDINGS USED BY LOW-INCOME INDIVIDUALS WHO ARE NOT TENANTS AND BY PROJECT EMPLOYEES.—Paragraph (4) of section 42(d) (relating to special rules relating to determination of adjusted basis) is amended—

(1) by striking "subparagraph (B)" in subparagraph (A) and inserting "subparagraphs (B) and (C)",

(2) by redesignating subparagraph (C) as subparagraph (D), and

(3) by inserting after subparagraph (B) the following new subparagraph:

"(C) INCLUSION OF BASIS OF PROPERTY USED TO PROVIDE SERVICES FOR CERTAIN NONTENANTS.—

"(i) IN GENERAL.—The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C)) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

"(ii) LIMITATION.—The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed 20 percent of the eligible basis of the qualified low-income housing project of which it is a part. For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as 1 facility.

"(iii) COMMUNITY SERVICE FACILITY.—For purposes of this subparagraph, the term 'community service facility' means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B)).".

SEC. 1335. OTHER MODIFICATIONS.

(a) ALLOCATION OF CREDIT LIMIT TO CERTAIN BUILDINGS.—

(1) The first sentence of section 42(h)(1)(E)(ii) is amended by striking "(as of" the first place it appears and inserting "(as of the later of the date which is 6 months after the date that the allocation was made or".

(2) The last sentence of section 42(h)(3)(C) is amended by striking "project which" and inserting "project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which".

(b) DETERMINATION OF WHETHER BUILDINGS ARE LOCATED IN HIGH COST AREAS.—The first sentence of section 42(d)(5)(C)(ii)(I) is amended—

(1) by inserting "either" before "in which 50 percent", and

(2) by inserting before the period " or which has a poverty rate of at least 25 percent".

SEC. 1336. CARRYFORWARD RULES.

(a) IN GENERAL.—Clause (ii) of section 42(h)(3)(D) (relating to unused housing credit carryovers allocated among certain states) is amended by striking "the excess" and all that follows and inserting "the excess (if any) of—

"(I) the unused State housing credit ceiling for the year preceding such year, over

"(II) the aggregate housing credit dollar amount allocated for such year.".

(b) CONFORMING AMENDMENT.—The second sentence of section 42(h)(3)(C) (relating to State housing credit ceiling) is amended by striking "clauses (i) and (iii)" and inserting "clauses (i) through (iv)".

SEC. 1337. EFFECTIVE DATE.

Except as otherwise provided in this subtitle, the amendments made by this subtitle shall apply to—

(1) housing credit dollar amounts allocated after December 31, 2000, and

(2) buildings placed in service after such date to the extent paragraph (1) of section 42(h) of the Internal Revenue Code of 1986 does not apply to any building by reason of paragraph (4) thereof, but only with respect to bonds issued after such date.

Subtitle E—Entrepreneurial Equity Capital Formation

PART I—TAX-FREE CONVERSIONS OF SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES INTO PASS-THRU ENTITIES

SEC. 1341. MODIFICATIONS TO PROVISIONS RELATING TO REGULATED INVESTMENT COMPANIES.

(a) IN GENERAL.—Section 851 (relating to definition of regulated investment company) is amended by adding at the end the following new subsection:

"(i) SPECIAL RULES FOR SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.—

"(1) IN GENERAL.—For purposes of determining whether a specialized small business investment company is a regulated investment company for purposes of this subchapter—

"(A) income derived from an investment as a limited partner in a partnership shall be treated as qualifying income under subsection (b)(2) if—

"(i) the company does not participate in the active management of the normal business operations of the partnership, and

"(ii) the company's investment in such partnership is an investment permitted for specialized small business investment companies under the Small Business Investment Act of 1958, and

"(B) the requirements of subsection (b)(3) shall be treated as met if, at the close of each quarter of the taxable year, at least 50 percent of the value of its total assets is represented by—

"(i) assets described in subsection (b)(3)(A)(i), and

"(ii) other investments permitted to be made by a specialized small business investment company under the Small Business Investment Act of 1958.

"(2) COORDINATION OF DISTRIBUTION REQUIREMENTS WITH SBIC REQUIREMENTS.—A specialized small business investment company shall be treated as meeting the requirements of section 852(a)(1) if the deduction for dividends paid during the taxable year (as defined in section 561, but without regard to capital gain dividends) equals or exceeds the lesser of the amount required under section 852(a)(1) or 100 percent of the maximum amount that the company would be permitted to distribute during such year under the Small Business Investment Act of 1958.

"(3) SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY.—For purposes of this subsection, the term 'specialized small business investment company' has the meaning given to such term by section 1044(c)(3).

"(4) REFERENCES TO 1958 ACT.—For purposes of this subsection, references to the Small Business Investment Act of 1958 shall be treated as references to such Act as in effect on May 13, 1993."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of enactment of this Act.

SEC. 1342. TAX-FREE REORGANIZATION OF SPECIALIZED SMALL BUSINESS INVESTMENT COMPANY AS A PARTNERSHIP.

(a) IN GENERAL.—If, within 180 days after the date of the enactment of this Act, a corporation which is a specialized small business investment company transfers substantially all of its assets to a partnership (including its license to operate as a specialized small business investment company) solely in exchange for partnership interests in such partnership, no gain or loss shall be recognized to the corporation on such a transfer if—

(1) immediately after such exchange, such corporation holds partnership interests in such partnership having a value equal to at least 80 percent of the total value of all partnership interests in such partnership, and

REASONS FOR CHANGE

The Committee believes that modifications must be made to the present-law tax on arrows and points to better reflect current design and practice in the manufacture of arrows and points.

EXPLANATION OF PROVISION

The bill makes two modifications to the excise tax on arrows and arrow accessories. First, the bill extends the 12.4-percent tax on arrow components to inserts and outserts designed for use with taxable arrows. Inserts and outserts are defined as articles used to attach a point to an arrow shaft. Second, the bill reclassifies "broadheads," or arrow points designed for hunting fish or large animals, as arrow accessories subject to the 11-percent tax rather than arrow points subject to the 12.4-percent tax (as under present law).

EFFECTIVE DATE

The provisions of the bill apply to sales by manufacturers beginning on the first day of the first calendar quarter that begins more than 30 days after the bill's enactment.

M. INCREASE LOW-INCOME HOUSING TAX CREDIT CAP AND MAKE OTHER MODIFICATIONS

(secs. 1331–1337 of the bill and sec. 42 of the Code)

PRESENT LAW

In general

The low-income housing tax credit may be claimed over a 10-year period for the cost of rental housing occupied by tenants having incomes below specified levels. The credit percentage for newly constructed or substantially rehabilitated housing that is not Federally subsidized is adjusted monthly by the Internal Revenue Service so that the 10 annual installments have a present value of 70 percent of the total qualified expenditures. The credit percentage for new substantially rehabilitated housing that is Federally subsidized and for existing housing that is substantially rehabilitated is calculated to have a present value of 30 percent qualified expenditures.

Credit cap

The aggregate credit authority provided annually to each State is $1.25 per resident, except in the case of projects that also receive financing with proceeds of tax-exempt bonds issued subject to the private activity bond volume limit and certain carry-over amounts,

Expenditure test

Generally, the building must be placed in service in the year in which it receives an allocation to qualify for the credit. An exception is provided in the case where the taxpayer has expended an amount equal to 10-percent or more of the taxpayer's reasonably expected basis in the building by the end of the calendar year in which the allocation is received and certain other requirements are met.

Basis of building eligible for the credit

Buildings receiving assistance under the HOME investment partnerships act ("HOME") are not eligible for the enhanced credit for buildings located in high cost areas (i.e., qualified census tracts and difficult development areas). Under the enhanced credit, the 70-percent and 30-percent credit are increased to a 91-percent and 39-percent credit, respectfully.

Eligible basis is generally limited to the portion of the building used by qualified low-income tenants for residential living and some common areas.

State allocation plans

Each State must develop a plan for allocating credits and such plan must include certain allocation criteria including: (1) project location; (2) housing needs characteristics; (3) project characteristics; (4) sponsor characteristics; (5) participation of local tax-exempts; (6) tenant populations with special needs; and (7) public housing waiting lists. The State allocation plan must also give preference to housing projects: (1) that serve the lowest income tenants; and (2) that are obligated to serve qualified tenants for the longest periods.

Credit administration

There are no explicit requirements that housing credit agencies perform a comprehensive market study of the housing needs of the low-income individuals in the area to be served by the project, nor that such agency conduct site visits to monitor for compliance with habitability standards.

Stacking rule

Authority to allocate credits remains at the State (as opposed to local) government level unless State law provides otherwise.[55] Generally, credits may be allocated only from volume authority arising during the calendar year in which the building is placed in service, except in the case of: (1) credits claimed on additions to qualified basis; (2) credits allocated in a later year pursuant to an earlier binding commitment made no later than the year in which the building is placed in service; and (3) carryover allocations.

Each State annually receives low-income housing credit authority equal to $1.25 per State resident for allocation to qualified low-income projects.[56] In addition to this $1.25 per resident amount, each State's "housing credit ceiling" includes the following amounts: (1) the unused State housing credit ceiling (if any) of such State for the preceding calendar year;[57] (2) the amount of the State housing

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[55] For example, constitutional home rule cities in Illinois are guaranteed their proportionate share of the $1.25 amount, based on their population relative to that of the State as a whole.

[56] A State's population, for these purpoes, is the most recent estimate of the State's population released by the Bureau of the Census before the beginning of the year to which the limitation applies. Also, for these purposes, the District of Columbia and the U.S possessions (i.e., Puerto Rico, the Virgin Islands, Guam, the Northern Marianas and American Samoa) are treated as States.

[57] The unused State housing credit ceiling is the amount (if positive) of the previous year's annual credit limitation plus credit returns less the credit actually allocated in that year.

credit ceiling (if any) returned in the calendar year;[58] and (3) the amount of the national pool (if any) allocated to such State by the Treasury Department.

The national pool consists of States' unused housing credit carryovers. For each State, the unused housing credit carryover for a calendar year consists of the excess (if any) of the unused State housing credit ceiling for such year over the excess (if any) of the aggregate housing credit dollar amount allocated for such year over the sum of $1.25 per resident and the credit returns for such year. The amounts in the national pool are allocated only to a State which allocated its entire housing credit ceiling for the preceding calendar year, and requested a share in the national pool not later than May 1 of the calendar year. The national pool allocation to qualified States is made on a pro rata basis equivalent to the fraction that a State's population enjoys relative to the total population of all qualified States for that year.

The present-law stacking rule provides that a State is treated as using its annual allocation of credit authority ($1.25 per State resident) and any returns during the calendar year followed by any unused credits carried forward from the preceding year's credit ceiling and finally any applicable allocations from the National pool.

REASONS FOR CHANGE

The Committee believes that the credit acts as a stimulus for low-income housing. It believes that the expansion of the credit cap will allow the construction and substantial rehabilitation of more affordable rental housing for low-income individuals in the future. The other changes to the credit program are intended to improve the operation of the credit.

EXPLANATION OF PROVISION

Credit cap

The $1.25 per capita cap is increased to $1.75 per capita. This increase is phased-in by increasing the credit cap by 10 cents per capita each year for five years. The credit cap would be: $1.35 in calendar year 2000; $1.45 in calendar 2001; $1.55 in calendar year 2002; $1.65 in calendar year 2003; and $1.75 in calendar year 2004. The $1.75 per capita credit cap is indexed for inflation beginning in 2004.

Expenditure test

The bill allows a building which receives an allocation in the second half of a calendar to qualify under the 10-percent test if the taxpayer expends an amount equal to 10-percent or more of the taxpayer's reasonably expected basis in the building within six months of receiving the allocation regardless of whether the 10-percent test is met by the end of the calendar year.

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[58] Credit returns are the sum of any amounts allocated to projects within a State which fail to become a qualified low-income housing project within the allowable time period plus any amounts allocated to a project within a State under an allocation which is canceled by mutual consent of the housing credit agency and the allocation recipient.

Basis of building eligible for the credit

The bill makes three changes to the basis rules of the credit. First, buildings receiving HOME assistance are made eligible for the enhanced credit. Second, the definition of qualified census tracts for purposes of the enhanced credit is expanded to include any census tracts with a poverty rate of 25 percent or more. Third, the bill extends the credit to a portion of the building used as a community service facility not in excess of 20 percent of the total eligible basis in the building. A community service facility is defined as any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

State allocation plans

The bill strikes the plan criteria relating to participation of local tax-exempts, replacing it with two other criteria: tenant populations of individuals with children and projects intended for eventual tenant ownership. It also provides that the present-law criteria relating to sponsor characteristics include whether the project involves the use of existing housing as part of a community revitalization plan. Also, the bill adds a third category of housing projects to the preferential list. That third category is for projects located in qualified census tracts which contribute to a concerted community revitalization plan.

Credit administration

The bill requires a comprehensive market study of the housing needs of the low-income individuals in the area to be served by the project and a written explanation available to the general public for any allocation not made in accordance with the established priorities and selection criteria of the housing credit agency. It also requires site inspections by the housing credit agency to monitor compliance with habitability standards applicable to the project.

Stacking rule

The bill modifies the stacking rule so that each State would be treated as using its allocation of the unused State housing credit ceiling (if any) from the preceding calendar before the current year's allocation of credit (including any credits returned to the State) and then finally any National pool allocations.

EFFECTIVE DATE

In general, the bill is effective for calendar years beginning after December 31, 2000, and buildings placed-in-service after such date in the case of projects that also receive financing with proceeds of tax-exempt bonds subject to the private activity bond volume limit which are issued after such date. The increase and indexing of the credit cap is effective for calendar years after December 31, 1999.

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A rica's
munity
B kers

October 14, 1999

Paul A. Schosberg
President & Chief Executive Officer

Identical Letter Sent to Full United States Congress

Dear Speaker Hastert:

As Congress considers must-pass tax legislation in the closing days of this session, no iss should be accorded a higher priority than a long-overdue increase in the low-income housing tax :dit (LIHTC).

At stake is the opportunity to make urgently-needed housing available for 27,000 America families in this year alone. America's Community Bankers is calling on Congress and the Administration to recognize the cruel paradox in our record level of home ownership: more and n e poor families are needlessly denied the opportunity our prosperity has created.

For years now, ACB has made as a priority an increase in the per capita limits authorized the states under the LIHTC. Since 1986, when the program was created as a replacement for a var y of ineffective subsidies, the per capita limit has been $1.25. Had it been indexed for inflation, the nit would be $1.75 today. That increase would provide rental housing for 27,000 families.

We hear time and again that a rising tide lifts all boats. And as we look at housing, it migh e easy to engage in self-congratulation as we contemplate the fact that the rate of homeownership h reached a record 67 percent. But a more careful analysis brings us up short. Critical communities far behind. Thousands and thousands of families are victimized by a housing opportunity gap. We in help close that gap by building on the success of the low-income housing tax credit and recognize at the limits of 1986 bear no credible relationship to the economic realities of today. It would be trag to waste this opportunity to strengthen a valuable program that emphasizes local control and accountability, preserves and increases the stock of low-income housing, and makes it possible for communities throughout the U.S. to create jobs and expand economic opportunity.

Raising the limit to $1.75 has broad, bipartisan support. The Administration's budget prop :d not only raising the limit, but indexing it to inflation. H.R. 175, introduced by Reps. Nancy Johnso and Charles Rangel, has 351 cosponsors, probably more than any other bill introduced this year. T Senate counterpart, S.1017, authored by Senators Connie Mack and Bob Graham, has 71 cosponso

If Congress and the Administration come together on any tax legislation this year, this incr e in the LIHTC must be included. It is a matter of basic economic equity and it deserves your attenti and support.

Sincerely,

Paul A. Schosberg

America's Community Bankers

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FAX COVER SHEET

Date: 10/14/99 **Total Pages** (including cover sheet): 2

To: Sarah Rosen Wartell

Fax Number: 202 456-2223

From: **Charlotte Bahin • Regulatory Department**
email: cbahin@acbankers.org phone: (202) 857-3121

RE: Low Income Housing Tax Credit

Message:

For your information, attached is a letter sent by ACB to all members of the House and Senate i support of an increase in the low income housing tax credit.