

## **Groups Agree to LIHTC Stimulus Plan**

**By Donna Kimura**

Approximately 40 industry groups have joined forces on a plan to stimulate the sagging low-income housing tax credit (LIHTC) market.

The organizations have formed a set of legislative proposals that they say represents an important consensus on how to restore investment in affordable rental housing.

“Earlier in the year during the Recovery Act discussions, many, sometimes conflicting, proposals were put forward to fix the collapsed LIHTC market,” said David Abromowitz, who has been working with the organizations. “Many in the industry heard back from Capitol Hill that the inability of the groups in the housing industry to speak with anything close to one voice on what would work and make sense greatly hurt efforts to get any proposal passed. Now, we have reached one of the broadest consensuses in a long time around a complicated set of issues.”

Abromowitz, a director at the Goulston & Storrs law firm, chaired the recent meetings on behalf of the Center for American Progress Action Fund.

The proposals come as private investment in LIHTCs has fallen from about \$9 billion in 2006-07 to about \$5.5 billion in 2008, and is expected to drop even further this year, according to market experts, who estimate that the drop in investment could result in as many as 60,000 fewer affordable apartments built and 90,000 lost jobs annually in coming years.

The housing groups have agreed on three main legislative proposals:

- **Extend the exchange program to maintain the development pipeline in 2010**—This plan calls for Congress to extend for another year the housing credit exchange program as established in the American Recovery and Reinvestment Act and modify it to include the 4 percent housing credits that accompany tax-exempt bonds.
- **Immediately stimulate, broaden the investor base for, and maintain housing credit investment demand by increasing the housing credit carryback period**—Congress is urged to enact a two-part proposal that would increase the carryback from one to five years. Investors with existing LIHTC housing should be permitted to carryback for up to five years credits from their returns they file in the 2008-10 tax years, but only to the extent they immediately reinvest credit amounts carried back in new affordable rental housing. The second part asks Congress to permit the carryback of credits generated by new LIHTC housing up to five years as they arise during the 10-year credit period. This part would apply only to investments in buildings for which credits are first claimed after 2008.
- **Broaden the investor base**—The housing groups explain that the current tax code’s passive-loss rules restrict the pool of potential investors. They support providing parity with widely held C corporations by allowing some S corporations, limited liability companies, and closely held C corporations to offset revenue with tax credit benefits.

The proposals came together after a series of meetings in Washington, D.C., interim phone calls, and many e-mail exchanges among a core of about 15 national organizations, said Abromowitz. The process stretched over roughly 10 weeks.

“We started with just the participants in the meetings as initial signatories, and in just a week or two, support has grown to nearly 40 signers,” he said. “We are getting statewide and regional groups joining as well, which is very helpful as Congress is on recess, and local and state groups will have a chance to talk to their representatives about the importance of the LIHTC.”

The Affordable Housing Investors Council, Affordable Housing Tax Credit Coalition, Enterprise Community Partners, Living Cities, Mercy Housing, National Association of Home Builders, National Association of State and Local Equity Funds, National Housing Conference, National Multi Housing Council, and Volunteers of America are among the groups signing on.

For more information, visit [www.rentalhousingaction.org](http://www.rentalhousingaction.org).

**[HousingFinance.com](http://HousingFinance.com) home**