AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

How the House and Senate Versions of the Tax Cuts and Jobs Act Affect Affordable Housing Development Using the Low-Income Housing Tax Credit

House Version of the Tax Cuts and Jobs Act

- **Eliminates all private activity bonds, including multifamily bonds,** which are accompanied by 4% housing tax credits. Multifamily bonds account for over 50% of all Housing Credit production.
- **Lowers the corporate tax rate from 35% to 20%,** which reduces the value of losses from Housing Credit investments, in turn reducing Housing Credit prices by about 15%. This will reduce the amount of equity capital invested in Housing Credit properties.
- ***Together***, these two changes are estimated to ***reduce affordable housing production by up to nearly 1 million homes*** over the next ten years.[1]

Senate Version of the Tax Cuts and Jobs Act

- **Lowers the corporate tax rate from 35% to 20%,** which reduces the value of losses from Housing Credit investments, in turn reducing Housing Credit prices by about 15%. This will reduce the amount of equity capital invested by around $2 billion annually, resulting in around 200,000 fewer units over ten years.
- **Eliminates a number of Housing Credit investors** – particularly foreign owned banks -- from the program as a result of the Base Erosion and Anti-abuse Tax (BEAT), which does not permit business credits other than the R&D credit to be used against the BEAT. This will remove investors that account for between 10% and 25% of capital invested in the Housing Credit.
- **Permanently lengthens the depreciation period** for nearly all residential real estate properties from 27.5 years to 30 years, but also **permits, for a period, expensing** of personal property and land improvements.
- **Reduces the basis boost available to properties designated by the states or developed in low income and "high cost" areas** from 30% to 25%. This will make it more difficult to undertake development activities in hard-to-reach rural and urban areas marked either by higher production costs, lower incomes, or both. The provision applies to properties placed in service after the date of enactment, affecting properties that have already received credit allocations and/or issued bonds, have lined up debt and equity financing, and are well into the development process. These projects will have to return credits already awarded, find alternative sources of funds, and scramble to avoid financial calamity.
- **Clarifies that Housing Credit property can exclusively be set aside for veterans while removing such a safe harbor for artists' housing.** Removing the current law safe harbor would put all existing artists' housing at risk for tax credit recapture.

Requested Action

- Preserve private activity housing bonds.
- Exempt the Housing Credit from BEAT to encourage affected institutions to invest in America.
- Keep the Housing Credit basis boost at 30%.

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[1] See Novogradac & Company analysis: https://www.novoco.com/notes-from-novogradac/tax-reform-bill-would-eliminate-future-supply-nearly-1-million-affordable-rental-housing-units