PRESERVATION OF AFFORDABLE HOUSING

December 5, 2017

Dear Members of the House-Senate Conference Committee on the Tax Cuts and Jobs Act:

With millions of American families lacking access to affordable rental housing, it is critical that tax reform do no harm to our nation's affordable housing production programs.

The Low Income Housing Tax Credit (LIHTC) is the primary mechanism for funding construction or renovation of affordable/workforce rental housing in the United States. Since 1986, the LIHTC has encouraged approximately $100 billion in private investment in the preservation and construction of more than three million affordable rental homes. Both House and Senate tax reform bills preserve the LIHTC, **but each bill includes provisions which would undermine this key program**.

In order to avoid hobbling the LIHTC, the final conference bill must:

1. **Preserve the tax exemption for private activity bonds for housing and the "4%" LIHTC.**
   H.R.1 would eliminate tax-exempt private activity bonds for affordable housing and the "4% LIHTC, which together support more than half of all LIHTC housing nationally. Tax-exempt "housing bonds" are the only mechanism for the issuance of the "4%" LIHTC, and eliminating tax housing bonds and the 4% LIHTC is expected to reduce affordable workforce housing nearly 900,000 fewer affordable rental homes over the next decade. ***It is crucial that the final conference bill include S.1's provisions preserving access to housing bonds and the 4% LIHTC.***

2. **Maintain the 30% "basis boost" for LIHTC developments in low-income or high-cost areas.**
   Under current law, LIHTC developments in certain hard-to-reach rural and urban areas marked either by higher production costs or lower incomes can receive a 30% "boost" in the calculation of LIHTCs for which they are eligible, enhancing the flow of private LIHTC capital to those areas. S.1 would reduce that "basis boost" to 25%, which will have a very material impact on current and future LIHTC efforts in these underserved areas – reducing LIHTC equity by $5.6 million in POAH's project pipeline alone. ***The final conference bill must omit S.1's provisions altering the LIHTC basis boost percentage.***

In addition to protecting these key elements of the LIHTC, the final conference bill **should protect the New Market Tax Credit (NMTC), which is preserved in S.1 but eliminated in H.R.1.** NMTC is a key tool for jumpstarting commercial investment in economically depressed areas and putting people back to work. Since 2003 NMTC has leveraged over $80 billion in public-private investments and created more than 750,000 jobs in some of our country's poorest neighborhoods and towns.

Given the nationwide shortage of affordable housing for seniors and working families, and the need for reinvestment in economically distressed rural and urban areas, tax reform must protect these critical policy tools. Your help is greatly appreciated.

Sincerely,

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