

H.R. 4873 Summary

Section 1

Renames the Housing Credit program the Affordable Housing Credit program.

By dropping “low-income” from the program’s name, the bill improves its public perception and helps combat NIMBYism.

Fixes annual Housing Credit percentages at 4 and 9 percent.

The bill eliminates the uncertainty and financial risk the current floating rate system creates for owners and investors. Fixing the rates also simplifies state administration and applicant document preparation.

Allows HOME-assisted properties located in qualified census tracts (QCT) or difficult development areas (DDA) to receive the 30 percent increase in eligible basis permitted other properties.

Eliminates the 4 percent Housing Credit limit for new federally subsidized properties, except Housing Bond-financed developments not subject to the Credit allocation ceiling.

Allows a 30 percent increase in eligible basis for properties that meet state-specified geographic or income targeting requirements.

The bill provides states the flexibility to allocate higher Credit amounts to enable the development of properties that are otherwise financially infeasible.

Revises the Housing Credit scattered site rule to require low-income Credit units to be proportionally distributed among a development’s buildings.

The bill permits mixed-income, scattered site developments, while preventing the aggregation of low-income Housing Credit apartments in particular buildings.

Eliminates the restriction on the use of Housing Credits for Section 8 Moderate Rehabilitation properties.

The bill eliminates the prohibition on the use of Housing Credits in Mod-Rehab properties, many of which are in desperate need of rehabilitation. Congress imposed this prohibition to prevent oversubsidization of Mod-Rehab properties before it required allocating agencies to underwrite all Credit properties and limit Credit allocations to the minimum necessary to make development feasible.

Section 2

Repeals the Mortgage Revenue Bond (MRB) Ten-Year Rule.

The bill repeals the MRB Ten-Year Rule, which prevents tens of thousands of qualified lower-income, first-time home buyers from benefiting from affordable MRB-financed mortgages by requiring states to use MRB loan payments to retire MRBs outstanding for ten or more years. The bill repeals the rule for payments on mortgages financed by MRBs outstanding that are received after the repeal's enactment. This would allow states to recycle repayments into new mortgages for qualified home buyers.

Section 3

Coordinates multifamily bond program and Housing Credit program rules.

- A. Conforms the multifamily bond next available unit rule to the Credit rule when Bonds and Credits are combined.**
- B. Applies the Housing Credit program's definition of student to the multifamily bond program.**

The bill simplifies program administration, especially when the Credit and multifamily bonds are used together.

- C. Allows the use of multifamily bonds to finance single-room occupancy dwellings.**

The bill supports efforts to house homeless and other special needs populations and facilitate preservation.

Section 4

Creates an exception to the MRB first-time home buyer requirement for otherwise MRB-qualified displaced homemakers, single parents, and persons residing in presidentially declared disaster areas whose primary residences have been destroyed or rendered uninhabitable by the disaster.

The bill allows HFAs greater flexibility to use the MRB program to assist in disaster recovery and serve economically challenged populations.

Section 5

Eliminates the Housing Credit recapture bond requirement and replaces it with a reporting requirement.

Under current law, an investor wishing to sell its interest in a Housing Credit property during the property's first 15 years is subject to recapture of Credits previously claimed unless it (a) posts a bond or (b) establishes a Treasury Direct Account and pledges U.S. Treasury securities to IRS to secure its liability for Credit recapture.

The bill repeals this requirement in situations where, due to conditions attached to the sale, the Credit property must remain in compliance with all applicable program requirements, including affordability of low-income apartments, after the sale. Under the reporting system that would replace the bond requirement, a new owner would be required to submit a report to the property's former investors—and file a copy with IRS—when a recapture event occurs during the remainder of the 15-year compliance period.

Section 6

Exempts Housing Credit investments from the alternative minimum tax (AMT).

The bill allows taxpayers to use Housing Credits to reduce their AMT liability. This would increase Credit demand, thereby increasing the amounts investors are willing to pay for the Credit and generating more funds for affordable housing construction.

Section 7

Exempts Housing Bond investments from the AMT.

The interest income on new money MRBs, qualified veterans' mortgage bonds, and multifamily bonds—unlike some other tax-exempt bonds, such as general obligation and 501(c)(3) bonds—is not exempt from the AMT. As a result, to the extent potential Housing Bond investors fear becoming subject to the AMT, they either demand higher yields on the Housing Bonds they buy, reducing the dollars available for housing, or decline to buy Housing Bonds entirely.

The bill exempts Housing Bonds from the AMT, which would, in turn, lower bond yields, allow states to offer lower-rate mortgages to qualified home buyers and multifamily developers, and increase affordability for lower-income home buyers and renters.