

Statement of Senator Jeff Bingaman on the Introduction of
The Low-Income Housing Tax Credit Recovery Act
March 18, 2010

LIVE

LOW-INCOME HOUSING TAX CREDIT

Mr. PRESIDENT, among the many casualties of our economic downturn is the collapse of the primary form of private financing to construct affordable housing. I rise today to introduce the Low-Income Housing Tax Credit Recovery Act, which would restore investment in the Low-Income Housing Tax Credit program. In doing so, the bill will create tens of thousands of new affordable housing units and, in turn, thousands of construction jobs. I am grateful to my Finance Committee colleagues, Senators KERRY, CANTWELL, STABENOW, SCHUMER, and MENENDEZ, for joining me in introducing this bill.

Many of us are familiar with the Low-Income Housing Tax Credit program's importance; indeed, I consider it the most successful affordable housing production program in our nation's history. Since its enactment in 1986, the program has spurred the creation of more than 1.7 million units of affordable housing nationwide, including nearly 20,000 units in my home state of New Mexico.

But today, the Housing Credit program is facing tremendous challenges in attracting private investment. Having incurred significant losses, many traditional investors cannot currently use these tax credits, and thus have temporarily exited the market. Moreover, Fannie Mae and Freddie Mac – which until recently provided a significant share of private investment in Housing Credit projects in New Mexico and nationwide – have pulled out entirely. Our bill will help attract new private investment to Housing Credit projects in New Mexico and across the country.

First, the bill will permit existing investors to carryback their unusable existing housing credits for up to five years. A major impediment to new investment today is that traditional Housing Credit investors have incurred business losses that prevent them from utilizing tax credits on previous investments. Consequently, these traditional investors have become disinclined to make new investments – as doing so would generate further credits they could not use for some time. But through a five-year carryback, many of these traditional investors will be able to make use of accumulated credits. Only investors who are committed to creating additional affordable housing deserve this tax treatment. Accordingly, the bill makes the five-year carryback election available only to the extent that carryback proceeds are entirely invested in new affordable housing credit investments.

Additionally, the bill provides that Housing Credits generated from future investments can be carried back five years. With its ten-year credit stream and fifteen-year tax compliance period, the Housing Credit program faces hurdles lining up investors, as compared to other tax credit programs with shorter investment horizons.

Without shortening the compliance period, a five-year carryback will make the Housing Credit more competitive with other tax credits, by providing greater flexibility. This will result in more stable investor demand and thus more resources for affordable housing.

Our bill is based on consensus proposals developed by a broad coalition of affordable housing organizations – including housing advocates, state housing finance agencies, developers, and investors – to restore private investment in affordable housing. That these proposals will create tens of thousands of affordable housing units and thousands of construction jobs was endorsed in studies by Harvard University’s Joint Center on Housing and Ernst & Young’s Tax Credit Advisory Services Center.

I am grateful for the coalition’s efforts, as well as input that New Mexico stakeholders – including the New Mexico Mortgage Finance Authority, Enterprise Community Partners, and the New Mexico Coalition to End Homelessness – provided as I developed this bill.

Mr. PRESIDENT, we must act swiftly to ensure continued progress in constructing affordable housing, to meet our nation’s affordable housing needs and create jobs. I look forward to working with my colleagues to see these provisions enacted into law.

Mr. PRESIDENT, I ask unanimous consent that a copy of the Low-Income Housing Tax Credit Recovery Act be printed in the RECORD.