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Budget Office Ups 10-Year Surplus to $1.9 Trillion; Could Improve Chances for LIHC Cap Increase

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Suddenly the odds of generating a tax bill this year have improved greatly, thanks to newly revised federal budget surplus estimates. A tax bill is the necessary vehicle to alter any part of the tax code. This includes any increase or programmatic reform to the low-income housing tax credit (LIHC), which is governed by Section 42 of the Internal Revenue Code.

The nonpartisan Congressional Budget Office (CBO) said last month that it now expects federal surpluses over the next decade to total as much as $1.9 trillion. These new CBO estimates for the 10 years ending in 2010 represents a near doubling of the $1 trillion forecast issued only last July. The total surplus for fiscal year 2000, which started Oct. 1 and ends Sept. 30, is expected to reach $176 billion if Social Security reserves are included and reach $176 billion, up from FY 1999's $124 billion.How do these ballooning federal surplus estimates by the budget office affect the chances to expand the LIHC cap, which has remained stagnant at $1.25 per resident since the program's inception 13 years ago? Most GOP lawmakers want to use the lionshare of that money to defray a sweeping tax cut bill this summer. During a big election year, many Republican lawmakers see passing a substantial tax bill as a politically savvy way to appease voters. On the other hand, the Democratic minority say they want to use the federal surplus to fix Social Security and Medicare. President Clinton has vowed to use the extra money sitting in federal coffers to pay off the national debt.Despite the unexpected surplus, most affordable housing advocates believe that at best, it's too early to predict if a politically divided Congress can come together to enact a tax bill, especially during a presidential election year. ❖

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