



President Clinton Calls for LIHC Cap Hike in FY 2001 Budget

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President Clinton has once again called for increasing the low-income housing tax credit (LIHC) cap from \$1.25 per capita to \$1.75 per capita, according to his proposed fiscal year 2001 budget that he sent to Congress Feb. 7. This translates to a 40 percent increase in the current tax credit cap beginning Jan. 1, 2001.

This new budget mirrors the Clinton administration's FY 2000 budget blueprint, which also called for an increase in the annual tax credit volume cap (See March 1999 LIHC Monthly Report, pg. 24). Unlike last year's White House budget request, Clinton's FY 2001 budget blueprint would index the LIHC cap to inflation starting in calendar year 2002. Clinton's proposed LIHC cap increase would translate in the production of an additional 150,000 to 180,000 affordable housing units, according to U.S. Department of Housing and Urban Development (HUD). At its current \$1.25 per capita rate, the tax incentive program currently supports the production of 75,000 to 90,000 units a year. The cap hike would cost \$5 billion over five years, according to HUD estimates. Despite the good news, the White House failed to include an expansion of the private activity bond cap in its FY 2001 budget request. A tax bill signed in 1998 raised the bond cap to the greater of \$75 per capita or \$225 million minimum per state, from the current \$50 per capita or \$150 million minimum per state, over five years starting in 2003. The budget request does call for a sharp increase for other affordable housing financing programs (See related article on pg. 4). Affordable housing practitioners and political pundits alike are trying to predict the likelihood of a tax credit cap increase during a politically charged election year. On one hand, House and Senate legislation designed to increase the stagnant LIHC cap has gained more than three-fourths sponsorship from Congress. On the other hand, Washington lawmakers must decide how to spend the nation's unprecedented budget surplus—on a substantial tax bill or to fix the ailing Social Security and Medicare systems. Even if Congress chooses and the White House agrees to a substantial tax bill—the necessary vehicle to change the tax code and boost the LIHC cap—it's too early to tell how a tax bill's line items will emerge. ❖

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