



New York Lawmaker Poised to Introduce LIHC Reform Legislation

By Michael J. Novogradac, CPA

In coming weeks, affordable housing industry ally Rep. Amo Houghton (R-N.Y.) is expected to introduce legislation that would greatly improve the feasibility of low-income housing tax credit (LIHC) projects in rural areas and initiate other technical reforms.

Under current law, low-wage earners in rural areas often do not qualify for LIHC properties because U.S. Department of Housing and Urban Development (HUD) income limits are often very low in rural areas. Even HUD's proposal to upwardly adjust income limits for nonmetropolitan areas would not be enough to make many LIHC projects financially feasible in rural locations. (See related article on page 10.) To bridge this gap, the National Council of State Housing Agencies (NCSHA) has lobbied Houghton to introduce legislation that would amend Internal Revenue Code (IRC) Section 42 to allow states to use the higher of the area median income (AMI) or the statewide median income for the purposes of calculating applicable income limits. (Section 42 currently requires that the AMI must be used to determine qualifying income limits.)

A recent study done for HUD by Abt Associates shows that fewer LIHCs are being used to support affordable rural rental projects. (See related article on page 1.) For example, the distribution of tax credit units was 20 percent nonmetropolitan between 1992 and 1994. By 1998, just 15 percent of tax credit units were situated in nonmetropolitan areas. In addition, the report found that the share of LIHC-financed projects using Rural Housing Service Section 515 financing decreased from 35 percent in 1992 to 1994 to 13 percent in 1998. The Houghton bill would go a long way to make LIHC projects in rural areas more feasible.

This small, technical change to the LIHC program would greatly enhance the tax incentive's ability to help low-income renters that live in the nation's rural areas. Urge your member of Congress to support this legislation by calling the congressional switchboard at (202) 224-3121. ❖

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