



Chance of LIHC Cap Increase Remains Uncertain

By Michael J. Novogradac, CPA

As lawmakers prepare to return from their Spring recess May 2, affordable housing practitioners are left to weigh the likelihood of a long-awaited low-income housing tax credit (LIHC) cap increase this year.

For the last several months, lawmakers and policy experts agreed that a minimum wage bill would be the best vehicle to boost the tax credit cap. The tax credit cap increase provisions were included in the House-passed minimum wage bill, H.R. 3081, by Rep. Rick Lazio (R-N.Y.) On the Senate side, parliamentary difficulties have stalled the minimum wage legislation. The House-passed minimum wage bill would raise the tax credit cap 10 cents a year from \$1.25 per capita to \$1.65 per capita between 2001 and 2004, with future indexation for inflation in 5 cent increments thereafter. In addition, the House bill would increase the private activity bond cap to the greater of \$70 per capita or \$210 million per state between 2001 to 2004, and then \$75 per capita or \$225 million in 2007.

To date, the Senate hasn't set a schedule for acting on the minimum wage and tax provision. And because Congress is scheduled to adjourn early in order to campaign for the November election, affordable housing advocates have even less time to push through major tax legislation. To make matters worse, President Clinton has vowed to veto the House-passed bill because of objections to small business-related riders. National affordable housing lobbyists including the National Council of State Housing Agencies (NCSHA) hope to find alternative methods to boost the long-stagnant LIHC and bond caps other than the controversial minimum wage bill. One such idea is to include the bond and tax credit cap increases in a New Markets Initiatives bill. H.R. 2848, by Rep. J.C. Watts (R-Okla.), would create tax incentives promoting community revitalization. Although it doesn't currently include the cap increases, NCSHA is urging House Ways and Means Committee Chairman Bill Archer (R-Texas) to incorporate the LIHC and bond cap increases in the legislation. Hopefully, the fact that an astounding three-quarters of Congress has cosponsored the original cap increase bills will help persuade Archer to attach it and push through the initiative quickly. ♦

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