



Lawmakers Plan to Introduce TAM, Single-Family Tax Credit Bills Shortly

By Michael J. Novogradac, CPA

Washington lawmakers are poised to introduce two important pieces of legislation that could have a significant effect on the affordable housing industry.

The first is a low-income housing tax credit (LIHC) bill that would remedy five technical advice memorandums (TAMs) that limit the items that can be included in eligible basis. (See April 2001 LIHC Monthly Report, p. 24.) Rep. Nancy Johnson (R-Conn.) plans to introduce legislation that was being put into final form as the LIHC Monthly Report went to press. Longtime LIHC program champion Rep. Charles Rangel (D-N.Y.) is expected to serve as the chief Democratic sponsor of the bill. The legislation will be introduced in early May, affordable housing policy experts predict.

The legislation would establish a statutory definition of eligible basis for the first time. In addition, it would limit Internal Revenue Service (IRS) discretion in deciding which items can go into basis. The TAMs limit the inclusion in eligible basis of costs that are not directly related to building construction, such as site preparation costs and impact fees. Some affordable housing professionals have charged that the TAMs establish a national audit policy that challenge how much of actual development costs can count in eligible basis. The Johnson bill would clarify that certain development costs can continue to be includable in eligible basis. These costs include state and local impact fees, site preparation costs, reasonable developer fees and construction financing costs. Johnson will likely try to fold the TAM bill into President Bush's tax cut package later this summer. The second major piece of legislation is a bill to create a single-family tax credit program modeled after the LIHC program. (See related article on page 1.) President Bush proposed the new credit in his fiscal year 2002 budget blueprint last month, and a Democratic counterproposal is expected shortly. The single-family tax credit will add a much-needed affordable housing financing source and bring new investment to inner city areas. ♦

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