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# Gore Unveils Tax Cut Plan That Includes a LIHC Cap Increase

*By Michael J. Novogradac, CPA*

As part of his presidential campaign, Vice President Al Gore (D) last month announced a 10-year, $500 billion tax cut proposal that includes a 50 cent increase to the long-stagnant low-income housing tax credit (LIHC) cap. Gore's tax plan would raise the LIHC cap from $1.25 per capita to $1.75 per capita starting in 2001, according to Gore's background papers. This increase would generate an additional 180,000 units of affordable housing over five years. The tax plan made no mention of accelerating the private activity bond cap increase."As president, I will propose a sizable expansion of the low-income housing tax credit, which has spurred the private development of low-income housing and is helping to build 75,000 to 90,000 housing units each year," Gore wrote on his campaign Web site.

Until now, Gore's presidential campaign has remained largely silent on affordable housing issues. GOP Presidential contender George W. Bush (R) earlier this year proposed $1.7 billion in new federal tax credits to developers to pay for half the cost of the new construction or rehabilitation of single-family houses in distressed neighborhoods for low- to moderate income residents. However, Bush's tax plan did not include a tax credit cap increase or a bond cap acceleration.Meanwhile, congressional efforts to increase the LIHC cap this year remain uncertain. Both GOP House leaders and the Clinton administration have agreed to include a tax credit cap increase in the Community Renewal initiative, but disagree over when it should take effect. House Republicans wanted to phase-in the tax credit increase over five years, by $10 per capita each year from 2001 to 2005, ending up at $1.75 in 2005. In contrast, the White House wanted the full 50-cent cap increase starting in 2001, with the cap indexed for inflation thereafter. Now, the White House has suggested a compromise—an 80 percent increase in 2001 and 20 percent in 2002 and indexing thereafter. ❖

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