



Much-Needed Single-Family Tax Credit Legislation Introduced

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For the 32.3 percent of Americans whose wages will not cover buying a home, the single-family tax credit holds great potential for ownership. Sen. Robert Torricelli (D-N.J.) in July introduced S. 1081, the Affordable Housing and Environmental Action Through Development Act (AHEAD), which is intended to spur public-private partnerships using tax credits to develop low-to-moderate single-family homes, including condominiums and cooperatives. Republicans are expected to introduce similar legislation in coming days.

Using tax credits to finance the renovation of older single-family homes and construct new ones will add to the great success that LIHCs enjoyed last year. Evidence of those accomplishments are reflected in the increased attention that Congress and the public are focusing on the affordable housing issue and in Torcelli's remarks when he introduced the bill; he called the use of tax credits as a source of capital to increase the rental housing stock "a wonderful success." S. 1081 contains several tax incentives for developers, including:

- A deduction from gross income of the first \$10,000 of gain from the sale of each home that qualifies.

- An extension of the existing 10 percent rehabilitation tax credit to properties placed in service, from 30 years to at least 50 years, as an inducement for the rehabilitation of older buildings.
- A reduction in reportable gain under the existing low-income housing tax credit by allowing certain industry practice development costs to be included in the eligible basis of the property. Included are costs for site preparation, state and local impact fees, reasonable development costs, professional fees related to basis items, construction financing costs (but not land acquisition costs), and on-site and adjacent improvements required by state or local government. ❖

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