



Substantial User Requirement Not Applicable for Determining Tax-Exempt Status

By Michael J. Novogradac, CPA

Washington lawmakers will likely act swiftly to unveil new legislation to increase the low-income housing tax credit (LIHC) from \$1.25 to \$1.75 per capita during the early weeks of the 106th Congress. Three separate bills pending in Congress this year would have raised the existing LIHC volume cap to \$1.75 per capita and indexed it for inflation in future years. Despite strong bipartisan support, the tax credit hike failed to be penciled into the 1998 omnibus spending bill and signed by President Clinton in October. But affordable housing advocates believe there will be enough momentum to boost the LIHC cap next session.

Meanwhile, the 1998 omnibus spending bill, now Public Law 105-277, provides a five-year, incremental increase in the private activity bond cap. The current \$50 per capita bond cap will be raised by \$5 a year for five years beginning in 2003, reaching \$75 per capita in 2007. And the current \$150 million per state bond cap minimum will be raised by \$15 million a year starting in 2003 to reach \$225 million in 2007. In addition to introducing new LIHC legislation, lawmakers will likely will try to pen new bond cap increase legislation that pushes up the effective date.

To improve the chances of an LIHC cap increase next year, urge your lawmaker to support upcoming legislation. Call the U.S. Capitol switchboard at (202) 224-3121. ❖

*This article first appeared in the September 1997 issue of Novogradac & Company's **LIHC Monthly Report** and is reproduced here with the permission of Novogradac & Company LLP.*

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