

White House Promises Veto

By Michael J. Novogradac, CPA



Before leaving the Capitol Hill for its August recess, Congress approved a major tax bill that would incrementally boost the low-income housing tax credit (LIHC) cap. However, President Clinton has promised to veto this legislation. Under a GOP-supported \$792 billion tax cut package (H.R. 2488), the current \$1.25 LIHC cap would be raised in 10-cent increments each year for five years beginning in 2001 until it reaches \$1.75 per capita in 2005. Starting in 2004, the tax credit cap would be indexed to inflation. In addition to increasing the LIHC cap, the tax bill also includes most of the programmatic reform language included in H.R. 2400, introduced by Rep. Nancy Johnson (R-Conn.) earlier this summer (See Aug. LIHC Monthly Report, pg. 1). H.R. 2488 would establish a \$2 million minimum annual volume cap for states; expand the definition of Qualified Census Tracts (QCTs) to add HUD-designated areas with a poverty rate of 25 percent or higher; require a third-party comprehensive market study for all proposed tax credit projects and require regular site visits by state credit agencies to monitor noncompliance with habitability requirements.

In addition, the tax bill would permit the inclusion in eligible basis of a low-income building (up to 10 percent of the eligible basis) of space used to provide a "community service facility." Space could be used for child care, job training and other social services. Unlike the Johnson bill, the legislation does not contain a provision allowing HOME-financed tax credit developments to qualify for the 130 percent basis increase if located in a qualified census tract or difficult development area (DDA). Congress is expected to send President Clinton the tax bill some time this month. ❖

For the latest updates and information on tax credit programs and resources, visit our web site at www.taxcredithousing.com. For further inquiry, contact Jane Zastrow at telephone 415.356.8034, facsimile 415.356.8090 or e-mail cpas@novoco.com. Novogradac & Company LLP, 246 First Street, 5th Floor, San Francisco, California 94105.