



Clinton Vetoes Tax Bill Containing LIHC Cap Increase

By Michael J. Novogradac, CPA

As promised, President Clinton vetoed the GOP-sponsored \$792 billion tax cut bill that would have incrementally increased the low-income housing tax credit (LIHC) cap Sept. 22. The tax bill would have raised the tax credit cap from the current \$1.25 per capita in 10-cent increments each year for five years beginning in 2001 until it reaches \$1.75 per capita in 2005 (See Sept. 1999 LIHC Monthly Report, pg. 24). Some policy experts were less than optimistic that the tax credit cap would make it into a compromise tax bill. "[The tax bill] will be a small extender bill with no LIHC or bond cap increase," Jerry Breed, an attorney with Powell, Goldstein, Frazer & Murphy LLP told the 6th Annual Affordable Housing Conference Sept. 22.

Why won't the democratic minority hash out a smaller tax bill with the LIHC cap increase this year? "The democrats have no reason to compromise with the Republicans since they get points for fiscal prudence. Also, they've won budget battles in the past," Breed observed. "The GOP can't afford to shut down the government. And frankly, I don't think the Republican leadership can handle the fall out." Despite the fact that the House and Senate tax credit bills received unprecedented bipartisan support, the future of an increase remains uncertain, according to Breed. A LIHC cap increase "won't be affected because of strong [congressional] support," he said. "The cap increase is captive of a national political game. It's more who is ahead that drives the tax bill, not a clear policy agenda." Despite the fact that year 2000 election-year politics is dominating the Beltway, affordable housing advocates can affect the future of LIHC policy, according to Breed. "New legislation will be introduced next year. Keep talking to your representative and senator," he added. "This way, it will be number one on their radar screen." ❖

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