



Nation Waits for Stimulus - Industry Hopes for Repeal of Corporate AMT

By Michael J. Novogradac, CPA

A stimulus package that included the repeal of the Alternative Minimum Tax (AMT) for corporations would have a huge beneficial effect on the affordable housing industry, allowing more affordable housing to be built at a time when the nation needs it more than ever. Private activity bonds, which are used to expand affordable housing for low- and moderate-income households, are subject to the AMT and its repeal will help in the financing of a wide variety of projects. Also, the Low-Income Housing Tax Credit (LIHC) cannot offset the AMT, so the repeal of the corporate AMT would increase the demand for the LIHC.

The repeal of the AMT also will affect the secondary market for LIHCs, as many investors who are currently selling their investments because they are in AMT would no longer need to sell their investments. In a letter to Sen. Max Baucus (D-Mont.), chairman of the Senate Committee on Finance, the National Association of Local Housing Finance Agencies (NALHFA) cites the adverse effects the AMT has on the borrowing costs for issuers of private activity housing bonds and its subsequent effect on limiting the number of investors willing to purchase the bonds. Those that have pulled back include the major insurance companies, which account for a majority of corporate investment in municipal bonds. On the borrowers' side, limited demand for bonds means state and local borrowers must offer investors higher interest rates. A repeal of the AMT, according to NALHFA, could reduce borrowing costs on single and multifamily issues by .15 percent to .30 percent per annum; increase the investor base; provide greater opportunity for the development of new housing finance vehicles; and stimulate the economy by making it easier to own a home and develop more multifamily rental properties.

President George W. Bush prefers that Congress pass an economic stimulus that repeals the AMT. The tax would be eliminated by the House version (H.R. 3090). The Senate version (S.B. 629) does not address the AMT. ❖

*This article first appeared in the December 2001 issue of Novogradac & Company's **LIHTC Monthly Report** and is reproduced here with the permission of Novogradac & Company LLP.*

© Novogradac & Company LLP 2002 - All Rights Reserved.

This editorial material is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding property compliance or any other material covered in this article can only be obtained from your tax advisor. For further information visit www.taxcredithousing.com

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.