

What the Elections Mean for Housing

By Michael J. Novogradac, CPA

Depending on one's point of view, housing won or lost in November's presidential election.

The National Association of Home Builders (NAHB) characterizes the outcome of the election as a victory for not only President George W. Bush and the Republicans, but also as a win for housing. All 10 of the NAHB-supported candidates won their respective elections. They are: Sen. Lisa Murkowski, R-Alaska; and Reps. Bob Beauprez R-Colo.; Leonard Boswell, D-Iowa; Allen Boyd, D-Fla.; Darlene Hooley, D-Ore.; Jim Matheson, D-Utah; Dennis Moore, D-Kan.; Randy Neugebauer, R-Texas; Rick Renzi, R-Ariz.; and Heather Wilson, R-N.M. Aided in part by a Texas redistricting, House Republicans picked up a net gain of five seats in that state where two incumbent Democrats lost to former home builder Neugebauer and Pete Sessions.

The National Association of State Housing Agencies (NCSHA) sees a different scenario. In a memorandum to its members' executive directors, NCSHA's executive director Barbara Thomson and director of development Garth Rieman caution that support for housing will not be a priority in Bush's second term. "Bush has not made housing funding a priority in his first term and is not likely to in his second," the duo said in their memo. Thompson and Rieman see a continued focus on homeownership, a third round of voucher reform proposals and another attempt at creating a new oversight structure for Fannie Mae, Freddie Mac and the Federal Home Loan banks.

What to Watch

In a possible move that has many affordable housing industry professionals worried, it is expected that Bush will renew his efforts to eliminate the double taxation of dividends, although, NCSHA says, some Administration watchers say he'll settle for permanent extension of the lower dividend and corporate tax rates Congress enacted last year. The president is also expected to pursue comprehensive tax reform, which could eliminate or weaken advantages for LIHTCs and tax-exempt housing bonds.

While the administration is not expected to include a tax reform proposal in its 2006 budget, it has announced an intention to form a bipartisan commis-

sion to explore the issue. It is also expected that the administration will again propose the homeownership tax credit.

NCSHA and the LIHTC industry are also concerned that the expanded Republican majorities in the House and Senate will include broad agreement with the administration's goals. "We expect them to share the president's priorities ... reforming the Section 8 voucher program and establishing a new GSE regulatory structure."

The Section 8 voucher program will almost certainly be a major focus in 2005; the Bush administration will not want to shy away from its twice-proposed initiative to change the program to a dollar-based block grant. Income targeting and tenant rent contribution restrictions are likely in future budgets as Republican and Democrats on the appropriations and authorization committee, while disagreeing on how it will be done, indicate a need to contain the program's costs.

In its efforts to establish a new and stronger regulator to oversee the GSEs, the Bush administration is expected to put its full force behind establishing a regulator with authority to set capital reserve levels, approve new products and, if necessary, says NCSHA, dissolve the companies. The agency says the U.S. Department of Housing and Urban Development (HUD) will continue its efforts to "encourage the GSE's to do more for affordable housing and minority homeownership, including overseeing the GSEs compliance with the new affordable housing goals it published recently."

Who to Watch

Legislators to watch in 2005 include John Thune, R-S.D., who unseated Senate Minority Leader Tom Daschle, D-S.D. and Sen. Harry Reid, D-Nev., who was named in late November to assume the role of minority leader.

Others of interest to the affordable housing industry include Speaker Dennis Hastert, R-Ill., and Majority Leader Tom DeLay, R-Texas, who have called for replacing the federal income tax with a national sales tax; Senate Finance Committee Chairman Charles Grassley,

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R-Iowa, who has expressed skepticism on the probability of a full congressional debate next year on the restructuring of the tax system; and who, along with House Ways and Means Committee Chairman Bill Thomas, R-Calif., does see hearings on tax reform proposals early next year.

Heading the Appropriations Committee in 2005 will be an as-yet-to-be-named chairman (Chairman Bill Young, R-Fla., must relinquish his title after six years). His successor will be named in January and at least three committee members are eyeing the position, including Ralph Regula, R-Ohio, Jerry Lewis, R-Calif., and Harold Rogers, R-Ky. Wisconsin's David Obey will retain his position as Subcommittee Ranking Member of

the Appropriations Committee.

Thomas will continue to chair the Ways and Means Committee (this is Thomas's third term and he will be term-out at the end of 2006) and Rep. Charles Rangel, D-N.Y. will continue to serve as the Committee's Ranking Member. Grassley will continue to chair the Finance Committee and Sen. Max Baucus, D-Mont., will continue to serve as the Committee's Ranking Member. Both these committees will have new Republican and Democrat members, and we are waiting to hear who the new members will be.

It is expected that the Banking Committees' leadership will remain the same. ❖