



In this week's Tax Credit Tuesday podcast, Michael J. Novogradac, CPA, starts off with the general news section, where he talks about the Congressional Budget Office's updated budget and economic outlook for the next decade. Then, he shares news about the appointment of three senior staff members to the House Ways and Means Committee, followed by an announcement about the Ways and Means Committee's first meeting of the year. In the low-income housing tax credit section, he discusses the Treasury Department's audit of the Section 1602 program in North Dakota. In new markets tax credit news, he highlights a tax extenders provision that is often overlooked, but that can be a game changer for investments in low-population census tracts. Then in the historic tax credit section, he talks about a milestone in historic preservation and how listeners can share their thoughts on the challenges and opportunities facing national historic preservation. In state-level news, he discusses recent amendments to Virginia's state historic tax credit regulations. And he closes out with renewable energy tax credit news where he talks about a report that calls wind energy the most cost-effective way to cut carbon pollution and he tells listeners about how renewable energy tax credits fall into the mix.

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GENERAL NEWS

CBO Budget and Economic Outlook 2016-2026

- In general news, the federal budget deficit for 2016 is expected to increase for the first time since 2009.
- That's according to estimates from the Congressional Budget Office (CBO), which last week released a budget and economic outlook from now through the year 2026.
- CBO projects that the 2016 deficit will be \$544 billion.
- That's \$105 billion more than the deficit recorded last year.
- Now I should note that CBO's current estimate of the 2016 deficit is \$130 billion more than the agency previously estimated in August.
- What caused that change?
- The increase is largely the result of retroactive tax extenders that were enacted in December.
- I'll keep you posted on future projections as they relate to affordable housing, community development, historic preservation and renewable energy via Twitter and future podcasts.

Ways and Means Committee New Senior Staff

- In other news, House Ways and Means Committee Chairman Kevin Brady last week announced three additions to his senior staff.
- They are:
 - Barbara Angus, who will serve as the committee's chief tax counsel.
 - Emily Murry, who will serve as the staff director of the Subcommittee on Health and
 - Machalagh Carr, who recently began serving as the oversight staff director.
- All three have extensive tax and policy experience.
 - Angus is a principal with Ernst & Young, where she leads international tax policy services.
 - Murry is the senior policy advisor to House Majority Leader Kevin McCarthy, working on healthcare and other policy issues.
 - Carr recently served on the House Committee on Oversight and Government Reform as director of oversight and investigations.
- The Ways and Means Committee is the chief tax-writing committee in the House, so Brady said the new additions to his senior staff team will work on a range of policy issues that directly affect the lives of millions of Americans.
 - For example, Angus is expected to help Chairman Brady work on an international tax reform proposal in 2016.

Ways and Means Committee Meeting

- While we're on the subject of the Ways and Means Committee, Chairman Brady plans to hold the committee's first meeting under his leadership next Tuesday, February 2 at 10 a.m.
- The hearing is slated to focus on potential pro-growth policies, such as job creation and wage increases.
- The hearing is called, "Reaching America's Potential: Delivering Growth and Opportunity for All Americans."
- I'll have more details for you in a later podcast.



LOW-INCOME HOUSING TAX CREDIT

North Dakota 1602 Program Review

- In low-income housing tax credit (LIHTC) news, an audit report this month by the Treasury Department's Office of the Inspector General gave good grades to North Dakota for its handling of the 1602 cash grant program.
- The review covered the North Dakota Housing Finance Agency's oversight of about \$7.4 million in 1602 financing.
- As you recall, and as I mentioned earlier in the 1602 program allowed states to exchange LIHTCs for grants.
 - The program was found in Section 1602 of the American Recovery and Reinvestment Act of 2009.
 - The program was created to fill the gap that was perceived to exist when the Great Recession temporarily decreased investor demand for LIHTCs.
- The Office of the Inspector General's report was part of its oversight of the 1602 program.
- North Dakota used the funds to help restart three developments that had been affected by problems with the LIHTC equity market.
 - The result was 175 affordable rental homes.
 - They were all placed in service in 2010 or 2011.
- The report concluded that the North Dakota Housing Finance Agency complied with all terms and conditions of the Section 1602 program.
 - That included how the awards were granted,
 - establishing a process to monitor long-term viability of the projects and their compliance, as well as
 - meeting Treasury's reporting requirements.
- The report emphasized the need for continued diligence in assuring compliance over the remaining compliance period.
- Both the North Dakota Housing Finance Agency and the Treasury management agreed with the findings of the report.
- This report highlights the importance of federal incentives in advancing affordable housing development.



NEW MARKETS TAX CREDIT NEWS

Empowerment Zones

- Moving on now to community development news.
- As you know, Congress in December extended the new markets tax credit (NMTC) at \$3.5 billion in allocations a year through the year 2019.
- The NMTC extension was part of a legislative package that also
 - permanently extends the minimum 9 percent LIHTC
 - as well as extends and gradually phases down the renewable energy investment and production tax credits through the year 2021.
- Another important provision of the package that did not get as much attention is the extension of empowerment zone incentives, which previously expired Dec. 31, 2014.
- Empowerment zones are economically distressed areas where employers and businesses qualify for special tax incentives.
- You might wonder, how do empowerment zones relate to the NMTC?
- Well, empowerment zones are one way a low-population census tract can qualify as a low-income community for purposes of the NMTC.
 - More precisely, Section 45D says that a census tract with a population of less than 2,000 is treated as a low-income community if it is within an empowerment zone and is contiguous to one or more low-income communities.
- Basically, empowerment zones help low-population census tracts qualify for NMTC investments.
- The benefits of empowerment zones are often overlooked, but they're crucial to potential projects located in low-population census tracts.
- Unlike other indicators of higher distress, actually determining if you meet the low-income census tract requirements using Empowerment Zones is not as easy to map.
- If you want to find out whether your proposed project is in a low-income census tract that could qualify for the NMTC, contact my partner Brad Elphick in our Atlanta metro office.



HISTORIC TAX CREDIT NEWS

ACHP Invites Historic Preservation Program Ideas

- In historic tax credit (HTC) news, the National Historic Preservation Act of 1966 turns 50 this year.
- The legislation was signed into law Oct. 15, 1966 by President Lyndon Johnson.
- Among other things, the National Historic Preservation Act of 1966 created the National Register of Historic Places and the National Trust for Historic Preservation.
- The legislation also created the Section 106 requirement for federal agencies to take into account the effects of their undertakings on historic properties.
- Another result of the act was the creation of the Advisory Council on Historic Preservation, or ACHP, which advises the president and Congress on historic preservation matters.
- To mark the bill's golden anniversary, ACHP is compiling a report on the challenges and opportunities facing national historic preservation.
- ACHP plans to submit the report to the incoming presidential administration and the 115th Congress.
- To that end, the council welcomes feedback from the public.
- If you have any recommendations on how to improve the program, you can submit them to NHPA50@achp.gov.
- The deadline to send comments and suggestions is Tuesday, March 1.
- To get a sense of where the historic preservation program stands today, you can read through a document that ACHP released earlier this month.
- It's entitled, "The National Historic Preservation Program at 50: Challenges and Opportunities."
- You can find a copy at www.historictaxcredits.com.

Virginia Modifies HTC Regulations

- In state-level news, the Virginia Department of Historic Resources recently amended regulations relating to the state's historic rehabilitation tax credit.
- Amendments include a requirement to provide information on the "Evaluation of Significance" portion of the Historic Preservation Certification Application.
 - The regulations will also require an agreed-upon procedure engagement report of the rehabilitation expenses by an independent certified public accountant for projects with eligible expenses less than \$500,000.
 - Of more significance for projects with expenses more than \$500,000, the department will require a full audit of the rehabilitation expenses.
- Other changes include certain fee increases and clarified term definitions.
- These changes become effective Feb. 10.
- If you have any questions about the regulations or any other state HTC program, I encourage you to contact my partner Nick Hoehn in our Austin, Texas, office, or Tom Boccia, in our Cleveland, Ohio office.



RENEWABLE ENERGY TAX CREDIT NEWS

Wind Energy Study

- In renewable energy tax credit (RETC) news, two noted national laboratories released a study this month that calls wind energy the most cost-effective way to cut carbon pollution.
 - The analysis was published by the Lawrence Berkley National Laboratory and the National Renewable Energy Laboratory.
 - The report said there are approximately \$7.5 billion in environmental benefits every year from reduced air emissions.
 - That includes a reduced mortality rate and a reduction in health expenses.
 - The analysis also included figures for:
 - reduced water consumption,
 - reduced consumer energy prices,
 - increased jobs and
 - the increase in the annual gross domestic product from renewable energy developed to meet state renewable portfolio standards through 2013.
- Renewable portfolio standards are regulations that require increased production of energy from renewable sources.
 - They are instituted on a state-by-state basis.
 - Twenty-nine states have the mandatory standards.
 - An additional eight have voluntary standards.
- The analysis examined renewable portfolio standards and concluded that wind energy not only reduces carbon pollution, but, quote “protects ratepayers against fuel price increases.”
- Of course the presence of the renewable energy production tax credit (PTC), which Congress extended through 2021 in December, adds to the value of wind power.
- To read the report, go to www.energytaxcredits.com, hover over the Resources tab and click on the “Research Center” button.
 - The report is entitled, “A Retrospective Analysis of the Benefits and Impacts of U.S. Renewable Portfolio Standards.”