Summary: March 1, 2016

In this week's Tax Credit Tuesday podcast, Michael J. Novogradac, CPA, begins this week's podcast with the general news section, where he recaps the South Carolina Democratic presidential primary and Nevada Republican caucus results and he will provide a rundown on the state delegates at stake in today's Super Tuesday primaries. In the low-income housing tax credit section, he shares news about updated compliance monitoring regulations for the low-income housing tax credit and remind listeners about the HUD budget hearing scheduled for today. In new markets tax credit news, he talks about updates to the frequently asked questions document for Capital Magnet Fund applicants. He also shares how listeners can learn about new markets tax credit basics anytime, anywhere with our Novogradac on-demand course, NMTC 101: The Basics. Then in the historic tax credit section, he has an update on one Maryland county's successful campaign to create a local historic tax credit program. And he closes out with renewable energy tax credit news where he discusses possible implications of the renewable energy tax credit extensions through 2021.

Summaries of each topic:

GENERAL NEWS

Super Tuesday

- In general news, today is Super Tuesday.
- Today 12 states and one territory are holding their nominating contests.
- States holding both Republican and Democratic contests are:
  - Alabama,
  - Arkansas,
  - Georgia,
  - Massachusetts,
  - Minnesota,
  - Oklahoma,
  - Tennessee,
  - Texas,
  - Vermont
  - And Virginia.
- Alaska is holding its Republican caucus and Colorado is holding its Democratic caucus.
- Also, American Samoa has its Democratic caucus today.
- Colorado, North Dakota and Wyoming are also holding Republican caucuses, but no delegates will awarded today.
- At stake on Super Tuesday are 661 delegates for Republicans and 865 delegates for Democrats.
- Almost all delegates today will be awarded proportionally.
- For Texas Republicans, if a candidate wins 50 percent or more of the statewide vote, then that candidate will win all of Texas' Republican delegates.
- Texas does have a contest both on the proportionality across the state as well as among congressional districts.
- To win the Republican nomination, a candidate needs 1,237 delegates.
- To win the Democratic nomination, a candidate needs 2,383.
- Mathematically, no candidate of either party will have enough delegates to clinch the nomination after today.
- But decisive victory today for either of the leading candidates, Donald Trump and Hillary Clinton, could make it extremely difficult for anyone else to catch up.
- Here's a recap of the presidential primaries so far:
- In the past few weeks, Trump and Clinton have dominated their parties' respective primaries.
- After the Iowa, New Hampshire, Nevada and South Carolina contests last month, Trump is on top with 82 delegates.
- Second-place candidate Ted Cruz has less than a fourth of Trump's delegates, 17.
- Marco Rubio is in third place with 16 delegates.
- Rounding out fourth and fifth place are John Kasich with six delegates and Ben Carson, with four.
- In the Democratic race so far, Clinton has 544 delegates, which includes 453 so-called superdelegates, representing elected officials and party insiders, as compared to Bernie Sanders' 85, which includes 20 superdelegates.
- Again, those are the delegate totals going *into* today's races.
- You can follow me on Twitter for updates.

- My handle is @Novogradac.
- In addition, you can check out our Notes for Novogradac blog.
- We’re posting profiles of each primary season state.
- The profiles include presidential primary facts and tax credit usage in each state.

LOW-INCOME HOUSING TAX CREDIT NEWS

Revised LIHTC Compliance-Monitoring Regulations

- In low-income housing tax credit (LIHTC) news, the IRS last week published amendments to its rules for LIHTC compliance monitoring.
  - The changes were announced in a Federal Register notice.
- The changes primarily affect state and local housing agencies.
- The amendments revise and clarify the requirement to conduct physical inspections of LIHTC properties and review low-income certifications and other documentation.
- The IRS also published Revenue Procedure 2016-15.
- The revenue procedure explains in further detail how the new regulations will be implemented.
- Overall, the IRS now gives housing agencies more flexibility regarding the minimum number of units needed for physical inspections and low-income certifications.
- More specifically, the minimum number of low-income units in a LIHTC development that must undergo physical inspection is the lesser of
  - 20 percent of the low-income units in the property, rounded up to the nearest whole number,
  - or the number of low-income units set forth in the revenue procedure.
- The same rule applies to determine the minimum number of units that must undergo low-income certification review.
- The changes also remove the requirement that agencies conduct *both* physical inspections *and* low-income certification on the same units.
- The IRS now allows the physical inspection protocol under HUD's Real Estate Assessment Center to satisfy the physical inspection requirements.
- The regulations went into effect Feb. 25.
- We'll provide more coverage of the new regulations in an upcoming issue of the Novogradac Journal of Tax Credits.
- In the meantime, please contact my partner Thomas Stagg in our Seattle metro office with any questions.

HUD Budget Hearing

- In other housing news, the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies is scheduled to have its hearing today on the proposed budget for HUD.
- HUD Secretary Julian Castro will be the sole witness.
- I'll have more news on this hearing in next week's podcast.

NEW MARKETS TAX CREDIT NEWS

Updated Capital Magnet Fund FAQs

- In new markets tax credit (NMTC) news, the CDFI Fund last week released updates to its frequently asked questions document for fiscal year 2016 applicants of the Capital Magnet Fund.
- One of the main topics covered is whether funding from the Capital Magnet Fund can be combined with funding from other CDFI Fund programs.
- The short answer?
    - No.
- The FAQ states that Capital Magnet Fund awards should only fund activities different from other activities funded by the CDFI Fund.
- There is an exception for CDFI Fund assistance that closed by Feb. 8.
- For the most part though, the limitation to using Capital Magnet Fund awards with CDFI programs is meant to prevent double-funding.
- Updated topics in the FAQ include:
    - affordability requirements,
    - providing Capital Magnet Fund funds to limited liability corporations or limited partnerships
    - and other topics.
- Capital Magnet Fund application deadlines are just around the corner.
- The deadline for submissions through www.grants.gov website is March 16.
    - That's just over two weeks away.
- Applications submitted through the CDFI Fund's Award Management Information System or AMIS are due March 30.
- The CDFI Fund will host a technical assistance webinar for applicants this Thursday, March 3.
- If you have any questions about the Capital Magnet Fund, please contact my partner Diana Letsinger in our Long Beach, Calif., office.

NMTC 101: The Basics

- In other NMTC news, I'm happy to announce that Novogradac's NMTC 101: The Basics course is now available online on-demand.
- This introductory NMTCs course walks participants through an overview of the application and award process.
- Our instructors also unscramble the alphabet soup of CDEs, QEIs, QALICBs and QLICIs.
- The course also highlights unique elements of NMTC deal structures.
- In addition, we provide tips on how to avoid tax credit recapture.
- The on-demand course is available now at www.novoco.com.

HISTORIC TAX CREDIT NEWS

Maryland County HTC

- In historic tax credit (HTC) news, a county in Maryland became the latest in that state to pass a local HTC.
- The Anne Arundel County Council recently voted 5-2 to pass legislation instituting the credit.
- Anne Arundel County will offer a tax credit worth 25 percent of eligible costs for historic residential and commercial properties.
    - The credit can be deducted from the taxpayer’s county property tax bill.
- While opponents said the tax credit would raise taxes for other property owners, the county auditor said the effect would be negligible for Anne Arundel.
- The tax credit has no program cap and no sunset date.
- However, there is a transaction cap of $50,000.
    - The tax credit can be claimed over five years and property owners must agree to give the county an easement on the structure.
    - That is to ensure that the property maintains its historic status.
    - An amendment allows the easement to be removed if the taxpayer repays the credits.
- The legislation also included a 5 percent credit for new construction infill in a historic district.
    - To qualify, the architecture must be compatible with existing buildings.
- The county HTC can be used for projects that also have state and federal HTCs.
- Local administrators say that the county, state and federal programs are helpful tools to offset the higher cost of preservation.
- Anne Arundel County is creating the HTC application and expects to begin accepting applications in the next month or so.
- For more about county-level HTCs, look for an article in the upcoming issue of the Novogradac Journal of Tax Credits.
- If you have any specific questions, please contact Charlie Rhuda in our Boston, Massachusetts office.

RENEWABLE ENERGY TAX CREDIT NEWS

ITC, PTC Impact Report

- In renewable energy tax credit (RETC) news, the Energy Department's National Renewable Energy Laboratory released a report on the impact of recently extended federal energy tax credits—specifically, the production tax credit (PTC) and investment tax credit (ITC).
  - As you know, the ITC and PTC were extended and subjected to phased-down sunsets as part of the Consolidated Appropriations Act of 2016.
  - More specifically, the PTC was extended through 2016 at prior levels, and then phases down by 20 percent per year through the year 2019.
  - The ITC was extended at 30 percent through the year 2019; then the ITC is gradually reduced to a permanent level of 10 percent for those projects where construction starts after 2021.
  - So while the solar and wind tax credit deadlines were extended through the year 2021, the credits will be stepped down.
- The NREL report explores two questions:
  - One, how might renewable energy deployment in the United States change with the recent federal tax credit extensions?
  - And two, how might this change in renewable energy deployment impact CO_2 emissions in the power sector?
- The report estimates that the tax credit extensions will drive a net peak increase of 48 to 53 gigawatts in installed renewable generation capacity in the early 2020s.
- The report also found that after the tax credits ramp down, greater renewable energy capacity will be driven by a combination of three factors:
  - assumed cost reductions in renewable generation,
  - assumed rising fossil fuel prices, and
  - existing clean energy policies.
- The report concludes that the tax credit extensions under the Consolidated Appropriations Act of 2016 are expected to accelerate renewable capacity deployment.
  - However, longer-term impacts depend on future natural gas prices and other regulatory and market factors.
- In addition, more rapid renewable energy growth—driven by the tax credits—can result in major CO_2 emissions reductions.
- To read the report, entitled "Impacts of Federal Tax Credit Extensions on Renewable Deployment and Power Sector Emissions," go to www.energytaxcredits.com.