



In this week's Tax Credit Tuesday podcast, Michael J. Novogradac, CPA, begins with the general news section, where he talks about the latest omnibus appropriations bill and tax extenders news. In the low-income housing tax credit section, he discusses a new rental housing report and what it says about how affordable housing programs can better serve the nation's growing housing needs. In new markets tax credit news, he shares an announcement on Capital Magnet Fund guidance and notice of funding availability. He also provides an update on how much funding will be available for fiscal year 2016 through the Social Innovation Pay for Success program. Then, he moves on to historic tax credit news, where he talks about an upcoming application deadline for Ohio's state historic tax credit program. He closes out with renewable energy tax credit news, where he discusses the latest effort to extend the renewable energy investment and production tax credit program permanently.

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GENERAL NEWS

Appropriations, Tax Extenders Update

- In general news, Congress last week bought more time to continue negotiating on an appropriations bill.
- Funding as you know, for the federal government, was set to expire last Friday, Dec. 11.
- However, Congress passed a stop-gap bill on Friday to extend government funding until tomorrow, Dec. 16.
- Unfortunately, as I'm recording this podcast, an actual draft appropriations bill has not been released.
- As such, there's an expectation that another short-term continuing resolution will be needed to continue funding the federal government.
- We do expect today for there to be a release of an appropriations bill, as well as a tax extenders bill.
- Unfortunately, we don't know the details of either one at this time.
- One thing we are following closely on the tax extenders front is whether or not we end up with a two-year extenders package, or a longer-term extenders package that costs more in the neighborhood of \$600 to \$800 billion.
- Such a bill would likely make some tax extenders permanent, such as the R&D credit, and the child tax credit and earned income tax credit, along with potentially making the low-income housing tax credit 9 percent floor permanent.
- Along with a longer-term extension of the new markets tax credit that could be five years or potentially permanent.
- On the production tax credit and investment tax credit side, it does look like those credits would likely be extended out five years, though wound down over that five-year period.
- As soon as we get a draft of a tax extenders bill or an appropriations bill, we'll share the actual bill text and/or summary as they become available.
- We'll also post a summary on the Novogradac.wordpress.com blog.
- At this point, all I can say is stay tuned.
- There should be numerous developments over the next hours, days, or hopefully not more than a week.



LOW-INCOME HOUSING TAX CREDIT

JCHS Report

- In affordable housing news, the demand for rental housing is experiencing record-setting growth, according to a report from Harvard University's Joint Center for Housing Studies.
- The center found that the number of renter households reached 43 million this year.
 - That's a growth of 9 million renter households between 2005 and 2015, the largest gain in any 10-year period on record.
- Many factors led to this growth, from the mortgage crisis to demographic trends and preferences.
- The report gives a bird's-eye view of the rental housing market, covering everything from pressures on low-cost housing supply to affordability challenges across income levels.
- Data shows that between 2001 and 2014, real rents grew 7 percent, but household incomes dropped 9 percent.
 - At the same time, these trends pushed up the number of cost-burdened renters from 14.8 million to 21.3 million.
 - And by cost-burdened, I mean renters who spend 30 percent or more of their income on housing costs.
- I should note that although being cost burdened is common among lower-income households, cost burdens are also a growing concern for moderate-income renters.
 - The number of cost-burdened renters who earned between \$15,000 and \$30,000 rose from 69 to 77 percent between 2001 and 2014.
- The bottom line is that supply of affordable housing is nowhere close to meeting demand.
- And policymakers will need to make informed decisions about how to best address the growing and diverse needs of renter households.
- The study names the low-income housing tax credit (LIHTC) and HUD funding as critical tools.
- Obviously, a good start would be to increase funding for affordable housing programs.
- But, there's also the importance of how the funds should be used.
- One way to serve the neediest households is to allow income-averaging for LIHTC properties.
 - Basically, the idea is to balance units for extremely low-income tenants with a few homes for slightly higher-income tenants.
 - In this way, there would be more affordable housing for those who need it the most.
- Reports like this one are important as policymakers consider funding options for affordable housing programs.
- I encourage you to read the JCHS report at www.taxcredithousing.com.



NEW MARKETS TAX CREDIT NEWS

Capital Magnet Fund Update

- In new markets tax credit (NMTC) news, as you know the NMTC allocation application is due tomorrow, Dec. 16, by 5 p.m. Eastern Time.
- And the signature pages and other documents are due two days later, by Friday, Dec. 18, once again, 5 p.m. Eastern Time.
- Turning to other NMTC news, the CDFI Fund expects to release Capital Magnet Fund guidance and a notice of funding availability, or NOFA, by the end of this week.
- The NOFA won't have a dollar amount available.
- That amount will be calculated in early January and transferred to the CDFI Fund within the first 60 days of the year.
- The next funding round will likely offer between \$101 million and \$105 million.
- This is significantly more than the \$80 million appropriated in 2010.
- The CDFI Fund is releasing the guidance and NOFA soon so that it can make awards this spring, probably in March or April.
- We'll provide updates as soon as they become available.
- So, make sure to stay in the loop by subscribing to our free Novogradac Industry Alert emails.
- Simply go to www.novoco.com to sign up today.
- In the meantime, we've put together some top-level estimates for the Capital Magnet Fund, as well as the Housing Trust Fund and HOPE Reserve Fund.
- You can find these on my Notes from Novogradac blog.
- Go to Novogradac.wordpress.com.

Pay for Success Notice of Funding Availability

- In other news, the Corporation for National and Community Service announced that \$10.6 million will be available through the Pay for Success program for fiscal year 2016.
- The federal program uses private dollars to fund up-front social services.
- The government only pays back the up-front funding *after* certain social outcomes are achieved.
 - An example of an achieved outcome could be an increase in a community's high school graduation rates.
- Every Social Innovation Fund grant dollar must be matched by the grantee with nonfederal dollars and services.
- The goal is to minimize the risk to the government and maximize the return on taxpayer dollars.
- Pay for Success has been very popular since it was launched in 2014.
- In the 2014 round of funding, the Corporation for National and Community Service awarded eight grantees \$12 million.
 - This money has already helped support more than 40 Pay for Success projects that vary from asthma prevention to green infrastructure.
- For fiscal year 2016, grants will range from \$350,000 to \$1.8 million per year for a three-year period.
- To apply for the 2016 funding round, there are two dates to remember.
 - First, letters of intent are due Wednesday, Jan. 13.
 - Second, applications are due Thursday, Feb. 11.



- Awardees will be notified by April. To learn more about the program, go to www.nationalservice.gov.



HISTORIC TAX CREDIT NEWS

Ohio State HTC Deadline

- In historic tax credit (HTC) news, applicants who hope to get state HTCs in Ohio's 16th allocation round should be preparing for a meeting with the state historic preservation office.
- Why?
 - That's because the Ohio Historic Preservation Tax Credit Program requires that all applicants schedule a pre-application meeting with the state office before submitting their request.
 - The deadline for asking for that meeting and declaring your intention to apply is Feb. 16.
 - Applications are then due at the end of March and the awards will be announced by June 30.
 - Over the previous rounds, there have been 350 historic buildings rehabilitated with nearly \$3.8 billion in private redevelopment funding and federal tax credits.
 - Applicants are eligible for tax credits equal to 25 percent of their qualified rehabilitation expenditures.
 - There is a \$5 million cap per development, but the state credit can be paired with federal credits.
- Last summer, the state credit was briefly on the chopping block during the budget process, but the HTC community rallied to preserve it.
- By the way, the Ohio Development Services Agency should be announcing the allocations for the 15th round of the program any day now.
 - Ohio announces two rounds of HTC allocations a year and the second is made in late December.
 - The agency said it received 60 applications for 85 historic buildings in Round 15.
 - Applicants are asking for more than \$150 million in tax credits, compared to the \$27.5 million in credits available.
- For more information about the state tax credit program, visit www.historictaxcredits.com.
- And if you have specific questions about Ohio's state HTC, contact my partner Tom Boccia in our Cleveland, Ohio office.



RENEWABLE ENERGY TAX CREDIT NEWS

Clean Energy Investment Act

- In renewable energy tax credit (RETC) news, Sen. Bernie Sanders, an independent from Vermont, is the latest lawmaker to introduce a bill that involves the production tax credit (PTC) and investment tax credit (ITC).
- Sen. Sanders also, as you know, is running for president of the United States.
- Sander's bill would permanently extend both the PTC and the ITC.
- His bill was introduced last week.
 - Cosponsors were Jeff Merkley of Oregon and Edward Markey of Massachusetts.
 - Both are Democrats, and neither is on the Finance Committee, which is the committee that has jurisdiction over RETCs.
- The PTC portion of Sanders' bill permanently extends the PTC, with a gradual reduction from 2.3 cents per kilowatt hour down to 1.1 cents for facilities that begin construction in 2025 or later.
- The legislation would also permanently extend the ITC at its 30 percent level and expand it to include offshore wind facilities.
 - The ITC, as you know, is currently scheduled to drop from 30 percent to 10 percent after calendar year 2016.
 - The legislation would lower the ITC cap for investment in manufacturing renewable energy equipment from \$2.3 billion total to \$1 billion each year.
- The bill's summary says it would drive more than \$500 billion in clean energy investments between now and 2030.
 - The proposal would also allocate \$41 billion to help oil, gas and coal workers transition out of the fossil fuel industry.
 - The legislation says that the cost for the proposals would be offset by repealing all subsidies for fossil fuels and the end of tax breaks that encourage corporate inversions.
- The legislation is S. 2391, the Clean Energy Investment Act.
- Both the Solar Energy Industries Association and the American Wind Energy Association support the bill.
 - And the proposal is one of at least six bills in this session of Congress calling for the extension or permanence of the ITC and the PTC.
 - At least two more call for the elimination of one or both credits.
- My colleague Peter Lawrence in our Washington office says that one reason for the rash of RETC bills this year is driven by support or opposition to the administration's Clean Power Plan and negotiations on a global climate agreement in Paris this past fortnight.
 - Peter also points out that with the PTC included in tax-extender legislation, or at least expected to be included in tax-extender legislation, and the ITC not scheduled to ramp down until after next year, it's unlikely any of the bills will make much progress.
- We'll post the bill on www.energytaxcredits.com as soon as it's available.