H.R. 5720
Housing Assistance Tax Act of 2008

April 9, 2008

I. ASSISTANCE FOR HOME BUYERS AND HOME OWNERS

First-time home buyer credit. The bill would provide first-time home buyers with assistance in making a down payment on a home by providing these individuals with a refundable tax credit that is equivalent to an interest-free loan equal to 10% of the purchase price of their home (up to $7,500). Taxpayers receiving this tax credit would be required to repay any amount received under this provision back to the government over 15 years in equal installments. The maximum amount that a taxpayer may receive under this provision will phase-out for taxpayers with adjusted gross income in excess of $70,000 ($110,000 in the case of a joint return). *This proposal is estimated to cost $3.78 billion over 10 years.*

Additional standard deduction for real property taxes. The bill would provide home owners who claim the standard deduction with an additional standard deduction for State and local real property taxes. The maximum amount that may be claimed under this provision is $350 ($700 for joint filers). This proposal applies only for 2008. *This proposal is estimated to cost $1.17 billion over 10 years.*

II. ASSISTANCE FOR LOW-INCOME RENTAL HOUSING

Temporary increase in low-income housing tax credit. Under current law, there is a state-by-state limit on the annual amount of Federal low-income housing tax credits that may be allocated by each state. This limitation is currently set at $2.00 for each person residing in the state. The bill would increase this limitation in 2008 and 2009 by an additional 20 cents for each person residing in the state. *This proposal is estimated to cost $1.05 billion over 10 years.*

Low-income housing tax credit simplification. Last year, the Department of the Treasury testified before the Subcommittee on Select Revenue Measures that "there may be ways to simplify the [low-income housing tax credit (LIHTC) program] and improve its effectiveness in serving the needs of low-income people while at the same time reducing the burden placed on the Internal Revenue Service (IRS) and State agencies administering the program." To this end, the bill contains numerous proposals to simplify the technical rules relating to the LIHTC. In particular, the bill would eliminate the distinction between new and existing buildings for purposes of this credit, establish a minimum credit rate for non-Federally subsidized buildings, clarify the circumstances under which a building is considered to be Federally subsidized and the circumstances in which Federal assistance will be taken into account in calculating the LIHTC, provide State housing agencies with greater flexibility to select sites for low-income housing projects and allocate adequate amounts of credit for projects, clarify the rules relating to determinations of current income, provide developers with more time to begin construction of low-income housing projects after the credits have been awarded (one year instead of current law 6 months), reform rules pertaining to sales of low-income housing buildings, and eliminate technical barriers to rehabilitating low-income housing projects. *These proposals are estimated to cost approximately $250 million over 10 years.*

Tax-exempt housing bond simplification. The bill contains two proposals to simplify the technical rules relating to tax-exempt housing bonds. In the construction and development of low-income housing projects, states may find that it is most efficient to finance projects using a series of short-term bonds. Under current law, there is a limitation on the annual amount of tax-exempt housing bonds that each state may issue. Under current law, a state is required to separately count each issuance in a series of short-term bonds against this limitation even if a later bond replaces an earlier bond. The bill would clarify that where a state issues a series of short-term bonds for low-income housing projects that these bonds will only be counted once against this limitation. The bill would also update the tax-exempt housing bond rules to conform certain aspects of these rules to the low-income housing tax credit rules. *These proposals are estimated to cost approximately $519 million over 10 years.*

III. OTHER HOUSING PROVISIONS

Temporary increase in mortgage revenue bonds. Under current law, there is a national limit on the annual amount of tax-exempt housing bonds that each state may issue. Many states have reached their limit. The bill would increase this national limit in 2008 to allow for the issuance of an additional $10 billion of tax-exempt bonds to provide loans to first-time home buyers and to finance the construction of low-income rental housing. The bill would also temporarily allow qualified mortgage revenue bonds (a form of tax-exempt bond issued by states to help provide financing to first-time home buyers) to be used to refinance certain subprime loans. *This proposal is estimated to cost $1.37 billion over 10 years.*

Eliminate costs imposed on housing programs by the alternative minimum tax. The alternative minimum tax (AMT) can increase the cost of implementing housing programs. Under current law, interest on tax-exempt housing bonds is subject to the AMT and both low-income housing tax credits and rehabilitation tax credits cannot be taken against the AMT. This limits the marketability of these bonds and limits the incentive effect of these credits. The bill would allow the low-income housing tax credit and the rehabilitation tax credit to be used to offset the AMT and would ensure that interest on tax-exempt housing bonds is not subject to the AMT. *These proposals are estimated to cost $2.05 billion over 10 years.*

Municipal bonds guaranteed by Federal home loan banks eligible for treatment as tax-exempt bonds. Under current law, municipal bonds that are guaranteed by Federal home loan banks cannot qualify as tax-exempt bonds unless the bonds are used to finance housing programs. State and local governments currently face significant costs when issuing tax-exempt municipal bonds to finance state and local projects. The bill would help these municipalities by temporarily allowing bonds that are guaranteed by Federal home loan banks to be eligible for treatment as tax-exempt bonds regardless of whether the bonds are used to finance housing programs. Allowing these bonds to be guaranteed by Federal home loan banks will help State and local governments obtain financing for necessary projects (e.g., constructing roads, repairing bridges, building and renovating schools and hospitals, funding college loans, etc) at a lower cost. *This proposal is estimated to cost $124 million over 10 years.*

Protection of taxpayer Social Security numbers in real estate transactions. Under current law, an individual selling a home is required to provide the purchaser of the home with an affidavit stating, under penalties of perjury, that the seller is not a nonresident alien individual or a foreign corporation (special tax rules apply to sales of real estate by nonresident alien individuals and foreign corporations). This affidavit must contain the seller's Social Security number. In order to protect individuals from identity theft that could occur in connection with the sale of real estate, the bill will allow the seller to provide this affidavit to the business professional responsible for closing the real estate transaction (e.g., an attorney or title company) instead of sending this affidavit to the purchaser. *This proposal is estimated to cost $20 million over 10 years.*

Encouraging the rehabilitation of government-leased buildings. Under current law, taxpayers are not eligible for the full amount of the rehabilitation credit if more than 35% of a rehabilitated building is leased to a State or local government. In such a situation, expenditures that are allocable to the portion of the building that is leased by the government will not be counted in calculating the rehabilitation credit. In general, the bill would allow taxpayers to qualify for the full amount of the rehabilitation credit so long as less than 50% of the rehabilitated building is leased to State and local governments or other tax-exempt entities. *This proposal is estimated to cost $265 million over 10 years.*

IV. Reforms Related to REITs

Real estate investment trust reforms. The bill would include most of the provisions of H.R. 1147, the *REIT Investment Diversification and Empowerment Act of 2007* (RIDEA). Real estate investment trusts (REITs) are subject to complex rules that can limit the ability of these businesses to adjust to changing market conditions and to manage risk. The bill would liberalize these rules by clarifying that REITs can earn foreign currency income associated with real estate activities, increasing the permissible size of REIT investments in taxable REIT subsidiaries, modifying the REIT safe harbor for dealer sales, and extending the special rules for lodging facilities to health care facilities. *These proposals are estimated to cost $319 million over 10 years.*

V. Revenue Provisions

Basis reporting by brokers on sales of stock. The bill would enact President Bush's proposal to create mandatory cost basis reporting by brokers for transactions involving publicly traded securities. Covered securities are generally stock and debt and also commodities, derivatives and other instruments, if specified by the Secretary of the Treasury, which are acquired in the account or transferred to the account managed by the broker. The President's FY 2009 Budget recommends that Congress require basis reporting on security sales. The Department of the Treasury explains that this proposal is necessary because "compliance increases significantly for amounts that a third party reports to the [Internal Revenue Service (IRS)]. The potential for noncompliance on sales of securities is considerable under current law because the taxpayer's basis is not reported to the IRS. Requiring brokers to maintain records of the adjusted basis of securities sold by their customers and report this information to the IRS would increase compliance with capital gains reporting. In addition, such a requirement would provide significant simplification benefits by relieving taxpayers from the often complicated task of calculating adjusted basis to determine gain or loss on the sale of securities." The provision would apply to stock acquired after January 1, 2010. For all other instruments, the provision would apply after January 1, 2012. This provision passed the House of Representatives last December as part of H.R. 6 by a vote of 235 to 181 (with 14 House Republicans joining 221 House Democrats in support). *This proposal is estimated to raise $8.05 billion over 10 years.*

Delay implementation of worldwide allocation of interest. In 2004, Congress provided taxpayers with an election to take advantage of a liberalized rule for allocating interest expense between United States sources and foreign sources for purposes of determining a taxpayer's foreign tax credit limitation. Although enacted in 2004, this election is not available to taxpayers until taxable years beginning after 2008. The bill would delay the phase-in of this new liberalized rule for one year (for taxable years beginning after 2009). Special transition rules would apply in the first year that the liberalized rule phases in. This is a scaled-back version of a provision that passed the House of Representatives last year as part of H.R. 3920 by a vote of 264 to 157 (with 38 House Republicans joining 226 House Democrats in support). *This proposal is estimated to raise $2.93 billion over 10 years.*