



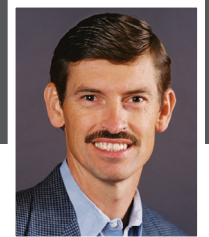
Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

January 2015 • Volume VI • Issue I

Published by Novogradac & Company LLP

WASHINGTON WIRE



What New Committee Leadership, Makeup Could Mean for Tax Credits

MICHAEL J. NOVOGRADAC, CPA

While much of the postelection focus in Washington, D.C., was on the lame-duck session of Congress—including efforts to pass a tax-extenders package—some significant shuffling took place on committees for the upcoming 114th Congress that will likely be consequential for the tax credit community in the next two years.

Tax-extenders discussion continued throughout the session, which began on Nov. 12. Just before Thanksgiving, House and Senate leaders struck a tentative deal on an extenders bill, which would have made several provisions permanent, such as the R&D credit. However, before that deal was publicly released, it was derailed by a veto threat by President Barack Obama, who said that some of the tax-extenders in the legislation offered permanent tax breaks to “well-connected corporations while neglecting working families.”

Ultimately, the House and Senate passed a retroactive one-year extension of the bill, including extension of the 9 percent low-income housing tax credit (LIHTC) rate floor, the new markets tax credit (NMTC) and the production tax credit (PTC) through the end of 2014.

While tax extenders were in the spotlight, changes in the leadership and makeup of committees may be equally important in the long run. Most dramatic were changes in the Senate, where leadership switched to the Republicans for the first time since 2006. There is not only a leadership switch for all committees, but a new ratio of party membership on the panels as Republicans take control.

House committee leadership remained firmly in the hands of the GOP, which will extend its control to 18 of the past 22 years following a 40-year run of Democrat control. The Republicans have their biggest margin in the House since 1930, giving them even more control in committees.

Of greatest consequence to the tax credit community are leadership and membership changes for the tax-writing committees—the Senate’s Finance and the House’s Ways and Means Committees, which oversee tax credits and could consider tax reform legislation. Also important to affordable housing and community development are the banking, spending, and budget committees: the Senate’s Banking, Housing and Urban Affairs; Appropriations; and Budget Committees and the House’s Financial Services; Appropriations; and Budget Committees. In three key

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Senate committees—Appropriations, Banking and Budget—the Democrats lost two seats to Republicans.

Here's a look at the key committees in both houses:

Senate Committees

Appropriations. Sen. Thad Cochran, R-Miss., is likely to chair the Senate Appropriations Committee. He has a history of seeking bipartisan support for legislation, including support for housing programs, which suggests that the Appropriations Committee will focus on finding agreement. The current Chairwoman, Sen. Barbara Mikulski, D-Md., is expected to become the ranking member.

Banking. Sen. Richard Shelby, R-Ala., is set to become the chairman of Banking, Housing and Urban Affairs Committee, asserting his seniority to move past Sen. Michael Crapo, R-Idaho. Sen. Sherrod Brown, D-Ohio, became ranking member when Sen. Chuck Schumer, D-N.Y., passed on the opportunity so he could focus on his party duties as the No. 3 Democrat in the Senate, and Sen. Robert Menendez, D-N.J. elected to remain the top Democrat on the Foreign Relations Committee. This committee has jurisdiction over most federal housing programs aside from LIHTC. While the Banking Committee passed significant housing finance reform legislation authored by retiring Senate Banking Committee Chairman Tim Johnson, D-S.D., and Crapo in 2014, the departure of Johnson and demotion of Crapo will likely make it more difficult for that legislation to advance in the upcoming Congress. It is notable that both Shelby and Brown voted against the bill during committee consideration.

Budget. Sen. Mike Enzi, R-Wyo., is likely to become the Budget Committee chairman. Current ranking member, Sen. Jeff Sessions, R-Ala., deferred to Enzi, who had greater seniority on the panel. Enzi will face the tough task of navigating a diverse Republican majority in the Senate but still finding a way to reach a deal with the more conservative House. Some Beltway insiders predict Congress may write reconciliation instructions into a fiscal year 2016 budget resolution that would allow the Senate to pass substantial changes in tax and spending policy with 51 votes instead of 60. Sen. Bernie Sanders, I-Vt., became the ranking member when Sen. Patty Murray opted to take the top Democrat job in the Health, Education, Labor and Pensions Committee.

Finance. Sen. Orrin Hatch, R-Utah, will swap roles with Ron Wyden, D-Ore., as Finance Committee chairman and ranking member. Both senators have publicly advocated for tax reform, and we can expect that the committee is focus much attention on it, building on the work the committee did in the most recent Congress. The committee will also be confronted by major fiscal deadlines in 2015: The expiration of the debt ceiling in March (Treasury will likely be able to use budget maneuvers to avoid breaching the ceiling for several months), a fix for Medicare reimbursement rates and finding a longer-term funding solution for the Highway Trust Fund. Three new Republican senators were appointed to the committee: Dan Coats, R-Ind.; Dean Heller, R-Nev.; and Tim Scott, R-S.C. Sen. Mark Warner, D-Va., the most junior Democrat on the committee, retained his seat as the committee ratio swung from 13 Democrats and 11 Republicans in the past Congress to 14 Republicans and 12 Democrats in the this Congress.

House Committees

House committees also experienced a fair amount of shifts despite the Republicans retaining control, as Republican conference rules place a six-year term limit as chairman.

Ways and Means. Most prominently, Republican Conference members elected Rep. Paul Ryan, R-Wis., to head up the Ways and Means Committee after Rep. Kevin Brady, R-Texas, withdrew his challenge. That leaves Rep. Tom Price, R-Ga., to take Ryan's spot as the head of the Budget Committee. Leadership of the Appropriations and Financial Services committees will remain unchanged. Rep. Hal Rogers, R-Ky., will remain atop Appropriations, while Rep. Jeb Hensarling, R-Texas, will keep his role as Financial Services chairman. The Republicans will hold 24 of the 39 seats, up one from the most recent Congress. Rep. Chris Van Hollen, D-Md., elected to relinquish his claim on a committee seat so that Rep. Linda Sanchez, D-Calif. could remain on the committee.

The high-profile Ryan assumes the position held by retired chairman Dave Camp, R-Mich. Rep. Sander Levin, D-Mich., will remain the ranking member of Ways and Means. Rep. David Reichert, R-Wash., will take over from Rep. Pat Tiberi as Select Revenue Measures Subcommittee Chairman. The Select Revenue Measures Subcommittee has jurisdiction over tax credits and will be tasked with overseeing tax reform under the leadership of Chairman Ryan. Tiberi was term-limited and elected to become the Trade Subcommittee chairman; Tiberi will also remain

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on the Select Revenue Measures Subcommittee. Reps. Pat Meehan, R-Pa., Kristi Noem, R-S.D., Jason Smith, R-Mo., and George Golding, R-N.C., were added to the committee, which will be particularly significant for the tax credit community, considering its possible role in tax reform.

Camp authored a discussion draft of tax-reform legislation last year that proposed to simplify the tax code while repealing the historic tax credit (HTC) and renewable energy tax credits (RETCs). Camp's proposal did not repeal the NMTC statutory language, but, unfortunately, did not propose extending or making the NMTC permanent. On a more positive note, Camp did retain the LIHTC, a very significant accomplishment for the affordable housing community, but he also proposed making significant changes that would reduce affordable housing production. Ryan hasn't been as clear in his support of the LIHTC as Camp. His anti-poverty proposal released last summer featured some ideas that could undermine U.S. Department of Housing and Urban Development (HUD) programs that depend on stable and reliable long-term capital commitment, and are often combined with LIHTC in many developments. One of the biggest questions facing Ryan is whether his status as a potential presidential candidate in 2016 will make it difficult for him to get bipartisan cooperation on legislation, meaning his high profile could undermine the desire to accomplish tax reform.

Appropriations. The House Appropriations Committee will continue to be headed by Rogers, with Rep. Nita Lowey, D-N.Y., as the ranking member. Of concern to the affordable housing community, the issue facing this

committee will be potential cuts to the HUD budget. Rogers has overseen bills cutting domestic nondefense spending, including HUD programs. Rep. Mario Diaz Balart, R-Fla. will become the new Transportation-HUD Appropriations Subcommittee Chairman, while Rep. Ander Crenshaw, R-Fla. will continue as Financial Services-General Government Appropriations Subcommittee Chairman, overseeing Treasury and CDFI Fund spending.

Budget. Price moves into the top spot on the Budget Committee, where he will work with presumed ranking member Rep. Chris Van Hollen, D-Md. As a member of Ways and Means, Price has spoken in favor of LIHTCs, but opposes extending the wind production tax credit.

Financial Services. On the Financial Services Committee, Chairman Jeb Hensarling, R-Texas, and ranking member Rep. Maxine Waters, D-Calif., will remain in their respective roles. Waters has championed the use of the NMTC and is a staunch supporter of many HUD programs. Rep. Blaine Luetkemeyer, R-Mo. will take over from Rep. Randy Neugebauer, R-Texas, as Housing and Insurance Subcommittee Chairman.

Outlook

While committee leadership roles and greater membership numbers give Republicans a significant advantage, committee members are well aware that in order to pass legislation—including laws concerning tax credits—they'll need to appeal not just to the conservative members. In order to pass, legislation will still need to attract moderate Republicans and Democrats, particularly with President Obama in office for two more years. ❖

This article first appeared in the December 2014 issue of the Novogradac Journal of Tax Credits.

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ISSN 2152-646X