

In this week's Tax Credit Tuesday podcast, Michael J. Novogradac, CPA talks about when he expects HUD's 2020 income limits to be released and what can be expected from the updated figures. Next, he shares news of the comment period extension for proposed CRA regulations, and discusses the enactment of a state LIHTC program in Maine. Finally, he discusses legislation in Connecticut that would expand the state's workforce housing program to include opportunity zones, and he shares an update on Wisconsin opportunity zones legislation that is waiting to be signed by the Gov. Tony Evers.

Summaries of each topic:

1. General News (1:00-12:40)
 - a. HUD 2020 Income Limits (1:00-9:22)
 - b. CRA Regulations Comment Period Extension (9:23-12:40)
2. Other News (12:41-15:34)
 - a. Maine state LIHTC (L.D. 1645) (12:41-13:45)
 - b. Connecticut Workforce Housing Program Expansion (S.B. 184) (13:46-14:12)
 - c. Wisconsin Opportunity Zones Incentive (H.B. 532) (14:13-15:34)
3. Additional Resources

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GENERAL NEWS

2020 Income Limits

- Today I want to share some key dates and estimates related to HUD's 2020 income limits.
 - HUD's annual release of their Income limits are important for a variety of reasons.
 - First, HUD's income limits determine whether individuals or families are eligible for various HUD-assisted programs.
 - Second, HUD income limits also determine whether individuals or families are eligible for low-income housing tax credit and tax-exempt bond financed apartments.
 - And third, the income limits also determine maximum allowable rents landlords can charge for tax credit financed apartments.
- Given all this each year's income limits are highly anticipated by the affordable housing community, including property owners and property managers.
 - This interest has led Novogradac to develop and offer to owners and managers some key tools to help them anticipate income limits.
 - I'll share more about these tools later.
- But first, let's talk the importance of the timing of HUD's annual income release.
 - Property owners have 45 days after the release of the income limits to adjust their tenant qualification income limits and maximum rent levels.
 - As a result, it is critically important that property managers and owners monitor the release of the income limits.
 - Two years ago, HUD declared that the annual target date for release of the income limits was April 1.
 - Last year, there was the federal government shutdown in January.
 - That shutdown delayed the release of income limits until April 24.
 - In the three previous years, income limits were released between March 28 and April 14.
 - All of this said, we at Novogradac are optimistic that HUD will meet its April 1 release date this year.
- Now let's review how HUD's income limits are determined and what we at Novogradac anticipate this year.
 - HUD's income limits are based on the area median income, or AMI.
 - The income limits this year will be based on 2017 American Community Survey data.
 - With that knowledge, Novogradac is able to make some very strong estimates based on the 2017 data.
 - First the big picture:
 - Novogradac estimates that the U.S. median income will increase by almost 4 percent in 2020 and almost 3.5 percent in 2021.
 - HUD caps the increase in income limits for low-income housing tax credit properties at the greater of two figures:
 - 5 percent, or
 - double the increase in the national median income.
 - That means Novogradac predicts the *maximum* increase in income limits will be around 8 percent in 2020 and 7 percent in 2021.

- Of course, the key for any developer or property manager is what's happening where their property is located, since national numbers are just that: figures for the entire country.
- Let me point out the importance of local information.
 - Novogradac estimates that 25 percent of areas will have an AMI increase of at least 5 percent for each of the next two years.
 - But 10 percent of areas will have a *decrease* this year.
 - And 20 percent will have a decrease in 2021.
 - As you can see, where you are located is definitely going to affect the degree to which your income levels are going to change and the magnitude of that change.
- Another factor in income limits is a high-housing-cost adjustment.
 - That adjustment increases the income limits for areas where the cost of housing is abnormally high.
 - Novogradac calculates that more than 40 counties will have an increase in income limits due to high housing cost.
 - Of those 40 areas, 12 are in California and eight are in Florida.
- One final note about the income limits.
 - The 2020 income limits will include the limits for the average-income minimum set-aside.
 - As you remember, the IRS issued guidance on how to calculate the numbers for the average income option.
 - And last week, HUD published the 2019 income limits for the income set-aside.
 - Those figures include limits for every 10 percent increment from 20 percent to 80 percent of the AMI.
 - That was for 2019.
 - HUD has informally indicated that it plans to do the same for 2020.
- So we're waiting for the income limits to be released, but you don't have to wait to start preparing.
 - The Novogradac website has a rent and income limit estimator that includes rent and income limit estimates for 2020 and 2021.
 - The estimator is a report that can help you estimate the income and rent growth for the next year or two, for your specific area.
 - I encourage you to visit our Rent and Income Limit Estimator, and calculate the estimates for your property for 2020 and 2021.
 - While the estimator isn't free, the modest cost is well worth the benefit of knowing what to expect in rent growth over the next two years.
 - We find property managers use the estimator for budget purposes, lenders use it for underwriting, as do syndicators, developers, and others who underwrite tax credit properties will use the Rent and Income Limit Estimator to get a sense of what to look forward to in terms of rent growth over the next two years.
 - If it reveals that you're not expecting rent growth, you may not like the outcome, but it's better that you know in advance.
- Our Rent and Income Limit Estimator is also home to the free Novogradac Rent & Income Limit Calculator ©.
 - This is a calculator, not an estimator, so it currently features limits through the 2019 numbers and will be updated in the weeks following HUD's announcement with 2020 limits.
 - It usually takes us a few weeks to get the calculator updated.

- I'll share the link in today's show notes and tweet out a link.
- And for more information, my partner Thomas Stagg has an outstanding blog post about income limits.
- He's in our Bellevue, Wash., office.
- The link is in the show notes and I'll tweet it out.
- You can always sign up for Novogradac's breaking news email alerts, so you will be notified when the income limits are released.
- There's a link to the news subscription page in the show notes, as well.

CRA Comment Extension

- Last week we got some good news regarding efforts to update the regulations implementing the Community Reinvestment Act.
- What is the good news?
- Well, the Office of the Comptroller of the Currency, or OCC, and the Federal Deposit Insurance Corporation, or FDIC, postponed the deadline for comments on their proposal for 30 days.
- Which means the new deadline for comments is April 8.
- As we've previously discussed, the CRA is a crucial incentive for Banks to lend and invest in community development and affordable housing.
- Therefore, changes in how a bank is rated under the CRA will affect what activities a bank engages, and most certainly affects their interest in investing in tax credit properties.
 - Banks care about the CRA because banks need positive CRA evaluations to expand their footprint and move into new areas.
 - Investments in affordable housing and community development have traditionally played a significant role in those CRA evaluations.
- The changes proposed by the FDIC and OCC include some evaluation methods that could potentially *reduce* investment in community development and affordable housing.
 - There are several areas that concern advocates, but the biggest one is a simplified investment test.
 - I call it the aggregate balance sheet ratio.
 - Others call it a single-metric test, but it's the same thing.
- The concern is that by simplifying how to measure investment in low-income communities, the OCC and FDIC will reduce the motivation of banks to make those investments.
- Some of the proposals could inadvertently reduce the amount of investment.
 - I wrote about the proposed regulations in the January issue of the Novogradac Journal of Tax Credits and there's a link to that column in today's show notes.
 - I also wrote blog post with Peter Lawrence about the CRA regulations.
 - There's a link to that post in the show notes, too.
- With the extension of the comment period on the proposals, I'd encourage you or your organization to make your thoughts known to the OCC and FDIC.
- Novogradac's Low-Income Housing Tax Credit Working Group, New Markets Tax Credit Working Group and Opportunity Zones Working Group will all be submitting comment letters on the proposed rule.
- There are links to each of the working groups in today's show notes.
- Novogradac will also host a webinar about the proposed CRA regulations March 5.

- Peter Lawrence, Novogradac's director of public policy and government relations, will be one of the instructors.
- Peter will be joined by:
 - Buzz Roberts of the National Association of Affordable Housing Lenders,
 - Matthew Josephs of LISC, and
 - Gerron Levi of the National Community Reinvestment Coalition.
- Again, that webinar is March 5.
- The link to register is in today's show notes and I'll tweet that out as well.

Other News

- Moving to other news, Maine Gov. Janet Mills recently signed legislation to create a state low-income housing tax credit.
 - As you know, state credits are used to close financing gaps for many affordable housing properties.
 - The Maine credit will automatically match the federal low-income housing tax credit amount.
 - There is a statewide cap of \$10 million annually.
 - At least 10 percent of the state credits must be allocated to rural development preservation projects
 - The new law also requires the allocating agency to set a target over time to allocate at least 30 percent of the credits to senior housing.
 - If you have any questions about low-income housing tax credits in your state, please contact a Novogradac partner near you.
 - Novogradac's website also maintains a detailed list of state affordable housing tax credit information.
 - I'll include a link to our LIHTC page in today's show notes.
- In related news, legislation was introduced in Connecticut to expand the state's workforce housing tax credit program to opportunity zones.
 - Specifically, the bill would add properties in opportunity zones to the definition of projects eligible for the workforce housing development tax credit.
 - If passed, this change could make workforce housing developments in opportunity zones more attractive to investors.
- Finally, in another state-level opportunity zones development, a bill to incentivize investment in Wisconsin's opportunity zones has been passed by the state legislature.
 - The bill would allow Wisconsin taxpayers to double their capital gains tax exclusion for certain opportunity zones investments.
 - If enacted, the law could be a significant enticement to invest in Wisconsin opportunity zones.
 - To be eligible, investments would have to be in qualified opportunity funds with at least 90 percent of their assets in Wisconsin opportunity zones projects.
 - Taxpayers would receive an extra 10 percent reduction for investments held five years and an extra 15 percent reduction for investments held seven years.
 - At the time of this recording, the bill is on the desk of Gov. Tony Evers.
 - Please contact my partner John Sciarretti for questions about opportunity zones investments in Wisconsin and any other state.
- This bill is just one of the many state level topics that we'll be discussing at the Novogradac Opportunity Zones conference being held in Long Beach, Calif., at the end of April.
 - For more details, go to the Novogradac Opportunity Zones Resource Center, or go to the novoco.com website and click on events.

Related Resources

2020 Income Limits

[Novogradac Rent and Income Limit Estimator](#)

[Novogradac Rent and Income Limit Calculator](#)

[Register to receive Novogradac breaking news emails](#)

[Blog post: What You Need to Know About HUD's FY 2020 Income Limits](#)

Community Reinvestment Act Comment Extension

[Washington Wire Column: Proposed CRA Regulations Greeted with Great Concern: Aggregate Balance Sheet Ratio Could Overwhelm Other Changes](#)

[Blog Post: Understanding OCC, FDIC Proposed Rule Reforming CRA Regulations](#)

[Novogradac Webinar on the Impact of the OCC-FDIC Proposed Rule on CRA](#)

[Low-Income Housing Tax Credit Working Group](#)

[New Markets Tax Credit Working Group](#)

[Opportunity Zones Working Group](#)

Maine State LIHTC Legislation

[L.D. 1645](#)

Connecticut Workforce Housing in Opportunity Zones

[S.B. 184](#)

Wisconsin Opportunity Zones Incentive

[H.B. 532](#)

Novogradac Affordable Housing Resource Center

[State Low-Income Housing Tax Credit Program Descriptions](#)

[State Tax Credit Information and Allocation](#)

Upcoming Novogradac Conferences

[Upcoming Conferences Registration Page](#)