In this week’s Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, begins with the general section, where he discusses what happened to the Republicans’ high-profile efforts to repeal and replace Obamacare last week and the effect their failure could have on the prospect of comprehensive tax reform. In low-income housing tax credit news, he tells listeners about the introduction of the House version of the Affordable Housing Credit Improvement Act and how it differs from the Senate version of the bill. He also gives an update on legislation in Utah HB 36, which would expand the state low-income housing tax credit. In the historic tax credit section, he shares an update on the Historic Tax Credit Improvement Act cosponsors, including how many of them are on the powerful tax-writing committees in the House and Senate. He closes out with the renewable energy tax credit section where he discusses a state-level bill that extends the popular Massachusetts Solar Renewable Energy Credit 2 program, while a long-term replacement is sought.

Summaries of each topic:

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4. Renewable Energy Tax Credits (13:00-14:09) Page 7

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GENERAL NEWS

Obamacare Repeal Efforts Affect Tax Reform

- In general news, the push for tax reform may have taken a hit last week with the cancellation of a House vote on Republican efforts to repeal and replace Obamacare.
- As you know, efforts to repeal the Affordable Care Act and replace it were dealt a setback last week, despite serious lobbying efforts by President Donald Trump and House Speaker Paul Ryan.
- Ryan ended up pulling the legislation Friday after concluding he didn’t have enough votes for it to pass.
  - That means Republicans haven’t accomplished what they called their first step toward tax reform.
  - And it does have repercussions on the effort to launch comprehensive tax reform this year.
- The Obamacare replacement legislation was important because it contained over $800 billion in tax cuts, which would have set a lower revenue baseline.
- Now, as part of tax reform, Republicans will need to determine if the taxes contained in Obamacare will be repealed as part of their comprehensive efforts at tax reform.
- If the Obamacare taxes are repealed as part of tax reform, tax reform just got mathematically harder.
- If those taxes are retained in tax reform, which Speaker Ryan implied may be the result, then tax reform isn’t mathematically much different.
- I say “mathematically”, because the mere debate on whether or not to keep the Obamacare taxes as part of tax reform certainly makes tax reform at least marginally more difficult.
  - Particularly if Republicans pursue their current desires for revenue neutral tax reform – that’s revenue neutral, as they define it.
  - A revenue-neutral tax bill could pass the Senate under budget reconciliation with a majority vote, rather than needing 60 votes.
- Both Trump and House Ways and Means Committee Chairman Kevin Brady have said they will now turn to tax reform.
  - Brady issued a statement Friday that said, and I quote, “Ways and Means Republicans are moving full speed ahead with President Trump on the first pro-growth tax reform in a generation.”
  - And Trump told reporters that the next focus for Republicans will be tax reform.
- However, Brady earlier said tax reform wouldn’t be as pro-growth without the repeal of the Obamacare taxes.
- And Sen. Orrin Hatch, the Finance Committee chairman, said cutting Obamacare taxes would make it easier to pass a larger tax cut, a key part of the tax reform efforts.
- A few days before Ryan pulled the bill, Brady said on the Fox Business News Channel that a tax reform bill would be ready for markup sometime this spring.
- Now it’s unclear if and when the markup will happen.
- There was a political dimension to the battle, as well.
  - Trump had told Republicans in the House that they must repeal and replace Obamacare to be able to pass significant tax legislation, this according to those who attended a closed-door meeting with the president last week.
Trump warned, last week, that Republicans would lose majorities in both chambers of Congress without the repeal-and-replace legislation.

- Not everyone agrees that health care reform was necessary for tax reform.
  - Peter Roskam, the Republican chairman of the House Ways and Means tax subcommittee, said that tax reform is fundamentally different from the health care bill.
  - Roskam told Bloomberg News that the current tax code doesn’t have defenders, while the Affordable Care Act does.

- We'll certainly be watching what happens with tax reform, but the events of the past week in Washington have done little to increase optimism – or belief – that it will happen soon.

- Before the Obamacare legislation was pulled, some Republican lawmakers warned that the success of tax reform hung in the balance.
  - Rep. Bill Flores of Texas, for example, said, and I quote, “If we are not able to move forward with health-care reform, it endangers tax reform,” end quote.

- So, apparently we're now going to find out whether Rep. Flores is right.
- I will continue with updates on Twitter.
- My Twitter handle is @Novogradac.
LOW-INCOME HOUSING TAX CREDIT NEWS

Affordable Housing Credit Improvement Act

- In affordable housing news, a bill to make the low-income housing tax credit (LIHTC) more effective and efficient was introduced in the House last week.
- I’m speaking, of course, about the House version of the Affordable Housing Credit Improvement Act.
- The bill was introduced by Reps. Pat Tiberi and Richard Neal.
  - They were joined by 15 more original cosponsors.
- The legislation is a companion bill to the Senate version that Sens. Maria Cantwell and Orrin Hatch introduced earlier this month.
- Like its companion bill in the Senate, the House bill would create a minimum 4 percent rate for LIHTCs used to finance acquisitions and in housing bond-financed developments.
- The legislation would also allow income averaging at tax credit properties, which would allow for deeper income affordability.
- The bill would also give state allocating agencies more flexibility to increase the basis of certain properties that serve extremely low-income households.
  - More specifically, state agencies could increase the basis of certain properties by up to 50 percent to make the development more financially feasible.
  - That is if 20 percent of the units are set aside for households earning 30 percent or less of the area median income.
- Unlike the Senate’s Cantwell-Hatch legislation, the bill would not provide a 50 percent increase in tax credit allocation.
- That’s the main difference.
- There is another difference: The House bill eliminates the basis reduction for LIHTC properties that also claim the Section 48 renewable energy investment tax credit.
  - The House bill’s energy provision does not include the Section 45L credit or the Section 179D deduction, which were both included in the Senate version.
- Having bipartisan support for the LIHTC in both chambers of Congress is critical—especially in light of the possibility tax reform.
- As I mentioned, the House bill was introduced by Tiberi and Neal.
  - Neal is the ranking member of the tax-writing House Ways and Means Committee.
  - And, Tiberi is an influential senior member of the committee.
- Tiberi issued a statement last week, which he called the housing tax credit a great example of how the private sector can work with the government to help families, individuals and seniors find a decent home.
- Tiberi said he would work with the Ways and Means Committee to ensure that the tax credit remains strong amid tax reform efforts.
- Neal called on his colleagues to support the tax credit, a powerful tool for leveraging private investment in affordable housing.
- I should mention that the Senate version of the bill also has heavy hitters batting for it.
- Maria Cantwell is a member of the Senate Finance Committee and Orrin Hatch is committee chairman.
- The House version of the legislation is H.R. 1661.
• You can find the bill at www.taxcredithousing.com, and as always, I’ll keep you posted on updates.

Utah LIHTC bill
• In state-level affordable housing news, both houses of the Utah Legislature have passed a bill to expand the state’s LIHTC program.
  o The bill will allow the state agency to nearly triple its awards of state LIHTCs each year.
  o If the governor signs the bill, the amount the state allocates to the tax credit would jump from 12.5 cents per resident to 34.5 cents per resident, effective Jan. 1 of this year.
    ▪ That would mean an increase this year from about $380,000 to more than $1 million.
• The legislation would also set aside $2 million for the Economic Revitalization and Investment Fund.
  o That money would be for loans to develop and operate affordable housing.
  o By affordable housing, the legislation specifies that they are affordable to households earning 30 percent of the area median income and below.
• The bill passed the state Senate by a 25-1 vote and the state House by a 62-9 margin and is now on the desk of Gov. Gary Herbert.
• Herbert is expected to sign the legislation, since his budget proposal this year included an increase in funding for all the programs in the bill.
  o He can either sign the bill or allow it to become law without his signature.
• You can find the bill at www.taxcredithousing.com.
• It’s Utah HB 36.
• For additional questions about Utah state tax credits or state tax credits in general, contact my partner Mike Morrison, in our San Francisco office.
HISTORIC TAX CREDIT NEWS

HTC Improvement Act
- In historic preservation news, I have an encouraging update to share on the Historic Tax Credit Improvement Act.
- As listeners may recall, the bill would:
  - increase the historic tax credit (HTC) percentage for certain small projects from 20 percent to 30 percent,
  - allow credit transfers for certain small projects to increase efficiency, and
  - lower the expenditure threshold to qualify for HTCs from 100 percent of adjusted basis to 50 percent of adjusted basis,
  - the bill contains a number of other provisions as well.
- The last time we covered the House version of the bill, it had 17 cosponsors.
- Well, that number has increased to 40, more than double.
  - Of that, the breakdown of co-sponsors is very bipartisan - 22 are Democrats and 18 are Republicans.
  - Eight of the cosponsors are on the important tax-writing House Ways and Means Committee.
- The Democrats on the Ways and Means Committee that are supporting the bill are:
  - Suzan DelBene from Washington,
  - Brian Higgins from New York,
  - Ron Kind from Wisconsin, and
  - Terri Sewell from Alabama.
- The Republicans supporters on the Ways and Means Committee include:
  - Mike Kelly from Pennsylvania – he introduced the bill, as well as
  - Patrick Meehan from Pennsylvania,
  - David Reichert from Washington, and
  - Pat Tiberi from Ohio.
- The companion bill in the Senate has eight cosponsors.
  - Five are Democrats and three are Republicans.
  - They include Senate Finance Committee member Maria Cantwell, a Democrat from Washington, as well as New York’s Chuck Schumer, the top Democrat in the Senate.
- To learn more about these bills, go to www.historictaxcredits.com.
- Or contact my colleague in our Washington DC office, Peter Lawrence.
RENEWABLE ENERGY TAX CREDIT NEWS

Massachusetts to Extend Solar Credit

- The Massachusetts Department of Energy Resources recently introduced plans to extend the state’s Solar Renewable Energy Credit 2 program, the SREC 2 program
  - That is extended until it completes a long-term replacement.
  - The transferable credit is designed to support the development of new solar photovoltaic capacity.
- The SREC 2 program helped develop more than 1,600 megawatts of solar development and supported thousands of local jobs, this according to Solar Energy Industries Association, or SEIA, in a press release.
- SEIA said that advocates of the program highlighted the need for state lawmakers to raise the Commonwealth’s net metering caps this session.
- SEIA’s press release also offered statements from industry practitioners in support of this extension.
- There is no timeline on a long-term replacement.
- If you want to learn more, go to www.seia.org.
- Or, to learn more about other renewable energy tax credit (RETC) incentives, go to www.energytaxcredits.com, or call my partner Tony Grappone, in our Boston Massachusetts office.