



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, tells listeners what they need to know about the new markets tax credit application period that opened last week. He also shares some news about legislation introduced last week to rescind more than \$15 billion in budget authority and explains how it affects some housing and community development programs. The he discusses an upcoming tax reform hearing. After that, he shares some news about fair housing, the 2018 round of the Capital Magnet Fund and the latest qualified equity investment issuance report.

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GENERAL NEWS

NMTC Application Round Opens

- As you've likely heard by now, the CDFI Fund last week opened the application cycle for the 2018 round of the new markets tax credit (NMTC) program.
 - The notice of allocation availability was published Friday, and that officially made \$3.5 billion available for the current round.
- Applications for allocation authority are due Thursday, June 28
- That's six weeks from this Thursday.
- Now there are some significant dates to note between now and then.
 - For instance, community development entities, or CDEs, must submit their certification applications by Thursday, May 24.
 - And the CDFI Fund will answer questions about the application up until Tuesday, June 26, that's two days before the filing deadline.
- The CDFI Fund then expects to announce the allocations sometime in the first quarter of 2019.
- This is the penultimate round of the NMTC program authorized under current law.
- Now in conjunction with the notice of allocation authority, the CDFI Fund released other documents including a frequently-asked-questions document about this year's application.
- Brad Elphick, my partner in our Atlanta office, said that there are some key elements to remember about this year's round.
 - First, there are two new tables in the application.
 - One is Table A5: Proposed Transactions, and the other is
 - Table D2: Fee Structure.
 - Also, qualified equity investment issuance thresholds have been removed as a condition of eligibility.
 - You may remember in prior rounds, applications that received previous awards had to meet certain thresholds in order to be considered eligible for the current round.
 - Another change is in the definition of small dollar qualified low-income community investments, or QLICs.
 - That has changed from \$2 million to \$4 million.
- Now the list of underserved states remains unchanged.
- You can find the application and supplementary material on the CDFI Fund website and on the Novogradac website: www.newmarketscredits.com.
- Now to learn more about application best practices, register for the Novogradac application webinar.
- That's going to be held Wednesday, May 30.
- The webinar presenters will include my partner Nicolo Pinoli, who has extensive experience helping clients apply for allocations.
- And also presenting will be Bob Ibanez, who recently joined Novogradac after serving as the NMTC program manager at the CDFI Fund for several years.
- The webinar is a great way to get your questions answered by two program veterans.
- By the way, we're a little more than three weeks away from the Novogradac 2018 New Markets Tax Credit Spring Conference in Washington, D.C.



- This conference will be an opportunity to learn more about the NMTC application and make connections within the NMTC development community.
- We also are going to be hosting an opportunity zones workshop the day before the NMTC conference.
- I'll talk more about that in a moment.
- Now I have included a link to the CDFI Fund website, the upcoming webinar on the application process, as well as our Washington, D.C., conference, in today's show notes.
- There is also a link to our NMTC team.
 - My Novogradac partners can help you with your application, as well as deal structuring, compliance services and much much more.
 - Please don't hesitate to reach out or to call them.

Rescissions Proposal

- Turning to legislative budget news, several Republicans in the House of Representatives introduced a bill last week to rescind \$15.4 billion in budget authority.
- The bill was introduced a day after the White House sent Congress the Trump administration's proposal.
 - Majority leader Kevin McCarthy sponsored the bill and nine Republicans joined him.
 - The bill is H.R. 3, the Spending Cuts to Expired and Unnecessary Programs Act.
 - Congressional leaders say they hope to introduce the bill in the Senate this week.
- The legislation could have a big impact on two Treasury programs.
 - The package would rescind \$23 million from the Bank Enterprise Award program, as well as \$151 million from the 2018 round of the Capital Magnet Fund.
- Now I should note:
 - The CDFI Fund last week released a save-the-date for Capital Magnet Fund information sessions.
 - And, as I mentioned last week, HUD released 2018 Housing Trust Fund allocations to the states.
 - There's actually a good chance that if those state allocations hadn't been made last week, Housing Trust Fund dollars may have been included in the rescissions proposal.
- The House bill would also rescind about \$41.1 million of last year's budget authority for HUD's public housing capital fund.
 - This rescission could affect rental assistance demonstration, or RAD, conversions that are in the pipeline, but not yet closed.
- Furthermore, the U.S. Department of Agriculture could see \$40 million in budget authority rescinded for the Section 521 rural rental assistance program.
 - And another \$2 million would be rescinded from USDA's rural community facilities program.
- So you're probably wondering, what are the chances of a rescissions package actually passing?
 - By law, rescissions must be approved by at least a simple majority in both houses of Congress.
 - In the House, passage seems likely.
 - After that, the timeline for Senate consideration is uncertain.



- And prospects for passage in the Senate are unclear.
- In the meantime, the bill poses a challenge for the agencies included in the proposal.
 - During the 45 calendar days that Congress has to consider the rescissions, funding in the proposal is impounded.
- Essentially, affected federal agencies cannot commit, obligate or spend those funds during that period.
- Industry stakeholder groups have voiced their opposition to the funding rescission proposal.
- The Opportunity Finance Network, which is a coalition of CDFIs, sent a letter to the leadership of the Appropriations committee in opposition to the Treasury rescission proposals.
- I'll include a link to the bill and the Opportunity Finance Network's letter in today's show notes.

Tax Reform Hearings

- Now let's turn to Capitol Hill.
 - It's a busy week there this week.
- There are several key hearings that will take place over the next few days.
- The Joint Economic Committee will hold a hearing on opportunity zones this Thursday morning.
- The hearing's going to include witnesses from:
 - The Economic Innovation Group,
 - Enterprise Community Partners,
 - Local Initiatives Support Corporation, or LISC, and
 - Perhaps one more witness.
- To learn more about this new community development incentive, I invite you to join us in Washington, D.C. next month for the Novogradac Opportunity Zones Workshop.
 - This workshop is going to be held on Wednesday, June 6, as I mentioned earlier before our NMTC conference, and it's going to cover an overview of opportunity zone benefits, an in-depth analysis of the rules, and a discussion of practical applications and there will be multiple Q&A sessions.
 - To register go online at www.novoco.com/workshops.
 - Space is limited, so I encourage you to register early.
- And if you're interested in adding your voice to the ongoing discussion about opportunity zones, I'd encourage you to join Novogradac's Opportunity Zones Working Group.
- The working group suggests solutions to the opportunity zone incentive issues and it makes recommendations on how to make the incentive more efficient in delivering benefits to low-income communities.
- Now there's a link to the working group in today's show notes.
- I encourage you to click on it and learn a little bit more about the working group.
- Now getting back to the topic of hearings.
- The full House Ways and Means Committee and the Tax Policy Subcommittee are going to hold hearings beginning Wednesday on the impact of tax reform on growing the economy and creating jobs.
 - Ways and Means Committee Chairman Kevin Brady and Tax Policy Subcommittee Chairman Vern Buchanan will chair the meetings.



- Also Wednesday, House Subcommittee on Transportation, Housing and Urban Development and Related Agencies will be marking up the THUD fiscal year 2019 spending bill.
- Finally, subcommittees from the House Financial Services Committee will hold hearings on the CDBG Disaster Recovery Program and on homelessness, also this Thursday.
- Now I'll update you on Twitter and in next week's podcast about any relevant news from the hearings as they develop.
 - My Twitter handle is @Novogradac.



OTHER NEWS

- Now turning to other news, a group of fair-housing advocates filed suit last week against HUD and HUD Secretary Ben Carson.
 - The suit challenges HUD's decision to suspend a 2015 rule requiring communities to submit fair housing assessments in order to receive HUD funding.
 - The Affirmatively Furthering Fair Housing rule was suspended by HUD in January.
 - HUD said the rule was too burdensome and gave communities until 2024 to implement their plans.
 - The suit contends that Carson didn't provide advanced public notice or opportunity for comment.
 - The suit was filed in the U.S. District Court for the District of Columbia.
 - Now there's a link to the lawsuit in today's show notes.
- In a related move, HUD last week said it will soon seek public comment on the agency's disparate impact rule and how the rule relates to a 2015 Supreme Court decision on the issue.
 - HUD set regulations in 2013 on disparate impact, which is when a law or practice is determined to have a discriminatory effect, even if it wasn't the conscious purpose.
 - Now the Supreme Court in 2015 said the Fair Housing Act allows for disparate impact claims.
 - However, the court made no specific rule on HUD's policy.
 - HUD is expected to seek comment on that question.
- Meanwhile, the CDFI Fund announced a series of information sessions on the 2018 Capital Magnet Fund.
 - The announcement was released prior to the Trump administration submitting a request to rescind the 2018 round funding.
 - Let me say that again.
 - Because the administration submitted the rescission request, all 2018 funding is impounded, and cannot be committed, obligated or spent for 45 days.
 - Now if Congress does not approve the rescission request, this year's Capital Magnet Fund application round is expected to be open in the summer.
 - There would be about \$151 million available for awards.
 - Capital Magnet Fund awards are used to finance affordable housing activities, as well as related economic development and community service facilities.
 - Now the information sessions are currently scheduled for:
 - May 30 at 1 p.m. Eastern and
 - June 7 at 4 p.m. Eastern.
 - You can get more information on the CDFI Fund's web page.
- In still other community development news, the CDFI Fund also recently released its latest Qualified Equity Investment Issuance Report.
 - As of the report's May 3 release date, the amount of NMTC allocation authority still available is about \$5.7 billion.
 - That being said, as I've noted in the past, much of that is already soft circled.



- I'll have a link to the latest QEI Report in today's show notes.



RELATED RESOURCES

Rescissions Proposal

[Spending Cuts to Expired and Unnecessary Programs Act \(H.R. 3\)](#)

[Opportunity Finance Network letter opposing rescissions proposal](#)

New Markets Tax Credit Application Cycle

[CDFI Fund New Markets Tax Credit web page](#)

[Novogradac 2018 NMTC Application Webinar](#)

[Novogradac 2018 New Markets Tax Credit Spring Conference](#)

[Novogradac & Company LLP New Markets Tax Credit professional services and team](#)

Opportunity Zone Hearing

[Opportunity Zone Working Group](#)

Fair Housing Assessment Lawsuit

[National Fair Housing Alliance and Texas Low Income Housing Information Service v.](#)

[Ben Carson and HUD](#)

QEI Issuance Report

[NMTC Qualified Equity Investment Report, May 3, 2018](#)

Novogradac's 25th Annual Affordable Housing Conference

[Conference home page](#)

Congressional Democrats Propose Investment of \$70B in Public Housing

[A Better Deal for Public Housing & Ladders of Opportunity for American Families](#)