



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, starts off with the current status of federal government budget negotiations and the announcement of Senate Finance Committee task forces on tax extenders. He then talks about the introduction of the Historic Tax Credit Growth and Opportunity Act (HTC-GO) in the House, as well as the introduction of the Renewable Energy Transferability Act, a bill to make the renewable energy tax credit accessible to more investors. He has an update on housing finance reform. He also shares brief news from HUD on identifying former tenants who owe a debt to a public housing agency. Then, he has news about the 2019 round of the Capital Magnet Fund. After that, he discusses opportunity zones legislation in Puerto Rico, low-income housing tax credits in Colorado and Missouri, and state historic tax credits in Georgia.

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GENERAL NEWS

Big 4 Budget Deal

- In general news, Republican and Democratic leaders in the House and Senate have agreed to begin negotiating a two-year agreement to lift budget spending caps.
- The so-called “Big 4” are House Speaker Nancy Pelosi, Senate Majority Leader Mitch McConnell, Senate Minority Leader Chuck Schumer and House Minority Leader Kevin McCarthy.
- Politico reports that the Big 4 will meet with White House officials this week to begin formal discussions.
- The president’s lead negotiators will be White House Chief of Staff Mick Mulvaney, Office of Management and Budget Acting Director Russ Vought and Treasury Secretary Steven Mnuchin.
- One of the sticking points in negotiations will be whether to link the debt ceiling increase with budget caps.
- The stakes are high.
- If no action is taken on the debt limit before then, the government is expected to exhaust remedies to avoid breaching the debt limit this fall.
- Similarly, if Congress doesn’t act to raise the spending caps, then the federal government could be headed to yet another shutdown, as it will be very difficult to pass any spending bills at current authorized spending cap levels.
- Now in the past six years, Congress has passed three two-year budget deals to raise the defense and nondefense spending caps from the austere levels mandated by the Budget Control Act of 2011.
- Now without a new deal, \$71 billion of defense spending and \$55 billion of nondefense spending would need to be cut from the fiscal year 2019 levels in order to fund fiscal year 2020 in consistency with the gap.
- Now the debt ceiling and spending deadlines will occur around the same time.
- As such, Democrats want to link negotiations between both issues, thinking this will help them get the spending on the nondefense areas that they would like.
- Republicans, on the other hand, want to keep the discussions on the debt ceiling and raising the budget caps separate.
- Now as I’ll discuss shortly, this must-pass legislation could be a vehicle for other important tax priorities, such as tax extenders.

Senate Finance Committee Task Forces on Extenders

- Now speaking of extenders, leaders of the Senate’s tax-writing committee are working to find long-term bipartisan solutions to temporary tax policy.
- Senate Finance Committee Chairman Chuck Grassley and Ranking Member Ron Wyden last week announced the formation of several task forces to examine expired and expiring tax extenders.
- The task forces will focus on tax provisions relating to:
 - Employment and community development,
 - Health,



- Energy,
- Business recovery, and
- Individual, excise and other temporary policies.
- But in addition to those five, there's a sixth group that will focus on disaster tax relief.
- All in all, the task forces will examine 42 temporary tax provisions.
- Those are provisions that expired or will expire between Dec. 31, 2017 and Dec. 31, 2019.
- Ranking member Wyden said in a statement that extending tax incentives for a year or two at a time is no way to craft public policy and that the task forces will develop permanent solutions.
- Chairman Grassley invited stakeholders to come to the table and work with the Senate Finance Committee to find long-term solutions.
- Now the employment and community development task force will review several expired or expiring provisions, including the new markets tax credit (NMTC).
- Fortunately, the employment and community development task force is filled with supporters of making the NMTC an indefinite part of the tax code.
- As a matter of fact, six out of the eight members of the employment and community development task force are cosponsors of the New Markets Tax Credit Extension Act.
- Now versions of the New Markets Tax Credit Extension Act have been introduced in past sessions of Congress, with the 2019 version having been introduced in the Senate in March.
- The bill would:
 - make the NMTC an indefinite part of the tax code, for one.
 - It would also increase the annual allocation authority to restore the value that has been lost in the credit over time due to inflation.
 - It would also allow the NMTC to be adjusted annually in future years for inflation,
 - And the fourth item, it would allow the credit to offset the alternative minimum tax.
- Now Republican Sen. Rob Portman of Ohio and Democratic Sen. Maria Cantwell of Washington are original cosponsors of the NMTC bill and they're also now the co-leads of the employment and community development task force.
- Other members of the employment and community development task force are:
 - Republicans Tim Scott of South Carolina, James Lankford of Oklahoma and Todd Young of Indiana.
 - Democrats are Ben Cardin of Maryland, Sherrod Brown of Ohio and Catherine Cortez Masto of Nevada.
 - Sen. Cardin is the lead Senate Democratic cosponsor of the NMTC bill, and Scott, Brown and Cortez Masto are also cosponsors.
- As an aside, as noted earlier in this podcast, you can learn more about the latest efforts to extend and make permanent the NMTC at our Novogradac New Markets Tax Credit Conference in Washington, D.C..
 - It's on June 6-7, with a basics day on the 5.
 - Now we are honored to have not one, but *two*, cosponsors of the New Markets Tax Credit Extension Act scheduled to speak at our conference.
 - Sen. Portman of Ohio will be there, as well as Sen. Roy Blunt of Missouri.
 - I do hope you can join us.
 - If you haven't registered yet, there is still time to do so.
 - I'll include a registration link in today's show notes.
- Now, turning back to the topic of tax extenders.



- As I said, these task forces are in the Senate Finance Committee.
- But, as you know from the Constitution, tax legislation needs to originate in the House.
- Grassley and Wyden have been urging the House Ways and Means Committee to address tax extenders, but House Ways and Means Committee Chairman Richard Neal has not been as enthusiastic to address extenders as stand-alone legislation.
- One main obstacle in the House is the reinstatement this year of the pay-as-you-go or PAYGO rule.
- This rule requires that legislation being considered by the full House that raises mandatory spending or decreases revenues be offset by mandatory spending cuts or revenue increases.
- Congress in recent years has not offset the cost of renewing the extenders, and the Senate is committed to maintaining that policy when it considers tax extenders.
- And, on the House side, vulnerable House Democratic members see no point in voting for a controversial offset if it is likely to be stripped out by the Senate.
- Instead, we may see House Democrats trying to attach an extenders package to must-pass legislation this fall, such as, as I noted earlier, raising the debt limit, raising the spending caps or a general appropriations bill.
- Of course, I'll keep you posted on these developments in future podcasts.

Historic Tax Credit Growth and Opportunity Act

- Meanwhile, I'm pleased to build a report that a bill was introduced in the House last Friday to bring more value to historic tax credits (HTCs) and HTC transactions and to encourage redevelopment of smaller, income-producing properties.
- Now the bill, the Historic Tax Credit Growth and Opportunity Act, or HTC-GO, resembles two other HTC bills that were introduced in the previous session of Congress: the Historic Tax Credit Improvement Act and the Historic Tax Credit Enhancement Act.
- For one, the HTC-GO bill eliminates the HTC basis adjustment requirement.
 - Under the current tax code, building owners subtract HTCs from a building's basis.
 - Eliminating this requirement would increase the basis of rehabilitated historic buildings, providing additional depreciation deductions and attracting more investment capital.
 - It would also do away with what's referred to as Section 50d income, or phantom income, in the lease-pass-through structure, both helpful in terms of raising additional equity capital.
 - Now this move of eliminating the basis adjustment would put the HTC in line with the low-income housing tax credit (LIHTC), which does not have a basis adjustment requirement.
- Other improvements that are proposed under the HTC-GO bill include:
 - increasing the HTC from 20 percent to 30 percent for properties with rehabilitation expenditures of less than \$2.5 million,
 - as well as allowing the transfer of HTCs as a tax certificate in developments under \$2.5 million,
 - It would make it easier to meet this substantial rehabilitation test.
 - It would also create greater flexibility for nonprofits to partner with developers.



- Now the House bill's lead sponsors are Democrats Earl Blumenauer of Oregon and Terri Sewell of Alabama and Republicans Darin LaHood of Illinois and Mike Kelly of Pennsylvania.
- Now Republican Sen. Bill Cassidy of Louisiana is expected to introduce similar legislation in the Senate in the coming weeks.
- I will post a link to the bill in today's show notes.
- By the way, the Historic Tax Credit Coalition invites HTC advocates to participate this June, on June 19, in Lobby Day on Capitol Hill.
- Those interested in participating in Lobby Day should email Michael Phillips of the National Trust for Community Investment Corporation.
- I'll include his email in today's show notes.

Renewable Energy Transferability Act

- The HTC-GO bill isn't the only legislation that Reps. Blumenauer and LaHood have introduced lately.
- The two House Ways and Means Committee Members also introduced legislation to allow transfers of the renewable energy investment tax credit (ITC) and production tax credit (PTC).
- The bill, Renewable Energy Transferability Act, would take effect beginning with taxable years after enactment.
- Both the ITC and PTC are being phased down currently, but supporters of this bill say the ability to transfer the credits would make them more valuable to investors and would likely increase the value of the tax credits, thus generating more tax credit equity.
 - Now in turn, this would provide more funding for renewable energy.
- You can learn more about financing renewable energy tax credits (RETCs) at our Novogradac conference.
- It's being held this week in San Francisco.
- The conference will be this Thursday and Friday, May 23-24.
- And there will also be a pre-conference workshop tomorrow, May 22.
- I'll include a registration link in today's show notes, as well as Tweet it out.
- I'll also add a link to the Renewable Energy Transferability Act bill text.

GSE Reform

- Now for a quick update on housing finance reform.
- The chief architect of the Treasury Department's plan to reform Fannie Mae and Freddie Mac, Craig Phillips, is stepping down as senior counselor, and he's going to be returning to the private sector.
- Now the announcement comes as a surprise to many.
- As senior counselor to Treasury Secretary Steven Mnuchin, Phillips led the administration's efforts to end government control of Fannie Mae and Freddie Mac.
- Phillips's departure raises many questions about how and when the government sponsored entities, Fannie and Freddie, can be reformed.
- You should expect newly confirmed Federal Housing Finance Agency Director Mark Calabria to take an even more active role.



- Calabria outlined a goal of releasing Fannie and Freddie Mac from conservatorship by the end of the year.
- He made this announcement in a major speech last week in front of the National Association of Realtors.
- I'll keep you posted in future podcasts as more information becomes available.



OTHER NEWS

- In other news, HUD published a notice in Monday's Federal Register that it intends to identify families that had their tenancy in HUD properties terminated, yet still owe a debt to a public housing authority.
 - Comments on the notice will be accepted through July 19.
 - There's a link to the HUD notice in today's show notes.
- Elsewhere, the CDFI Fund announced that it expects to release a notice of funds availability, a NOFA, and an application for the 2019 round of the Capital Magnet Fund this summer.
 - Now the Capital Magnet Fund awards grants to CDFIs and qualified nonprofit housing organizations.
 - Those grants support affordable housing activities and related economic development and community services facilities.
 - This announcement said that up to \$130.8 million will be available.
 - Interested applicants should review the information on the program on the CDFI Fund website.
- Turning to Puerto Rico, there's some good news coming out of Puerto Rico concerning the opportunity zones incentive.
 - Gov. Ricardo Rossello signed a bill that created additional incentives for investments in opportunity zones, including a 25 percent tax credit, as well as a reduction in several taxes.
 - Rossello also said that his government was in talks with HUD and the Treasury Department about using \$400 million of their CDBG funds for opportunity zones projects.
 - The plan would be to use that money in a revolving loan fund with a low interest.
 - Rossello said he expects about \$600 million in investments for opportunity zones in Puerto Rico.
- In state news, Colorado Gov. Jared Polis signed a bill that doubles the annual allocation of state LIHTCs.
 - Beginning in 2020, Colorado will now have \$10 million in LIHTC allocation authority each year.
 - That'll go through 2024, the last year for which the tax credit is authorized.
 - This is obviously very good news, as the state credit has directly supported nearly 5,000 homes since it was introduced in 2015.
 - That number can now increase substantially.
- In other state housing credit news, a bill to restore the Missouri LIHTC did not pass the state Senate because no final vote was held.
 - Now that was disappointing.
 - Missouri's LIHTC program has been suspended since 2017 and this legislation was an effort to get it back on track.
 - The tax credit remains available, but no allocations have been approved.
 - This bill would have restored the state credit at 72.5 percent of the federal allocation, which appeared to be what was needed to get it funded again.
 - Now despite the bill's failure, there was good news when Gov. Mike Parson said that even if the bill wasn't passed, he would consider administrative steps to restart the tax credit program.



- Obviously, having a state credit in Missouri, once again, to complement the federal credit will make a huge difference when it comes to financing affordable housing in Missouri.
- And finally, taxpayers in Georgia will now have up to two years to take the state HTC.
 - A bill passed earlier this month and will go into effect June 1.
 - Previously, the state HTC had to be taken in the year in which the rehabilitation was completed.
 - This flexibility makes the state HTC more attractive.
 - If a taxpayer doesn't have state liability one year, it could defer taking the HTC against state tax liability to the following year.



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Senate Finance Committee Task Forces

[Novogradac 2019 New Markets Tax Credit Spring Conference](#)

[Joint Committee on Taxation Report](#)

Historic Tax Credit Growth and Opportunity Act

Historic Tax Credit Growth and Opportunity Act (H.R. 2825)

Those interested in participating in Lobby Day should email Michael Phillips at mphillips@ntcic.com.

Renewable Energy Transferability Act

[Renewable Energy Transferability Act](#)

[Novogradac 2019 Financing Renewable Energy Tax Credits Conference](#)

HUD Notice

[HUD notice to track debts owed to public housing authorities](#)

Puerto Rico OZ Bill

[Puerto Rico S.B. 1147 to create opportunity zones incentives](#)

Missouri LIHTC Bill

[Missouri S.B. 28 to establish cap for state low-income housing tax credit](#)

Colorado LIHTC Bill

[Colorado H.B. 1228, doubling the annual allocation of state LIHTCs](#)

Georgia HTC Bill

[Georgia H.B. 224, extending time to take state HTC](#)