



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, talks about Novogradac's 2019 NMTC Spring Conference, as well as provides an update on the Affordable Housing Tax Credit Improvement Act. He also discusses information about a proposed change in how HUD calculates fair market rents. He closes with updates on some federal budget items and state-level news from Nevada, Louisiana, Minnesota and Alabama.

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## General News

### Novogradac 2019 NMTC Spring Conference

- I'd like to thank everyone who attended our Novogradac 2019 New Markets Tax Credit Spring Conference, held in Washington, D.C., last week.
  - We had a terrific turnout with many familiar faces as well as many newcomers.
- We were honored to have the sponsor and a leading co-sponsor of the New Markets Tax Credit Extension Act as keynote speakers:
  - Namely, Senator, who is the sponsor of the act, Roy Blunt of Missouri and leading co-sponsor Sen. Rob Portman of Ohio.
  - Both senators discussed how new markets tax credit (NMTC) investments have transformed communities in their own home states.
  - They spoke about how the NMTC is a great opportunity for bipartisan cooperation in Washington.
  - We very much appreciate Sen. Blunt and Portman's leadership on NMTC permanence, as well as taking the time to speak to our conference attendees.
- Now our Inside the Beltway panel expanded on the topic of tax extenders.
  - Specifically, panelists discussed the challenges and opportunities for NMTC extender legislation in this Congress.
  - One of the challenges is the urgency of extending the NMTC *sooner* rather than later.
  - Now this incentive expires after the upcoming 2019 allocation round.
  - Since the NMTC is an allocated credit, extending the program retroactively isn't an effective option.
  - Now we're heading into a presidential election year and it's generally even more difficult to pass legislation during such a time, which creates a sense of urgency in passing the extension now.
- Now panelists also discussed reason for optimism that the NMTC could be extended.
- Also, as I've mentioned in previous podcast episodes, Senate Finance Committee leaders recently formed task forces dedicated to exploring tax extenders policy.
  - The two Senators who will co-lead the task force that's exploring the NMTC also are two co-sponsors of the New Markets Tax Credit Extension Act.
    - Namely, our keynote speaker, Sen. Rob Portman, and Sen. Maria Cantwell of Washington.
  - Now in fact, all but two members of that task force are co-sponsors of the New Markets Tax Credit Extension Act.
  - That strong support for the NMTC in the Senate Finance Committee task force is a good sign for the incentive.
  - Also, panelists pointed out that the Senate Finance Committee formed similar task forces the last time the NMTC was extended back in 2015.
  - Now the panelists at our conference are hopeful that history will repeat itself and that the NMTC will get a long-term or permanent extension.
- Now in addition to NMTC legislation, our conference also provided insights on administration of the NMTC.
- We had the good fortune of having a Q&A panel with three CDFI Fund leaders.



- Now the panel was moderated by Bob Ibanez of Novogradac's public policy group.
  - Bob, as you may know, was the former NMTC program manager for the CDFI Fund.
- One of the questions that Bob posed to the acting NMTC program manager, Christopher Allison, was about the timing of the 2019 allocation round.
- Christopher said that the CDFI Fund is busy doing site visits right now and expects to announce applications for the 2019 round this summer.
  - Christopher stressed that the announcement wouldn't be in the next couple of weeks.
  - He said it would be in mid-summer or late summer.
  - Christopher was clear that the applications would be released before fall, although he said there are things that the CDFI Fund can't control.
  - Now Bob did ask about the timing of the 2019 awards.
  - Christopher said he expects that announcement to be made next spring.
  - That would be spring of 2020.
- So, that's the latest target timeframe for the 2019 round: a mid-to-late summer opening and a spring 2020 awards announcement.
- We also had an insightful mid-year investor review session.
  - During that session, the investor members observed that the price-per-credit for the NMTC typically ranged from mid-to-high 80 cents before tax reform.
  - Since tax reform, the typical range has dropped to the low-to-mid 80-cents range.
    - My partner Brad Elphick suggests that's likely a result of an overall appetite for the credits going down, possibly due to different or other parts of tax reform.
  - Now with the delayed announcement of the 2018 NMTC awards, investors do expect a big rush of activity to close out this year.
- Now I want to say thank you to all of our distinguished speakers for sharing their insights and experience.
- And thanks also to our co-hosts, sponsors and attendees for helping make the event possible and the success that it was.

### **AHCIA Follow-Up**

- Now as we discussed last week on this podcast, the Affordable Housing Credit Improvement Act was introduced in both the House and the Senate.
- We now know that the Senate version bill number is S. 1703 and the House version is H.R. 3077.
  - Lots of 3s, 0s and 7s.
  - Once again S. 1703, House version 3077.
  - A link to the legislative text is included in today's show notes.
  - We've also linked to a one-page summary, and extended bill summary and selected differences between the bills in the previous Congressional session and this one.
    - These summary documents are all produced by the Affordable Rental A.C.T.I.O.N. group.
- Now since introduction, a few co-sponsors have signed on to the House version of the legislation.



- There are now 10 co-sponsors for the House bill, up from the four original co-sponsors, including lead sponsor Rep. DelBene.
  - Now one of the co-sponsors is Mark Meadows, who is chairman of the conservative House Freedom Caucus.
  - Meadows also cosponsored the House bill during the last Congress.
- I've also included links to several blog posts that we mentioned last week.
  - One explains how many affordable rental homes would be created by a phased-in 50 percent increase in low-income housing tax credit (LIHTC) allocations, which is included in the bill.
  - Another shares how many new rental homes would be financed by a minimum 4 percent floor for LIHTCs, that are financed by tax-exempt bonds and acquisition costs.
  - The third explains the provisions of the bill and gives additional perspective on the legislation.
  - We'll also send out tweets to these blog posts, as well as the text of the bill.
  - We will of course keep you updated as this bill goes forward in Congress.

### **HUD FMR Notice**

- In other affordable housing news, HUD last week published a notice seeking comments on proposed changes to how it calculates fair market rents.
  - Now fair market rents or FMRs are used for HUD-financed rental housing, including housing choice vouchers.
  - The HUD fair market rents aim to set rent levels that would allow someone using HUD assistance to rent an apartment in 40 percent of an area's housing stock.
  - Now FMRs are also used to determine difficult development areas or DDAs.
  - These changes are proposed because HUD has received comments about the need for data that is more local and more timely.
  - HUD currently uses the five-year American Community Survey, or ACS, estimates of two-bedroom adjusted standard quality gross rents data for purposes of calculating fair market rents.
  - Now that information is from three years before the year for which it sets the fair market rents.
    - HUD then adjusts the standard quality gross rents data using recent mover data from the ACS.
      - Seems a bit complicated.
    - Finally, HUD updates this historical ACS data using components of the consumer price index and other data in a tool it calls the Gross Rent Index.
  - Now the proposal would change how HUD trends the historical data forward.
  - HUD would use one of three proposed models to update that Gross Rent Index.
    - Which model HUD would use would depend on where the market is and whether each model works well for that region.
    - Now the different models focus on different parts of the Gross Rent Index.
  - HUD's proposal would give the agency the opportunity to use different models for different locations, based on what has historically been the most accurate for that area.



- Now the different models are more complicated than we can explain on the podcast, so you can see the HUD notice in today's show notes for more details.
- The HUD notice also calls for a change to how some small-area fair market rents are calculated.
  - Those specific circumstances are where ZIP Code-level estimates are unavailable.
  - HUD currently bases the fair market rents for those situations on the estimate of the gross rent for the county.
  - HUD proposes to instead use a weighted average from the nearest ZIP Code areas with reliable data.
- Now HUD is accepting comments on these proposals through July 5.
- I encourage you to take a close look at the options and make your voice heard.
  - A link to the notice and how you can submit comments is included in today's show notes.



## Other news

- Now turning to other news, the House Appropriations Subcommittee on Financial Services and General Government last week approved its fiscal year 2020 bill.
  - Now the bill proposes spending \$300 million for the CDFI Fund.
    - That's a \$50 million increase over the level enacted this year.
  - Now of this amount, \$191 million would be for Financial and Technical Assistance funding awards and \$29 million for administrative expenses.
  - The subcommittee rejected the president's request to eliminate all CDFI Fund grant funding.
  - Now the full committee is expected to consider the bill today, and we'll keep following this.
- And in another spending bill markup last week, the House Appropriations Committee approved the 2020 Transportation, Housing and Urban Development and Related Agencies bill.
  - The full committee markup didn't include significant changes to the funding from the subcommittee-approved bill.
  - The proposal remains at just more than \$50 billion for HUD.
  - We have the full details of the bill on the Notes from Novogradac blog.
  - That bill next goes to the full House of Representatives.
- Now in state news, a Nevada bill to create a state LIHTC now only needs the signature of Gov. Steve Sisolak to become law.
  - The bill would create a credit with an annual statewide cap of \$10 million, with a sunset date of Jan. 1, 2030.
  - I'll keep you posted on the bill's progress in future podcasts.
- Another Nevada bill that would double the amount of qualified equity investment, or QEI, that could be issued under state New Markets Jobs Act is also on the governor's desk.
  - This legislation would add \$200 million to the previous \$200 million QEI that could be issued under the act, and would also increase the amount that could be issued in a single QEI from \$5 million to \$8 million.
- Meanwhile, legislation went to Louisiana Gov. John Bel Edwards' desk last week to add opportunity zones to the list of areas that are eligible for a program that provides an abatement from property taxes.
  - If the governor signs the bill, structures in opportunity zones that are developed, restored, improved or expanded will be eligible for a 10-year break from property taxes.
- And finally, legislation in both Minnesota and Alabama was signed into law last week largely conforming their state laws to the Internal Revenue Code.
  - This includes conforming to the federal opportunity zones statute.
  - The Alabama bill also allows the state to reach agreements with qualified opportunity funds to provide tax credits to investors.
    - Those tax credits would be for investments in projects that don't produce expected returns by the fifth year.
    - Now there's an annual cap and a requirement that any extraordinary returns of those investments are allocated back to the state.
  - I'll provide links in today's show notes to two maps on Novogradac's website that show what states conform to the OZ provisions of the Internal Revenue Code.



## **RELATED RESOURCES**

### **Affordable Housing Credit Improvement Act of 2019**

[S.B. 1703 text](#)

[Affordable Rental A.C.T.I.O.N.'s one-page summary of ACHIA](#)

[Affordable Rental A.C.T.I.O.N.'s extended summary of ACHIA](#)

[Affordable Rental A.C.T.I.O.N.'s selected differences between 116<sup>th</sup> Congress and 115<sup>th</sup> Congress Versions of ACHIA](#)

[Notes from Novogradac blog post: Enacting a Phased-in 50 Percent LIHTC Allocation Increase Could Create More Than 384,000 Affordable Rental Homes](#)

[Notes from Novogradac blog post: Four Percent Floor Could Finance Nearly 66,000 Additional Affordable Rental Homes](#)

[Notes from Novogradac blog post: Bipartisan Group of Lawmakers Reintroduces Comprehensive Affordable Housing Legislation, Expanded with Six Significant New Provisions](#)

### **HUD Fair Market Rent Notice**

[Proposed Changes to the Methodology Used for Estimating Fair Market Rents](#)

### **Nevada LIHTC bill**

[Nevada S.B. 448 to create a state low-income housing tax credit](#)

### **Nevada NMTC bill**

[Nevada A.B. 446 to increase QEI amounts for New Markets Jobs Act](#)

### **Louisiana OZ bill**

[Louisiana H.B. 585 to add opportunity zones to state Restoration Tax Abatement program](#)

### **Minnesota OZ bill**

[Minnesota H.F. 5 providing conformity to certain federal tax law changes](#)

### **Alabama OZ bill**

[Alabama H.B. 540 conforming state to federal tax code, adding opportunity zones incentive](#)

### **Novogradac OZ conformity mapping tools**

[Novogradac opportunity zones corporate conformity mapping tool](#)

[Novogradac opportunity zones personal conformity mapping tool](#)

### **Novogradac LIHTC 101: The Basics Webinar**

[Registration link](#)