In this week’s Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, discusses HUD Secretary Ben Carson’s first appearance before the House Financial Services Committee last week. He wraps up today’s podcast with other tax-credit related headlines, including information on a budget resolution vote as it relates to tax reform, California wildfire tax relief, the Oklahoma Affordable Housing Tax Credit program and the EPA administrator’s comments on eliminating the renewable energy investment and production tax credits.

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GENERAL NEWS

Ben Carson HUD Hearing
- HUD Secretary Ben Carson last week made his first appearance in front of the House Financial Services Committee.
- Secretary Carson was the lone witness in the committee’s hearing on the future of housing in America.
- More specifically, the hearing concerned the oversight of HUD.
- Affordable housing is a topic ripe for discussion, especially in the wake of recent natural disasters.
- Committee members asked questions on topics that ranged from HUD disaster relief to housing finance reform.
- But there are a few main points of discussion that I think are worth highlighting.
- Let’s start with the proposed framework for reforming HUD.
- The policies of the Forward initiative fall into what HUD has named as the three R’s.
- They are:
  - Re-imagining how HUD works,
  - Re-store the American dream, and
  - Re-think American communities.
- Re-imagining how HUD works refers to improving the department’s internal processes, training and services.
- Re-storing the American dream refers to helping Americans get back on their feet.
  - Secretary Carson took care to note that HUD is committed to continuing to serve families who might always need someone to lean on.
- Re-thinking American communities is a goal to promote economic mobility and self-sufficiency.
- Within these three strategic goals there are 10 objectives.
- The objectives range from
  - enhancing rental assistance to
  - providing effective disaster recovery.
- Our sources at HUD say that HUD’s Forward Initiative is awaiting final approval from the Office of Management and Budget.
- The expectation is that OMB will respond in about a month or so.
- Once that happens, HUD will accelerate working on its 10 objectives.
- In the meantime, teams at HUD are doing a lot of planning and groundwork so that they’re ready, ready to move forward as soon as they receive the go ahead from OMB.
  - Now you can find more detailed information about the Forward Initiative on HUD’s website.
    - I’ll tweet out a link.
- Getting back to the hearing.
- Secretary Carson also revisited a theme that he’s expressed on previous occasions.
- Secretary Carson extolled the virtues of expanding community investment through public-private partnerships.
• He specifically named the Rental Assistance Demonstration, or RAD program, as an example of a successful public-private partnership.
• As you know, RAD allows public housing agencies to leverage public and private debt and equity to reinvest in their public housing stock.
• Secretary Carson specifically praised the low-income housing tax credit (LIHTC) as a valuable resource.
• He said the LIHTC when used with RAD helps public housing agencies address their growing backlog of deferred maintenance.
  o As a side note, side Novogradac programming note, we are in the planning stages of a LIHTC/RAD tax credit conference.
  o If you’d like more details on this upcoming conference, send an email to cpas@novoco.com
• Now once again, back to the hearing.
• Several committee members questioned Secretary Carson about the future of the Community Development Block Grant program and the HOME programs.
• These were two programs, you may remember, that the president’s 2018 HUD budget proposed to terminate, to eliminate them.
• Secretary Carson responded that there are some very good things about the CDBG and HOME programs that HUD obviously won’t abandon.
• But cryptically, Secretary Carson said that HUD will take the good things from those programs and look at ways that they can be continued.
• Another hot topic at the hearing was disparate impact in the context of fair housing.
• Secretary Carson called the Fair Housing Act of 1968 one of the greatest pieces of legislation.
• He said that while it’s important to prevent discrimination, HUD also wants to avoid placing regulatory burdens on local governments that would impede them from getting things done.
• He said the issue is especially important in smaller municipalities that may not have the resources to address additional regulations.
• House Financial Services Committee Chairman Jeb Hensarling told members that they will have five legislative days, or until Oct. 26, to submit written questions for Secretary Carson to answer.
• We’ll provide more details about the answers that Secretary Carson gives, and HUD reform plans in future podcasts, of course, as that information becomes available.
• In the meantime, keep an eye out for a special feature in an upcoming issue of the Novogradac Journal of Tax Credits.
• We’re going to talk to new HUD Deputy Secretary Pam Patenaude on her report on her new role and future plans for HUD.
• It’s going be a great interview.
• Many of us know the deputy secretary as a friend and long-time colleague in affordable housing.
• We look forward to sharing her insights with you in the Journal.
• If you haven’t done so yet, you can subscribe to the Novogradac Journal of Tax Credits at www.novoco.com/journal.
OTHER TAX CREDIT NEWS

- Now let's briefly address where we are in the march towards tax reform.
- This is a march, by the way, that may never reach its destination.
- The Senate is expecting to consider this week the Senate Budget Committee-passed fiscal year 2018 budget resolution that includes tax reform reconciliation instructions.
  - The current plan is a final vote on the budget resolution this Thursday night.
  - However, the timing of that vote is likely dependent on whether Republicans have 50 votes.
    - They need 50 Senate votes, as well as Vice President Pence, to pass the resolution.
  - As I am recording this podcast, Senator Thad Cochran has health issues preventing him from returning from Mississippi to DC to vote.
  - Without his vote, Republicans may not have the votes they need to pass a budget.
  - In which case, the vote could be pushed back until Sen. Cochran returns.
  - Follow me on twitter for up-to-the-minute tracking of the vote.
  - Now in natural disaster related news, the IRS announced last week that taxpayers affected by the northern California wildfires have until Jan. 31 of next year to file certain tax returns and make certain tax payments, and the IRS also added a filing extension for taxpayers with extensions that ran out yesterday.
- Turning to state affordable housing news, a bill was recently introduced in Oklahoma to end the Oklahoma Affordable Housing Tax Credit program.
  - Under the proposal, qualifying developments would need to be placed in service before July 1, 2018, to be eligible for state credits.
  - Under Oklahoma’s state program, state credits match dollar-for-dollar all federal credits allocated to a qualified development that’s located in a county with a population of less than 150,000.
  - If you are developing or investing in Oklahoma, you’re definitely going to want to track this bill.
- On the renewable energy front, last week Environmental Protection Agency administrator Scott Pruitt made some comments about tax incentives for the wind and solar industries.
  - More specifically, he said they should be eliminated.
    - Yes, he was referencing the production tax credit (PTC) and the investment tax credit (ITC).
    - As listeners are well aware, the PTC is in the midst of a phase-out before expiring in 2020.
    - And, the ITC is phasing down until 2022 when it permanently becomes a 10 percent credit.
- EPA Administrator Pruitt’s comments definitely give an indication that efforts to change the phase down, efforts to continue the credits beyond the phase out or phase down periods will be a challenge with the current administration.