



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, talks about the major tax bill expected to be released tomorrow and the legislative hurdles that were cleared to get to this point. After that, he discusses a proposal to combine various tax credits into one program and why that is potentially a bad idea. He closes out with other tax-credit related headlines, including the nomination status of three HUD appointees, an extension for 2015 qualified census tracts (QCTs) and difficult development areas (DDAs), as well as a video of President Ronald Reagan voicing his support for the federal historic tax credit.

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## GENERAL NEWS

### Tax Reform Update

- In general news, I'll start off with a brief tax reform update.
- I will have more detail for you next week.
- That's because House Republicans are expected to release tax reform legislation tomorrow, Wednesday.
  - That's right.
  - Republicans are about to release a long-awaited tax reform bill.
- As you'll recall, the Republican tax reform framework was released in September.
  - But before Republican leaders could move forward on an actual tax bill, a joint budget resolution needed to be passed.
- That obstacle was finally overcome last week, in two-step fashion.
- First, Senate Republicans passed a \$4 trillion budget blueprint Oct. 19 on a vote of 51-49.
- Second, the House this past Thursday narrowly approved the same budget 216-212.
  - Twenty Republicans voted against the budget resolution and House Speaker Paul Ryan had to cast a rare vote just to make sure it passed.
  - Speaker Ryan said the budget provides, and I quote, a "legislative runway for pro-growth tax reform."
  - More specifically, the budget resolution allows the Senate to pass tax legislation with a simple majority: 51 votes rather than the 60-vote minimum normally required to avoid a filibuster.
- As I've said, House Republicans plan to release tax legislation tomorrow, Wednesday, with the goal of sending the bill to the Senate as soon as possible so that it can be signed by the president by the end of this calendar year.
  - Now that's an aggressive timeline and there's much work to be done.
  - House Ways and Means Committee Chairman Kevin Brady announced his committee will hold a markup for the tax bill next Monday, Nov. 6.
  - And the Senate expects to be about a week behind the House.
  - That's according to Sen. John Cornyn, the No. 2 Senate Republican, who also serves on the Senate Finance Committee.
  - Sen. Cornyn told reporters that Senate Majority Leader Mitch McConnell plans to keep the Senate in session through its weeklong Thanksgiving recess to pass the tax plan.
- Again, I'll have more details for you on what's included in the actual tax bill in next week's podcast.
  - There should be a lot of information, a lot of details to be provided.
- Also, I'd like to encourage you to follow me on Twitter.
- Some details of the tax bill have already begun to emerge.
- And as I learn of them, I tweet them out.
- So my Twitter feed is a good way to access breaking tax reform news.
- Also, we are rolling out a new web site.
- It's a page as part of [www.novoco.com](http://www.novoco.com) to help you track tax reform.
- It's titled, the Tax Reform Resource Center.
- It will be live sometime over the next 24 or so hours.
- The website is [www.taxreformresourcecenter.com](http://www.taxreformresourcecenter.com).



- Once again, [www.taxreformresourcecenter.com](http://www.taxreformresourcecenter.com)
- It will be your go-to web location for current and historical tax reform news and commentary.

### **Why Combining Credits Won't Work**

- Now on the subject of tax reform, I promised last week that I would discuss in today's podcast one of the proposals being circulated for tax reform.
- I'm talking about the idea of combining low-income housing tax credits (LIHTCs), new markets tax credits (NMTCs) and historic tax credits (HTCs) into one tax credit.
  - This is an idea that some members of Congress have suggested.
- On the surface, a combined tax credit program might seem like a streamlined way to keep these incentives in the tax code.
- However, those of us who work with these programs see a multitude of reasons why combining them would be problematic.
- Such suggestions lose sight of the fact that each program can be thought of as a tool used to help address a particular societal need.
- Combining all the tools into one would make them less effective in addressing those needs.
- It would be like combining a hammer, with a screwdriver and a set of pliers.
- I can't actually imagine what that tool would look like, but I know it wouldn't work for the construction industry.
  - And such a combination wouldn't work for tax credit programs either.
- So if you think about the three programs that are often mentioned as being combined:
  - The LIHTC is designed to spur affordable rental housing.
  - The historic tax credit is designed to incentivize historic preservation.
  - And the new markets tax credit incents investment in distressed areas.
- The fundamental reason why the credits should not be consolidated is that they each have different purposes.
  - Since each of these programs are designed for different purposes, they are naturally administered by different federal and state agencies.
    - The LIHTC is administered by the IRS and state housing finance agencies.
    - The NMTC is administered by Treasury and the CDFI Fund.
    - And the HTC is jointly overseen by the National Park Service, with state historic preservation offices conducting initial project reviews.
  - The administration and oversight of each of these tax credit programs is by program administrators uniquely positioned to oversee their specific programs.
  - If a single entity were put in charge of overseeing all three programs, you'd lose the expertise of the other administrators.
  - For example, the National Park Service isn't equipped to underwrite an affordable housing transaction any more than the CDFI Fund has the resources to determine whether a historic preservation project meets standards of the Secretary of the Interior.
  - Conversely, if all three agencies had to be involved in all tax credits in all projects, then the administrative burden would increase dramatically, without corollary benefits.
- Yes, we know that both the LIHTC and the NMTC can be combined with the HTC in certain cases.



- However, even in those cases where goals of the tax credits are complementary—they're still not the same.
- The agencies that currently oversee each program have missions that are unique to them.
  - State housing agencies work to provide greater access to housing.
  - The CDFI Fund aims to bring jobs and capital investments to economically underserved areas.
  - And the National Park Service and state historic preservation offices focus on saving historic buildings.
- Simply put, each program has a unique purpose and works precisely because it is targeted and specialized.
- That's why it's important for those of us in the affordable housing, community development and historic preservation communities to help lawmakers understand the distinctions between the tax credits and the dangers of treating them like the same program.
  - I would love to hear your thoughts on the matter.
  - What do you think about the idea of combining affordable housing, community development and historic preservation into a single tax credit program?
  - Let me know your opinion by emailing [cpas@novoco.com](mailto:cpas@novoco.com).



## OTHER NEWS

- Turning now to other headlines.
- Last week, the Senate Committee on Banking, Housing and Urban Affairs held a hearing on the nominations for three positions in HUD
  - Brian Montgomery to be head of the Federal Housing Administration.
  - Robert Kurtz to serve as assistant secretary for Public and Indian housing and
  - Suzanne Tufts for assistant secretary for administration.
- Once the committee advances the nominations, the full Senate will vote to confirm the nominees.
- Also last week HUD announced a 120-day extension for LIHTC properties that are in 2015 difficult development areas and qualified census tracts.
  - You can see the HUD announcement at [www.hudresourcecenter.com](http://www.hudresourcecenter.com).
  - If you have questions about QCTs and DDAs and the transition from 2015, 2016, 2017 designations, contact Thomas Stagg in our Washington office.
- In historic preservation news, the National Trust for Historic Preservation last week released a video that includes a clip of former President Ronald Reagan voicing his support for the federal HTC.
  - Here's a snippet of what Reagan said from the National Trust video:

*“Across America, people are getting the message. Our tax credits have made the preservation of our older builds not only a matter of respect for beauty and history, but of economic good sense.”*
  - Learn more at [savingplaces.org](http://savingplaces.org).
- Finally, looking ahead to next week, the Advisory Council on Historic Preservation, or ACHP, will hold its next quarterly meeting Nov. 9.
  - The ACHP advises the president and Congress on national historic preservation policy.
- A copy of the agenda can be found online at [www.historictaxcredits.com](http://www.historictaxcredits.com)