NALHFA Comes Out Against Several Provisions of the Proposed Tax Reform Legislation

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[Washington, DC - 11/03/2017] -The National Association of Local Housing Finance Agencies (NALHFA) came out today in strong opposition to the House Ways and Means Committee tax reform legislation, the "Tax Cuts and Jobs Act" that was released yesterday. The proposed legislation would devastate the production of housing during a time when the country faces an affordable housing crisis.

The most devastating blow dealt in the bill was the termination of the tax exemption on private activity bonds (PABs). This includes multifamily Housing Bonds which are critical to the Low Income Housing Tax Credit (Housing Credit) program. Forty percent of all Housing Credit developments nationwide use private activity tax-exempt bond financing and the 4 percent credits they generate. The loss of PABs would decimate the production of affordable housing across the country.

"Private Activity Tax Exempt Bonds are an indispensable affordable housing resource for local HFAs," said NALHFA President Ron Williams. "Close to half of all Housing Credit developments utilize this financing source, and its elimination would cripple the affordable housing industry. At a time when our country is facing an affordable housing crisis, NALHFA urges Congress to preserve Private Activity Tax Exempt Bonds."

In addition, the corporate tax rate drop from 35 percent to 20 percent effective January 1, 2018 would have a significant negative impact on the Low Income Housing Tax Credit program. This dramatic decrease would likely make investment in Housing Credits less appealing to developers and investors. When an investor purchases tax credits from a developer under the Housing Credit program, the investor can use those credits to lower their annual federal tax bill. If an investor has a lower tax bill, they will not be willing to pay as much for these tax credits. While the Housing Credit is preserved under this legislation, the lowered corporate tax rate would be devastating to the program. This is a time when we need to strengthen the housing credit, not hinder it.

Lastly, under the proposal the New Markets Tax Credit (NMTC) allocation authority would be eliminated after 2017. The NMTC has been authorized through 2019, so this legislation would claw back two years of allocation that has already been authorized. The historic rehabilitation credit would be repealed beginning in 2018, and energy credits would be phased out. These additional losses would take away much needed resources to the affordable housing industry at a time when the industry needs them most.

"The housing industry is the foundation of our economy and this tax reform proposal would be detrimental to the affordable housing community," said Jonathan Paine, NALHFA Executive Director. "We urge policymakers to think twice before voting on the tax reform proposal and commit to protecting these invaluable programs that are so critical to providing affordable housing to so many that desperately need it."

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