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Novogradac Commends Ways and Means Committee on Holding Hearing on Leveraging the Tax Code to Stimulate Infrastructure Investment

Community Development, Clean Energy Tax Incentives Hold Important Potential

WASHINGTON—Novogradac commends the House Ways and Means Committee for the hearing held Wednesday to address using the federal tax code to stimulate investment in infrastructure.

Among other topics, lawmakers discussed how the low-income housing tax credit (LIHTC), new markets tax credit (NMTC), historic tax credit (HTC), renewable energy tax credits (RETCs) and tax-exempt bonds could be used to incentivize investment as part of potential infrastructure legislation.

Committee members also heard from witnesses who spoke about the potential of private-public partnerships and tax incentives—including an infrastructure tax credit—to revitalize American infrastructure. Michael J. Novogradac, managing partner of national accounting and consulting enterprise Novogradac, was among the witnesses.

“The tax code holds many significant tools that can be used to drive infrastructure investment and I applaud Chairman Richard Neal, Ranking Member Kevin Brady and their colleagues on the Ways and Means Committee for holding yesterday’s hearing and leading this important part of the conversation around infrastructure,” Novogradac said. “I am thankful for the opportunity to have contributed to the dialog and I appreciate the valuable insights shared by my fellow witnesses as well.”

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President Joe Biden has called for a \$2 trillion investment in infrastructure and green energy over the next eight years. Biden introduced the American Jobs Plan in March, with an emphasis on transportation, home care services and workforce, manufacturing, housing, and more. Sens. John Hoeven, R-North Dakota, and Ron Wyden, D-Oregon, re-introduced the Move American Act—which would create Move America Bonds and federal infrastructure tax credits—in late April.

At Wednesday’s hearing, Novogradac described how tax credits have successfully incentivized affordable housing and community development activities: “The foundational aspect of tax credits as an incentive is to bring in private equity capital during the higher-risk, development phase, the start-up phase of these activities,” he said. “To the extent that these activities do get put in place and generate the benefits over time, then that’s when the government pays. It really is a pay-for-success aspect of the tax code. ... I think that pay-for-success feature, that collectible recapture, is what’s led to the success of the various incentives I’ve testified to here today.”

Other speakers included Stephen R. Lewis, Governor of Gila River Indian Community, who said that tribal communities need improved access to federal tax incentives, such as the NMTC. Lewis made three recommendations to the House Ways and Means Committee: “First, create a tribal set-aside of up to 5% for the NMTC program so investments are going into Indian Country, as intended. Second, consider making the use of the NMTC available for infrastructure funds in Indian Country to eliminate all issues of timing and project planning that plague us. And third, support making the construction lease-back funding mandatory funding.”

Khalil Shahyd, senior policy advisor for the National Resource Defense Council, said, “Housing infrastructure is another key area impacted by the ability of localities to raise capital and is especially critical for the affordable housing that provides homes to our nation’s lowest-income households. And while some question the inclusion of affordable housing in our nation’s infrastructure priorities, the shortage of affordable housing in major U.S. cities cost our economy \$2 trillion each year in lower wages and productivity, preventing low-income households from moving to areas with more economic opportunities.”

Rachael Eubanks, Michigan’s state treasurer commented on the importance of tax-exempt bonds to infrastructure investment: “The tax-exempt treatment of municipal bonds is a critical keystone of our federal state system that enables state and local governments to finance the lion’s share of our infrastructure network. It should be protected at all costs.”

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Adrian Moore, vice president of policy for the Reason Foundation spoke about leveraging public-private partnerships for infrastructure investment.

About Novogradac

Novogradac, which has been in business for more than 30 years, has grown to more than 650 employees and partners with offices in more than 25 cities. Tax, audit and consulting specialty practice areas for Novogradac include affordable housing, opportunity zones, community development, historic rehabilitation and renewable energy.