

How House and Senate Versions of H.R. 1 Affect Affordable Housing Development Using the Low-Income Housing Tax Credit

House Version of H.R. 1

- **Eliminates all private activity bonds including multifamily bonds**, which are accompanied by 4% housing tax credits. Multifamily bonds account for over 50% of all LIHTC production.
- **Lowers the corporate tax rate from 35% to 20%**, which reduces the value of losses from LIHTC investments, in turn reducing housing credit prices by about 15%. This will reduce the amount of equity capital invested in LIHTC properties by around \$2 billion annually.
- ***Together***, these two changes are estimated to ***reduce affordable housing production by up to nearly 1 million homes*** over the next ten years.¹

Senate Version of H.R. 1

- **Lowers the corporate tax rate from 35% to 20%**, which reduces the value of losses on LIHTC investments, in turn reducing housing credit prices by about 15%. This will reduce the amount of equity capital invested by around \$2 billion annually, resulting in around 90,000 fewer units over ten years.
- **Eliminates a number of LIHTC investors** – particularly foreign owned banks -- from the program as a result of the Base Erosion and Anti-abuse Tax (BEAT) which does not permit business credits other than the R&D credit to be used against the BEAT. This will remove investors that account for between 10% and 25% of capital invested in LIHTC.
- **Permanently lengthens the depreciation period** for nearly all residential real estate properties from 27.5 years to 30 years, but also **permits, for a period, expensing** of personal property and land improvements.
- **Reduces the basis boost available to properties designated by the states or developed in low income and “high cost” areas** from 30% to 25%. This will make it more difficult to undertake development activities in hard to reach rural and urban areas marked either by higher production costs or lower incomes or both. The provision applies to properties placed in service after date of enactment, affecting properties that have already received credit allocations and/or issued bonds, have lined up debt and equity financing, and are well into the development process. These projects will have to return credits already awarded, find alternative sources of funds, and scramble to avoid financial calamity.

Requested Action

- Preserve private activity housing bonds
- Exempt housing tax credits from the BEAT to encourage affected institutions to invest in America
- Keep LIHTC basis boost at 30%

¹ See Novogradac & Company analysis: <https://www.novoco.com/notes-from-novogradac/tax-reform-bill-would-eliminate-future-supply-nearly-1-million-affordable-rental-housing-units>