Statement on Draft Tax Reform Proposal

Housing Partnership Network opposes the "Tax Cuts and Jobs Act" released yesterday by House Ways and Means Committee Chairman Kevin Brady. In its current form, the changes made in this bill would be devastating to affordable housing and community development efforts in communities across the country.

Severe Impact on Affordable Housing

While the bill maintains the Low Income Housing Tax Credit (LIHTC), which the Republican United Framework called effective, it simultaneously devastates production under the program by eliminating private activity multifamily housing bonds. Over half of LIHTC developments utilize tax-exempt bonds and 4 percent LIHTCs. HPN members use multifamily housing bonds/4 percent transactions to finance new construction and renovation of existing affordable housing and transformation of public housing through the Rental Assistance Demonstration (RAD). Abolishing the tax exemption for private activity bonds would eliminate bond/4 percent transactions after 2017.

The lower corporate rate will also negatively impact private investment in affordable housing. Without offsetting adjustments the value of the credits will be diminished, leaving fewer resources for housing at a time when it is so critically needed. Combined with the elimination of multifamily housing bonds proposed in the "Tax Cuts and Jobs Act" LIHTC production would decrease by as much as two-thirds each year.

Shortsighted Elimination of New Markets Tax Credit Program

The House tax bill also calls for repeal of the final two years of New Markets Tax Credit (NMTC) allocation authority which would be disastrous for small rural towns and distressed urban neighborhoods. NMTCs stimulate economic activity in some of the nation's most distressed communities. For every one dollar of federal investment, NMTCs have generated eight dollars of private investment. Nationwide, tax credits have been leveraged to finance over 5,400 businesses, creating 178 million square feet of manufacturing, office and retail space. Furthermore, the federal tax revenue generated by NMTC investments more than pays for the cost of the program.

These hasty changes to proven public-private partnerships will have devastating impact on families and communities. As Congress continues to consider tax reform, HPN calls on them to:

- **Preserve the tax exemption for multifamily housing bonds.** Without multifamily housing bonds, LIHTC development could be reduced by as much or more than 50 percent annually.
- **Make adjustments to offset the impact of a lower corporate rate on LIHTC investment** to ensure that the amount of Housing Credit equity per development is not substantially decreased.
- Include **the provisions to strengthen LIHTC contained in the Tiberi-Neal Affordable Housing Credit Improvement Act (H.R. 1661).** This legislation has overwhelming bipartisan support and would make significant strides towards making the program more streamlined and flexible, many of which are low- or no-cost.
- **Retain the NMTC,** a proven federal investment that produces benefits well above its costs.