

# Policy Brief Federal Leg Snapshot



as of June 3, 2010

## **HR 4213, American Jobs and Closing Tax Loopholes Act**

### Policy Position

SCANPH actively supports HR 4213, the American Jobs and Closing Tax Loopholes Act. HR 4213 provides the National Housing Trust Fund (NHTF) \$1.065 billion - of which at least \$183 million would be brought to California, and the "Extenders" LIHTC bill which contains the "9 percent" LIHTC tax credit exchange.

### Current Status

The U.S. House of Representatives had passed HR 4213 on May 28, 2010. The margin voting in favor was narrow 215 to 204, primarily due to the cost of the legislation, over \$200 billion that had been slimmed down to \$115 billion because of concerns over the federal deficit (none related to our provisions for affordable homes).

We are hoping that the no changes will be made in the Senate, where the bill will be heading for a vote after they reconvene on June 7, 2010. Senate Majority Leader Reid has announced that it will be open to amendments over several weeks and the expectation of revisions in the Senate version of the bill may require it needing to go back to the House again for final passage before the July 4 recess.

## **S 3326, Job Creation and Housing Act of 2010 (Cantwell)**

### Policy Position

SCANPH actively supports S 3326, the job Creation and Housing Act of 2010. S 3326 provides for the "4 percent" LIHTC tax credit exchange provisions as well as five-year LIHTC carryback provision (see S 3141 below). "4 percent" LIHTCs are used together with the proceeds of tax-exempt bonds issued to support affordable housing development and, rather than being subject to a ceiling, are available to all developers that receive allocations of such bonds from the state. As a result of the credit market meltdown, the program was severely disrupted when the corporate investors on which the program relied upon, primarily large national banks and Fannie Mae and Freddie Mac, swung from profitability to loss - and could no longer use tax credits. As a result, the demand and price of LIHTCs fell, creating funding gaps in development projects that had received tax credit allocations but had not yet sold them. Additionally, new incentives are needed to spur more attractive opportunities for investment in the LIHTC (see 3141 below).

### Current Status

As the result of delays on HR 4213, the timing of the S 3326 is uncertain, as the Senate will only plan to consider the bill, either in the Finance Committee or directly on the floor, after completing consideration of the extenders bill. There are currently seven cosponsors. SCANPH has been actively lobbying Senator Dianne Feinstein and Senator Barbara Boxer on S 3326, and both are now co-sponsors of the legislation.

## **S 3141, Low Income Housing Tax Credit Recovery Act of 2010 (Bingaman)**

### Policy Position

SCANPH actively supports S 3141, the Low Income Housing Tax Credit Recovery Act of 2010. S 3141 would allow for a five-year housing tax credit carryback provision, helping to stimulate and restore long-term investment in affordable rental homes through greater incentives for investors to invest in the LIHTC market. Housing Credits have a ten-year credit period and a fifteen-year recapture (holding period) during which a portion of credits can be recaptured if program rules are violated. Investments in current housing credits require investors to project tax liability for at least ten years, making this credit unattractive to many investors whose investment horizons are much shorter. A five-year housing credit carryback would permit new investors to view this with a five year investment horizon (credits from years six through ten could be carried back to the first five years) by shortening the investment timeframe for investors, allow the housing credit to attract additional investors, and provide existing investors without current tax liability an alternative to selling housing credits on the secondary market, which produces no new housing or jobs.

### Current Status

As the result of delays on HR 4213, the timing of the S 3141 is uncertain, as the Senate will only plan to consider the bill, either in the Finance Committee or directly on the floor, after completing consideration of the extenders bill. There are currently nine cosponsors. Neither Senator Dianne Feinstein nor Senator Barbara Boxer are co-sponsoring the legislation, as SCANPH has been focused on their support for S 3326 first.