Why the Housing Credit is Unique

- Administration and distribution of these federal tax credits through designated state housing finance agencies provides unique flexibility for each state to meet their own needs. Allowing each state to develop its own individual qualified allocation plan means each state can determine their priorities under broad federal guidelines. Additionally federally required compliance monitoring standards implemented on the state level result in strong oversight and accountability by both the state allocating agencies and the private investors.
- The Housing Credit is a prime example of private/public partnerships addressing a nationwide need yet all the risk is borne by the private investor. It is the private investors that bear the financial risk of a failed development, not the United States government or the United States taxpayer. Investors in properties which fall out of compliance or fail to house eligible residents face recapture of a substantial portion credits allocated. Because of this risk, the private sector monitors each Housing Credit development in conjunction with the state allocating agencies. The Housing Credit industry has a remarkably low rate of foreclosure – less than 0.1% according Ernst & Young.
- Many Housing Credit properties provide much more than just safe and affordable housing. Senior properties often provide meal service and medical referrals while properties devoted to the formerly homeless often provide financial literacy classes and employment referral and education opportunities.

Why the Housing Credit Program Should Remain in the Tax Code Throughout any Congressional Tax Reform Efforts

- The Housing Credit program was conceived through tax reform in 1986. The Housing Credit replaced other less efficient and uncoordinated tax incentives associated with affordable housing. Its place in the tax code is an essential part of its long term effectiveness, removing the need for annual appropriations to ensure its continued success.
- But for the Housing Credit program 100,000 to 120,000 affordable rental units annually would not be built. Elimination of the Housing Credit program would make the development of affordable, rent-restricted, rental housing financially unfeasible and would end affordable rental housing development.
- The Housing Credit program is much more efficient than direct spending programs which would rely on annual appropriations. Further, the industry has a proven track record supported by market discipline within the private sector, high compliance standards from both the state allocating agencies and property investors, and a uniquely low foreclosure rate.
- Although often listed in the top ten corporate tax expenditures, the revenue raised from eliminating the Housing Credit program would be minimal, only around 3% of the revenue needed to reduce the top corporate rate to 25%. The revenue raised would be minimal because the Housing Credit is a ten year credit, meaning taxpayers would continue to receive tax credits for several years even with an immediate repeal of the program.
- While corporations do benefit from the federal tax credit provided by the Housing Credit program, the real beneficiaries of the program are the residents of affordable housing.

Support Permanent Extension of the 9 Percent Housing Credit Floor and Enact a Similar Floor for 4 Percent Allocated Credits

- Permanently extending the 9 percent Housing Credit floor and enacting a similar floor for 4 percent allocated Credits allows for more equity from the monetization of the Housing Credits to go into specific properties.
- With the loss of HUD dollars and state resources, the need for these Credit floors is critical to eliminate uncertainty and complexity from the industry.
- The temporary provision for 9 percent Credits included in the *Housing and Economic Recovery Act of 2008* and extended in the *American Taxpayer Relief Act of 2012* has proven to be successful in increasing the effectiveness of the Housing Credit at little cost to the federal government. Extending a similar floor for 4 percent allocated Credits would have limited impact fiscally but a very positive impact on the program's effectiveness, particularly in preserving our existing stock of rental housing.
- If not made permanent (or enacted in the case of the 4 percent Credit floor) Housing Credit-financed properties could lose 15-20 percent of the private equity it may otherwise have received.

About the Affordable Housing Tax Credit Coalition

- The Affordable Housing Tax Credit Coalition (AHTCC) is a group of syndicators, developers, lenders, investors, nonprofit groups, state agencies, and other allied professionals (including accountants, lawyers, and compliance specialists) concerned with the Housing Credit program.
- AHTCC currently consists of over 125 member organizations.
- AHTCC plays a major role in assuring the continuance of the Housing Credit. It was founded in 1988 with the primary goal of achieving permanent extension of the program and from that time until the Credit was permanently extended in 1993, AHTCC worked tirelessly to achieve that end by taking a leading role in coordinating the efforts of many concerned groups and individuals. The Coalition now focuses on educating law makers at the federal, state, and local level about the impressive successes of the program over the past 27 years.