



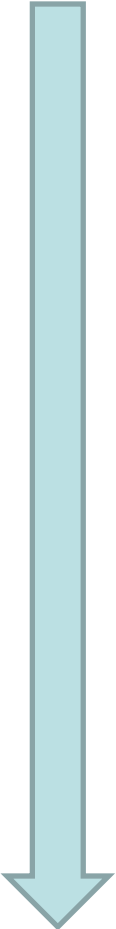
Tax Reform's Impact on Affordable Housing

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Tax Reform Timeline

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- Sept 27:** “Big Six” release tax reform framework
 - Nov 2:** House releases tax reform bill
 - Nov 9:** Senate releases tax reform bill
 - Nov 16:** House passes tax reform bill
 - Dec 2:** Senate passes tax reform bill
 - Dec 4:** Conference begins
 - Dec 20:** House and Senate approve conference report
 - Dec 22:** President signs Tax Cuts and Jobs Act into law
 - Early 2018:** Tax extenders, technical corrections or other tax legislation?

House vs. Senate Proposals

House Bill

Lowered corporate tax rate to 20%

Retained Housing Credit with no modifications

Repealed Private Activity Bonds

Repealed New Markets Tax Credit

Repealed Historic Tax Credit

Silent on BEAT



Senate bill

Lowered corporate tax rate to 20%

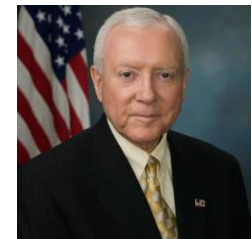
Retained Housing Credit with modifications

Retained Private Activity Bonds

Retained New Markets Tax Credit

Retained Historic Tax Credit with modifications

Created Base Erosion and Anti-Abuse Tax (BEAT)



Final Version of Tax Cuts and Jobs Act

- **Lowers top corporate tax rate** from 35 to 21 percent, effective 1/1/2018
- **Retains the Low-Income Housing Tax Credit**, with no modifications
- **Fully retains private activity bonds**, including multifamily Housing Bonds
- **Retains New Markets Tax Credit** as currently authorized through 2019
- **Retains historic rehabilitation tax credit (HTC)**, but extends credit period from 1 to 5 years
- **Creates Qualified Opportunity Zones** as proposed under the Investing in Opportunity Act, which would incentivize investments in distressed communities through capital gains deferrals
- **Creates a base erosion and anti-abuse tax**, which affects some banks' ability to use the Housing Credit and other credits to offset certain taxes related to foreign earnings and earnings going to foreign parent companies

Impact of Tax Reform on Affordable Housing

- According to Novogradac & Co, the Tax Cuts and Jobs Act will reduce the future supply of affordable rental housing by nearly **235,000** rental homes

Rental Homes, Jobs, Business Income and Tax Revenue Lost Nationally Under Final Tax Reform Bill

	OVER 10 YEARS			
	Rental Homes	Jobs	Business Income	Federal, State and Local Taxes
Current Law	1,493,400	1,687,500	\$142,005,642,600	\$54,617,554,900
Tax Reform Bill				
Lower Corporate Rate of 21%	- 212,400	- 240,000	-\$20,196,865,200	- \$7,768,025,100
Chained CPI	- 19,900	- 22,500	-\$1,892,267,500	- \$727,795,200
Amount Lost	232,300	262,500	\$22,089,132,700	\$8,495,820,300
Percentage Lost	-16%	-16%	-16%	-16%
New Law	1,261,100	1,425,000	\$119,916,509,900	\$46,121,734,600

This analysis is not adjusted for:

- Adverse effects on investor demand for the LIHTC as a result of the new base erosion and anti-abuse tax and the increase in after tax rates of return from taxable investments
- Effects of an anticipated increase in the volume of secondary market transactions
- Reentrance of Fannie Mae and Freddie Mac into the market
- Reduced size of the annual equity market

Source: NAHB; Novogradac & Company LLP



- BEAT may also impact some affordable housing investors

Next Steps

- Make up for what will be lost as a result of tax reform
- Make a meaningful step to address the affordable housing crisis by enacting the Affordable Housing Credit Improvement Act (S. 548/H.R. 1661)
 - 50 percent increase in Housing Credit allocation
 - Nearly two dozen changes to strengthen Housing Credit and Bonds, including:
 - Minimum 4% Housing Credit rate
 - Income averaging
 - Basis boost for extremely low-income households
- Potential legislative vehicles
 - Omnibus + tax package
 - Tax extenders
 - Tax reform technical corrections
 - Disaster tax relief

Getting Involved

ACTION Campaign

- More than 2,100 businesses and organizations advocating on behalf of the Housing Credit and Housing Bonds
- Visit www.rentalhousingaction.org for advocacy resources and updates

THE LOW-INCOME HOUSING TAX CREDIT'S IMPACT IN THE UNITED STATES

THE LOW-INCOME HOUSING TAX CREDIT'S BENEFITS FOR U.S. FAMILIES & THE ECONOMY 1986 - 2015

- 3 million** homes developed or preserved
- 7 million** low-income households provided affordable homes
- 3.4 million** jobs supported for one year
- \$323 billion** local income generated
- \$127 billion** tax revenue generated

Sources: National Council of State Housing Agencies 2015 Factbook, National Association of Home Builders

THE NEED FOR AFFORDABLE HOUSING

Though the Housing Credit has had a tremendous impact across the country, much more affordable housing is still needed to meet the growing demand.

- 11.1 million households** pay more than half of their monthly income on rent, leaving too little for other expenses like health care, transportation and nutritious food.
- And nationwide, a minimum wage worker has to work **86 hours per week** in order to afford a modest one-bedroom apartment.

Sources: 2015 American Community Survey, National Low Income Housing Coalition's Out of Reach 2015

The ACTION Campaign represents over 2,000 organizations and businesses working to address our nation's severe shortage of affordable rental housing by supporting the Low-Income Housing Tax Credit.

www.rentalhousingaction.org

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