



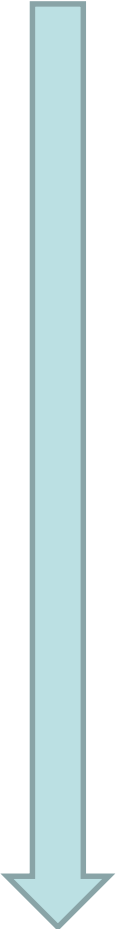
# Tax Reform's Impact on Affordable Housing

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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 or other tax legislation?

# House vs. Senate Proposals

## House Bill

## Senate Bill

Lowered corporate tax rate to 20%

Lowered corporate tax rate to 20%

Retained Housing Credit with no modifications

Retained Housing Credit with modifications

Repealed Private Activity Bonds

Retained Private Activity Bonds

Repealed New Markets Tax Credit

Retained New Markets Tax Credit

Repealed Historic Tax Credit

Retained Historic Tax Credit with modifications

Silent on BEAT

Created Base Erosion and Anti-Abuse Tax (BEAT)

Silent on Opportunity Zones

Created the Opportunity Zones Program



# 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
<b>Tax Reform Bill</b>				
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
<b>Amount Lost</b>	<b>232,300</b>	<b>262,500</b>	<b>\$22,089,132,700</b>	<b>\$8,495,820,300</b>
<b>Percentage Lost</b>	<b>-16%</b>	<b>-16%</b>	<b>-16%</b>	<b>-16%</b>
<b>New Law</b>	<b>1,261,100</b>	<b>1,425,000</b>	<b>\$119,916,509,900</b>	<b>\$46,121,734,600</b>

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 Housing 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

# New Jersey Delegation

- **Senators**
  - Robert Menendez (D-NJ)\*\*
  - Cory Booker (D-NJ)\*\*
- **Representatives**

Democrats	Republicans
<ul style="list-style-type: none"><li>• Donald Norcross (D-NJ-1)</li><li>• Josh Gottheimer (D-NJ-5)</li><li>• Frank Pallone Jr. (D-NJ-6)</li><li>• Albio Sires (D-NJ-8)</li><li>• Bill Pascrell (D-NJ-9)**</li><li>• Donald Payne Jr. (D-NJ-10)</li><li>• Bonnie Watson Coleman (D-NJ-12)</li></ul>	<ul style="list-style-type: none"><li>• Frank LoBiondo (R-NJ-2)</li><li>• Tom MacArthur (R-NJ-3)</li><li>• Chris Smith (R-NJ-4)</li><li>• Leonard Lance (R-NJ-7)</li><li>• Rodney Frelinghuysen (R-NJ-11)</li></ul>

\*\* Indicates co-sponsor on the Affordable Housing Credit Improvement Act

# Getting Involved

## ACTION Campaign

- More than 2,100 businesses and organizations advocating on behalf of the Housing Credit and Housing Bonds
  - 40 in New Jersey
- Visit [www.rentalhousingaction.org](http://www.rentalhousingaction.org) for advocacy resources and updates

**AFFORDABLE RENTAL HOUSING**  
**A.C.T.I.O.N.**  
A Call To Invest in Our Neighborhoods

### THE LOW-INCOME HOUSING TAX CREDIT'S IMPACT IN NEW JERSEY

#### THE LOW-INCOME HOUSING TAX CREDIT'S BENEFITS FOR NEW JERSEY'S FAMILIES & THE ECONOMY 1986 - 2015



**54,048**  
homes developed or preserved



**125,932**  
low-income households provided affordable homes



**61,074**  
jobs supported for one year



**\$5.82 billion**  
local income generated



**\$2.29 billion**  
tax revenue generated

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



**The Housing Credit is a proven solution to help address the affordable housing crisis.**

The Housing Credit is our nation's most successful tool for encouraging private investment in affordable rental housing. It has financed over 3 million apartments nationwide since 1986, providing roughly 7 million low-income families, seniors, veterans, and people with disabilities homes they can afford.

Without the Housing Credit, it would be financially infeasible for the private sector to build affordable homes for the families that need them most.

The ACTION Campaign calls on Congress to:

- Protect the Housing Credit in tax reform.
- Preserve multifamily Housing Bonds, which provide critical financing to roughly 40 percent of Housing Credit developments.
- Expand the Housing Credit to make a meaningful dent in our nation's severe shortage of affordable housing.
- Strengthen the Housing Credit by making it more streamlined and flexible.

#### THE NEED FOR AFFORDABLE HOUSING

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



In New Jersey, **329,669 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 in New Jersey, a minimum wage worker has to work

**120 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](http://www.rentalhousingaction.org)

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# Opportunity Zones Program

- Uses tax incentives in the form of deferred capital gains to encourage private investment in funds that invest in distressed communities
  - Designed to drive long-term capital to rural and low-income urban communities throughout the nation
- Opportunity Zones: eligible low-income census tracts
- Opportunity Funds: aggregated funds that deploy private investment into Opportunity Zones
- Treasury must follow formal administrative procedures to finalize the law → timeline is not yet clear

# Contact

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