



Text File

Introduced: 11/20/2017

Bill No: 2017-2152, **Version:** 1

Committee: City Council

Status: Adopted

WHEREAS, the United States House of Representatives passed legislation containing major changes to the American tax code on Thursday, November 16, including close to \$1.5 trillion in tax cuts, which will result in major changes to the housing market; and

WHEREAS, a major component of this legislation, dubbed the Tax Cuts and Jobs Act, is a drastic slashing of the corporate tax rate from 35 to 20 percent, which will decrease the amount of equity developers will be able to raise for projects making use of the Low-Income Housing Tax Credit (LIHTC), which incentivizes private investment in affordable housing developments; and

WHEREAS, although the House of Representatives' legislation retains the LIHTC tax code structure, it disallows the use of tax-exempt, private activity bonds, which are major components of almost 60 percent of LIHTC developments; and

WHEREAS, the LIHTC's four-percent tax credit can only be utilized if 50 percent or more of the project is funded through private activity bonds, and therefore, the Tax Cuts and Jobs Act's elimination of private activity bonds will have deleterious effects on the four-percent tax credit; and

WHEREAS, created as part of the Tax Reform Act of 1986, the LIHTC is a vital part of almost all new, major affordable housing construction projects in the country, with the U.S. Department of Housing and Urban Development estimating that the LIHTC produced 2,402,484 low-income housing units between 1986 and 2016; and

WHEREAS, the LIHTC is structured so that the Internal Revenue Service allocates LIHTCs to states on a per-capita basis, with states' housing finance agencies' determining which affordable housing project applicants are the most deserving, and the agencies' then transferring the LIHTCs to investors, such as banks, who then raise the necessary equity for the projects; and

WHEREAS, the LIHTC is widely seen as successful initiative, as it allows developers to finance projects while avoiding a large debt burden, grants low-income and needy residents an option for affordable housing that may not have previously been available, and offers banks a real estate investment that carries acceptable yield and complies with the Community Reinvestment Act of 1977, which mandates that banks invest in the areas where they issue deposits; and

WHEREAS, a decrease in the corporate tax rate could cause a subsequent, equal decrease in the amount of equity developers are able to raise using LIHTCs, thereby directly affecting the number of affordable housing units made available through the LIHTC, the primary vehicle for the construction of new affordable housing units; and

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WHEREAS, further, the Historic Tax Credit (HTC), which provides incentives for the preservation and rehabilitation of historic structures and buildings, is eliminated in its entirety in the House of Representatives' legislation; and

WHEREAS, the HTC has been used in the preservation and repair of more than 40,000 structures and allowed for approximately \$117 billion in private investment since 1981, with its repeal expected to save less than \$1 billion annually.

NOW THEREFOR BE IT RESOLVED that the Council of the City of Pittsburgh opposes the Tax Cuts and Jobs Act in its current form because of the adverse effects it will have on affordable housing, and calls on the House on the Representatives to amend the bill; and

BE IT FURTHER RESOLVED that the Council of the City of Pittsburgh calls on the United States Senate to oppose this legislation in its current form.