CHAPA

Citizens' Housing and Planning Association, Inc.

December 11, 2017

Dear Members of the Massachusetts Congressional Delegation,

Citizens' Housing and Planning Association (CHAPA) has grave concerns about the impact of proposed tax reform on affordable housing in Massachusetts. On behalf of our thousands of members in every congressional district across the Commonwealth who care deeply about affordable housing, we ask that you do everything you can to make sure the final bill takes into account our requests listed below.

If not, more families will be put at risk of homelessness and communities in Massachusetts will be irreparably harmed. In the midst of our state and region's housing crisis, the opportunity to create tens of thousands of affordable homes will be lost. Additionally, by increasing our national debt by more than $1 trillion, the future of other investments in affordable housing and community development programs are at risk of being severely cut or eliminated.

In order to avoid irreparably harming affordable housing and community development activities in Massachusetts, the final tax reform bill must:

1. Preserve the tax exemption for private activity bonds for housing and save the 4% Low Income Housing Tax Credit

As proposed in the Senate plan, the tax exemption for private activity bonds must be preserved while also preserving the ability to use these bonds for housing. The House version of H.R. 1 eliminates all tax exempt private activity bonds, including multifamily bonds, which support the 4% Low Income Housing Tax Credit (LIHTC). Housing was an original use of these bonds and is a critical element of our nation's infrastructure. Multifamily bonds and the 4% housing credit account for over half of all housing built or preserved by LIHTC.

Affordable housing supported by private activity bonds and the 4% housing credit serve some of our most vulnerable households, including extremely low income families, seniors, and persons with disabilities. Tax-exempt bonds are also used to make affordable homeownership a reality for thousands of first-time homebuyers in Massachusetts.

If private activity bonds for housing are lost and the 4% housing credit is eliminated, production of affordable housing will drop by nearly 70%. Over the next decade, this means 30,000 fewer homes will available in the Commonwealth.

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2. Raise the corporate tax rate above the proposed 20% rate

The lower corporate tax rate in both the Senate and House bills will reduce investments in affordable housing developments supported by LIHTC. This change alone will sharply reduce the effectiveness of the housing credit, a program with strong bipartisan support that has been the primary means of producing and preserving affordable housing in the United States and Massachusetts since 1987.

The House bill would have a much worse impact by eliminating the tax-exempt private activity bonds which support the 4% housing credit, as previously discussed. If the corporate tax rate is dropped and the 4% housing credit is eliminated, Massachusetts could lose $264 million per year in affordable housing investments and more than 3,000 recurring construction jobs.

3. Exempt LIHTC investors from the Base Erosion and Anti-abuse Tax

The Senate bill eliminates a number of LIHTC investors, particularly foreign-owned banks, from the program as a result of the Base Erosion and Anti-abuse Tax (BEAT). This will remove investors that account for between 10% and 25% of capital investment into LIHTC. The final tax bill should include a housing exemption from BEAT which will encourage investment into affordable housing in the United States.

4. Keep the LIHTC basis boost at 30%

Under current law, LIHTC developments in certain rural and urban areas that have either high production costs or lower incomes can receive a 30% basis boost in the calculation of the LIHTC for which the development is eligible. This increases the amount of private investment in LIHTC to those areas. The Senate bill reduces this basis boost for these areas from 30% to 25%, making the development of affordable housing in these hard-to-serve communities even more difficult. The final tax bill should keep the LIHTC basis boost at 30%.

5. Retain the New Markets Tax Credit

The House plan eliminates the New Markets Tax Credit, a vital resource for community revitalization efforts in distressed areas. In Massachusetts, projects supported by the New Markets Tax Credit include community health centers, Boys & Girls Clubs, the Dudley Municipal Center in Boston, and a grocery store in Brockton. Housing and community development investments work together in revitalizing and transforming neighborhoods. Since 2003, the New Markets Tax Credit has supported over 241 business and economic revitalization projects with $1.8 billion. The final tax plan should preserve the New Markets Tax Credit.

6. Retain the Historic Tax Credit

The House plan also eliminates the Historic Tax Credit which attracts developers to invest in once vacant, deteriorated, and underutilized structures, such as old mills, schools, and hospitals, and transforms them into much needed housing and commercial space. The Historic Tax Credit has been used to revitalize the Commonwealth’s Gateway Cities, including Lowell, Haverhill, Fall River, and Worcester. Hundreds of historic and iconic buildings in Massachusetts have been returned to use, creating homes, jobs, and generating tens of millions of dollars in new local tax revenues. In 2016 alone, the Historic Tax Credit invested $306 million into completed historic rehabilitation projects in Massachusetts. The final tax plan should preserve the Historic Tax Credit so that we can continue to preserve and revitalize communities throughout Massachusetts.

Thank you for your consideration of these requests. As we continue to face a severe housing shortage, we must preserve and protect these resources so that everyone in the Commonwealth can have a safe, healthy, and affordable place to call home.

Sincerely,

Rachel Heller

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