



AHTCC NEWS

NOVEMBER 2004

2nd Bush Term Could Bring More Tax Reform

Throughout the 2004 Presidential campaign, President Bush promised to overhaul the tax code in his second term. He has stated that he plans to appoint a commission to make recommendations to revamp the tax system. It is also possible that the White House will again seek to eliminate the double taxation of corporate dividends, as it attempted to do in 2003. While the President has not detailed what changes he would prefer, many conservative Republicans campaigned on a platform to eliminate the current tax code and start again, perhaps with a national sales or flat tax.

For example, Senator-Elect Jim DeMint (R-SC) stated throughout his campaign that, "our current tax code is the biggest job killer in America. If we want to create more jobs and grow our economy, the best thing we can do is to scrap the IRS and the current tax code and replace it with a simple, fair system." (See, www.jimdemint.com)

Senator-Elect Richard Burr (R-NC) also agrees that the IRS and tax code are in need of reform. He states, "the tax code is endless and a huge burden to regular Americans who cannot find loopholes and special breaks for them. I support getting rid of the tax code and simplifying the tax filing process for the American people." (See, www.richardburrcommittee.com)

At the same time that many of President Bush's colleagues in the House and Senate are advocating for a fundamental reform of the tax system, the President and others appear committed to pursuing a new Home Ownership Tax Credit. It is also of note that, while members of the House, both

Burr and DeMint were co-sponsors of the Housing Bond and Credit Modernization Acts (H.R. 284 in the 108th Congress and H.R. 951 in the 107th Congress) and other bills supported by NCSHA and other housing tax credit advocates in the past several years.

The IRS also announced in November that it will suspend certain income requirements on LIHC developments in Alabama, Ohio and Florida, all of which were affected by recent natural disasters. The IRS issued three notices: Notice 2004-74 for Alabama as a result of Hurricane Ivan; Notice 2004-75 for Ohio due to Hurricanes Frances and Ivan; and Notice 2004-76 for Florida because of Hurricanes Charley, Frances, Ivan, and Jeanne.

In addition, among the items on President Bush's agenda is the creation of "Opportunity Zones." According to the official

campaign website, "the President's Opportunity Zones initiative encourages private and public investment within needy communities. In exchange for reducing local barriers to growth and development, these Opportunity Zones would receive tax benefits to encourage businesses to locate, invest and hire new workers in the community. The plan includes incentives to spur the development of residential construction. These areas will also receive priority consideration for Federal education, job training, and housing funding." (www.georgewbush.com)

No matter what tax proposals ultimately emerge from the White House or the Hill, the 109th Congress and the 2nd Bush Administration will likely create a stir in the tax credit and other sectors of the business world. AHTCC will keep you posted on developments that may affect the low-income housing tax credit program.



Senator Rick Santorum (R-PA) participates in Pittsburgh Housing Redevelopment groundbreaking. (See p.2)



LIHTC DEVELOPMENTS

Senator Santorum joins PNC at Pittsburgh, PA Groundbreaking

PNC Uses LIHTC to Help Pittsburgh Revitalize A Struggling Neighborhood

On Tuesday, October 26, AHTCC member PNC MultiFamily Capital celebrated the groundbreaking of the construction of affordable housing in the community of 2nd East Hills in Pittsburgh, Pennsylvania. Financing for the project included \$1.6 million in Low Income Housing Tax Credits from the Pennsylvania Housing Finance Agency, which helped leverage \$14.5 million in Tax Credit Equity from PNC Bank. This money went toward the investment total of nearly \$20 million for Phase 1, 117 three and four-bedroom town homes located on 14 acres of the 24-acre property. This construction marks the rehabilitation of a neighborhood that had fallen into significant distress, due to poor maintenance, outdated design, increasing crime, and the economic failure of an adjacent commerce center.

Senator Rick Santorum (R-PA) addressed the audience at the groundbreaking ceremony. He spoke of the importance of more safe and affordable housing. In the early stages of the development, he was also instrumental in cutting through red tape with the regional HUD to see that this project moved forward. He assured the crowd that he will continue to be a major ally in ensuring that the low

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Senator Rick Santorum (R-PA) with Pittsburgh Mayor Tom Murphy

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income housing tax credit continues. Francine Friedman and Amanda Nichols of Hunton & Williams attended the event on behalf of the Coalition, allowing AHTCC to further solidify our working relationship with Senator Santorum and his staff. We were able to discuss one-on-one with Senator Santorum the importance of the LIHTC program and thank him for his past (and promise of future) support of the program.

Also in attendance were Tom Murphy, Mayor of the City of Pittsburgh, Brian A. Hudson, Sr., Executive Director of the Pennsylvania Housing Finance Agency, and representatives from developer, Telesis Corporation, Operation Nehemiah, PNC and the 2nd East Hills Residents Council.

Along with the redevelopment of housing for this community, the project will bring new jobs to the area. Repal Construction Co., the general contractor, is also working with Telesis and various subcontractors to create approxi-

mately 25 full-time, full-benefit employment opportunities for local residents. Furthermore, members of the group Youth Build are also participating in the redevelopment. Youth from the community spend rotating weeks working on passing the GED exam and also learning

construction work, such as how to read blueprints. The impact of the re-development on both housing and employment needs was not lost on Senator Santorum or the others in attendance. "Working together, we have been able to ensure that the families who live in the



PNC's Robert Spicher with Senator Santorum (R-PA)

East Hills neighborhood will have beautiful, safe homes, and will also soon be able to both work and shop nearby at the East Gate Commerce Center," said Santorum.

Other Coalition members are encouraged to let us know about ribbon-cutting or groundbreaking ceremonies, send in pictures for upcoming newsletters or let us know if you would like assistance in inviting members of Congress to participate.



Members of the Youth Build program participate in groundbreaking festivities.



LIHTC DEVELOPMENTS

Congressional Members Who Signed Letters in Support Of the Inclusion of MRB Provisions in the FSC-ETI Bill

The following is a list of Senators who signed an October 1st letter to Chairman Grassley and House members who signed an October 1st letter to Chairman Thomas encouraging inclusion of the MRB provisions in the FSC-ETI bill. This is in addition to the Senate Amendment co-sponsors (see related story p. 6). To see a copy of the letter visit the AHTCC website (www.taxcredit-coalition.org). The letter efforts were led by Senator Crapo (R-ID) and Congressman Houghton (R-NY). AHTCC worked with NCSHA, the Bond Market Association, and others to encourage participation in the letters.

Senators

Wayne Allard (R-CO)
Robert Bennett (R-UT)
Joseph Biden (D-DE)
Jeff Bingaman (D-NM)
Christopher Bond (R-MO)
Lincoln Chafee (R-RI)
Saxby Chambliss (R-GA)
Hillary Clinton (D-NY)
Norm Coleman (R-MN)
John Cornyn (R-TX)
Micheal Crapo (R-ID)
Mark Dayton (D-MN)
Christopher Dodd (D-CT)
Elizabeth Dole (R-NC)
Michael Enzi (R-WY)
Chuck Hagel (R-NE)
Kay Bailey Hutchison (R-TX)
Edward Kennedy (D-MA)
Carl Levin (D-MI)
Bill Nelson (D-FL)
Mark Pryor (D-AR)
Jack Reed (D-RI)
John Sununu (R-NH)
Jim Talent (R-MO)
George Voinovich (R-OH)

House Members

Robert Aderholt (R-AL)
Thomas Allen (D-ME)
Spencer Bachus (R-AL)
Richard Baker (R-LA)
Tammy Baldwin (D-WI)
Xavier Becerra (D-CA)
Earl Blumenauer (D-OR)
Jo Bonner (R-AL)
Max Burns (R-GA)
Julia Carson (D-IN)
Wm. Lacy Clay (D-MO)
James Clyburn (D-SC)
Joseph Crowley (D-NY)
Arthur Davis (D-AL)
Peter DeFazio (D-OR)
Rahm Emanuel (D-IL)
Eliot Engel (D-NY)
Philip English (R-PA)
Terry Everett (R-AL)
Harold Ford, Jr. (D-TN)
Vito Fossella (R-NY)
Barney Frank (D-MA)
Martin Frost (D-TX)
Mark Green (R-WI)
Ralph Hall (R-TX)
Robin Hayes (R-NC)

David Hobson (R-OH)
Darlene Hooley (D-OR)
Amo Houghton, Jr. (R-NY)
Jay Inslee (D-WA)
William Jefferson (D-LA)
William Jenkins (R-TN)
Chris John (D-LA)
Nancy Johnson (R-CT)
Walter Jones, Jr. (R-NC)
Patrick Kennedy (D-RI)
Jerry Kleczka (D-WI)
James Langevin (D-RI)
John Larson (D-CT)
Rick Larsen (D-WA)
Zoe Lofgren (D-CA)
Stephen Lynch (D-MA)
Edward Markey (D-MA)
Jim Marshall (D-GA)
Robert Matsui (D-CA)
Jim McDermott (D-WA)
Gregory Meeks (D-NY)
Dennis Moore (D-KS)
Sue Myrick (R-NC)

Richard Neal (D-MA)
Bob Ney (R-OH)
John Olver (D-MA)
Solomon Ortiz (D-TX)
C.L. "Butch" Otter (R-ID)
Ron Paul (R-TX)
Todd Platts (R-PA)
Nick Rahall (D-WV)
Jim Ramstad (R-MN)
Tim Ryan (D-OH)
Martin Sabo (D-MN)
Max Sandlin (D-TX)
Adam Schiff (D-CA)
Mike Simpson (R-ID)
Mark Souder (R-IN)
Ellen Tauscher (D-CA)
Nydia Velazquez (D-NY)
David Vitter (R-LA)
Diane Watson (D-CA)
Melvin Watt (D-NC)
Henry Waxman (D-CA)
Joe Wilson (R-SC)
David Wu (D-OR)

**Mark your calendar!
AHTCC Meeting
January 24-26, South Beach, Florida
Details to follow!**



CHANGES ON THE HILL

November Election Brings Changes To Tax Committees

(These committees oversee the tax credit program.)

House Ways and Means Committee

Retirements:

Amo Houghton (R-NY)
Michael "Mac" Collins (R-GA)
Jennifer Dunn (R-WA)
Scott McInnis (R-CO)
Jerry Kleczka (D-WI)

Lost Re-election Bids:

Philip Crane (R-IL)
Max Sandlin (R-TX)

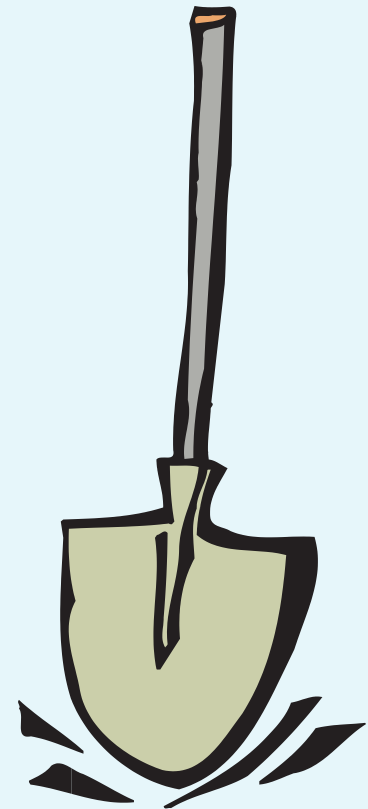
Senate Finance Committee

Retirements:

Don Nickles (R-OK)
John Breau (D-LA)
Bob Graham (D-FL)

Lost Re-election Bid:

Thomas Daschle (D-SD)



9 Freshmen Senators Join the Ranks

The following were elected on November 2, 2004 and will take office on January 20, 2005.

Richard Burr (R-NC)
Tom Coburn (R-OK)
Jim DeMint (R-SC)
Johnny Isakson (R-GA)
Mel Martinez (R-FL)
(former HUD Secretary)
Barak Obama (D-IL)
Ken Salazar (D-CO)
John Thune (R-SD)
David Vitter (R-LA)

Not A Member of AHTCC?

Want to learn more?

Contact Linda Kirk at (202) 585-8739 or
info@taxcreditcoalition.org, or
Francine Friedman at (202) 955-1536
or ffriedman@hunton.com.

AHTCC Meeting
January 24-26, South Beach, Florida
Mark Your Calendars!



LIHTC DEVELOPMENTS

MRB 10-year Rule Repeal Update

Just one day after AHTCC's Open House on the Hill, House Leadership named conferees for the FSC-ETI (JOBS) Bill. Chairman Thomas offered a discussion draft proposal of the bill as a starting point. The MRB 10-year rule repeal provision from the Senate version of the bill was not included in the discussion draft. In response to the discussion draft, more than 300 amendments were filed with the conference committee.

Included in the more than 300 amendments filed on the bill was an amendment offered by Senator Orrin Hatch (R-UT) to repeal the MRB 10-year rule on a prospective basis and to provide a one-year holiday from the MRB 10-year rule requirement. The amendment was co-sponsored by Senators John Breaux (D-LA), Kent Conrad (D-ND), Gordon Smith (R-OR), Bill Graham (D-FL), Tom Daschle (D-SD), Jay Rockefeller (D-WV) and Jim Bunning (R-KY). In addition, Senate Finance Committee Chairman, Charles Grassley (R-IA) filed an amendment that included all of the provisions regarding housing (Sections 601-603 in the Senate passed version).

Late Monday, Oct. 4, Chairman Thomas offered his "chairman's mark" as a new version of the bill for debate. The Conference Committee met on Tuesday, Oct. 5 and Wednesday, Oct. 6 on the FSC-ETI Bill. The MRB 10-year rule repeal provi-

sion from the Senate version was not included in the Mark.

AHTCC worked closely with NCSHA to gather support for the amendment and to generate letters to Chairman Thomas and Chairman Grassley urging inclusion of the MRB repeal provisions in the confer-



Win Boerkel and Nick Surak, staff to Congressman Kleckza (D-WI), a member of the House Ways and Means Committee, talk with AHTCC member Mark Schnitzer at the Fall Open House on Capitol Hill.

enced bill. Twenty-five Senators signed on to a letter supporting the provision and 72 House Members signed on to the letter to Thomas. (See lists p. 4)

At the two-day conference committee meeting, nearly every amendment offered by the Senate was rejected by the House conferees. The Chairman's mark was nearly revenue neutral and Thomas made it clear that he would not accept any amendments changing that.

On Monday night a staff member for Thomas indicated to NCSHA that she had a policy concern with the 10-year rule repeal — basically that she felt the repeal would create an unlimited amount of bonds, effectively doing away with the cap. NCSHA disagreed with this read of the change and tried to discuss the issue with Thomas' staff. We also helped contact Congressman McCrery as he had previously indicated to a group of LIHTC industry members that he had not heard any policy arguments against the change, but rather that he was concerned with the cost.

NCSHA, mindful that the cost would be a factor, worked with members of the Senate to offer the repeal on a purely prospective basis (thus it would have no cost in the 10-year window). While we knew that Thomas may have a policy concern, we worked with McCrery's staff to try to encourage support of this no-cost change.

Over the course of the Conference Committee meeting, of the more than 300 amendments filed, only approximately 30 amendments were individually offered and discussed by the Senate (another 15 were offered as a group, but the Senate knew it would be defeated and so stated at its offering.) Late in the evening on the first night of debate, Senate Finance Committee Ranking Member Max Baucus (D-MT), on behalf of Senator Hatch,

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LIHTC DEVELOPMENTS

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offered MRB 10-year rule repeal on a prospective basis as an amendment. Baucus had very positive comments regarding the potential impact of the repeal and highlighted some key issues raised in the NCSHA-drafted talking points. The amendment passed with the Senate conferees voice vote. The House conferees, however, rejected the amendment for the policy reason stated by Thomas (as noted above, the first time this was raised was late the evening before the conference deliberations began). The result was disappointing, but not entirely surprising as the House conferees rejected nearly every amendment offered by the Senate. While we are disappointed that the provision did not make it into the conferenced bill, we were happy to see the overwhelming Senate support and the increase in the profile of the tax-credit program during the deliberations.

In addition to assisting NCSHA in its efforts regarding the MRB provisions, AHTCC worked with members of both the House and Senate to secure language in the bill carving out LIHTC developments from the tax-exempt leasing provisions. The conferenced bill was approved by the House and Senate. It was signed by the President on October 22.

AHTCC will continue to work with NCSHA to pursue inclusion of the MRB 10-year Rule Repeal provisions in legislation in the coming months. In addition to being able to assist NCSHA in getting the provisions further along the legislative process than they had in years past, we were given the opportunity to discuss

with members of the Ways and Means and Finance Committees the importance of the LIHTC program. Representatives of AHTCC were able to speak with Senator Baucus during the conference deliberations and thank him for offering the Amendment. He said he was glad to help

and he understands the importance of the program (and the impact of the MRB 10-year Rule Repeal provisions on the program). NCSHA is continuing to work with Thomas' staff to work through the policy concerns and we will keep you posted on any developments.

AHTCC Member Reflects On Fall Hill Visits

Hill visits, meeting with congressional staff members, can be one of the more satisfying career experiences. Recent appointments with Paul Poteet of Congressman Wally Herger's, R-Calif., office and Katharine Mottley of Congressman J.D. Hayworth's, R-Ariz., office provided an opportunity to bring these staffers up to speed on the role low-income housing tax credits play in the industry's efforts to bring more and desperately needed affordable housing to the nation's housing supply.

Meeting with Poteet and Mottley separately, Carl Wise, of Alliant Asset Management Company LLC, and I had the opportunity to discuss the LIHTC industry's concentrated efforts on behalf of repealing the 10-year MRB rule. Both staff members showed a welcome interest in the LIHTC industry's issues and were very supportive of our concerns for the future health of low-income housing. Noting that municipalities in 2004 and 2005 stand to lose \$12 billion in mortgage financing authority, and 150,000 mortgage loans created by mortgage revenue bonds could go unfunded

because of the 10-year rule, we made it clear that the industry would not rest in its efforts to repeal the rule. Despite its unanimous passage by Senate conferees, the amendment's untimely end was sealed in the House Senate conference where it was rejected. The corporate jobs tax bill was signed into law by President Bush on October 22. The bill was essentially revenue neutral: it raised approximately \$136 billion via the repeal of extraterritorial income rules and other revenue provisions, while it "spent" approximately \$136 billion through a variety of tax cuts.

The amendment, offered by Finance Committee Member Max Baucus, D-Mt., was sponsored by Sen. Orrin Hatch, R-Utah. Thanks to the encouragement of industry organizations and individuals, the 10-year rule was heavily co-sponsored and enjoyed great bipartisan support. Despite these, the amendment had significant uphill battles; the Senate provision cost \$495 million, and this provision was in competition with hundreds of other tax cuts.

— By Michael J. Novogradac



AHTCC OPEN HOUSE

On September 28, AHTCC held an Open House in the U.S. Capitol. At the Open House, members of the Coalition met with Congressional staff to discuss our legislative priorities. At various stations throughout the room, staffers had the opportunity to learn about the different legislative goals of the AHTCC. We discussed, among other things, the ten-year rule repeal, the need to free the credit from the recapture bond rule, the

name change proposal, and the interplay between the HUD Section 8 vouchers and LIHTC programs.

Many staff members turned out for the event including staff from the offices of Senator McConnell (R-KY), the Senate Majority Whip, and Congressman Rangel (D-NY), Ranking Member on House Committee on Ways and Means. Along with learning about the various AHTCC legislative proposals, the event gave the

staff an opportunity to see pictures of developments throughout the country, each built using low-income housing tax credits, as well as meet many of the members of the AHTCC personally. The event was a huge success and we plan to schedule more events like this in the future. Thanks very much to everyone who participated in the event and to those who provided pictures and materials to share with the staff!



AHTCC President Jenny Netzer of MMA Financial and Mark Johnson, Chief of Staff for Congresswoman Shelly Moore Capito (R-WV)



Dave Koshgarian of Ernst & Young Washington Council and Jon Sheiner, Legislative Director for House Ways & Means Committee Ranking Member Charles Rangel (D-NY)



AHTCC Member Todd Crow of PNC Multi-Family Housing with Robert Steurer, Press Secretary for Senate Majority Whip Mitch McConnell (R-KY)