

Federal Tax Credit Legislation Recognizes Housing Crisis and Provides Platform for Additional Reform

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Real Estate Partners Glenn Miller and Kenneth Lore and Associate Charlie Metzger authored an article for *Tax Credit Advisor* about federal tax credit legislation that aims to address today's affordable housing crisis in major cities, suburbs and rural areas.

In the article, the authors highlight key components of the Tax Relief for American Families and Workers Act (Act), passed by the US House of Representatives on January 31 against the backdrop of rising rents and a lack of housing nationwide, that are crucial to the production and preservation of affordable housing units. Two notable provisions include:

1. A temporary reduction for 2024 and 2025 of the Private Activity Bond (PAB) financing threshold, reducing the so-called "50 Percent Test" (the requirement that at least 50 percent of a project's qualified development costs be financed with PABs) to 30 percent; and
2. The restoration of an annual increase in the volume of 9 percent LIHTC over and above the base allocation of 9 percent LIHTC already provided to states by the federal government.

The authors also share examples of policy reforms that state and local governments "can pursue to build on the Act," including adjusting zoning laws to allow denser development, modernizing environmental laws and others that increase housing development costs, and supplying incentives structured to increase housing production, such as local government support and low-interest financing.

If the Act clears the Senate and is eventually signed into law, the authors emphasize that it is "not a complete solution" as it primarily focuses on increasing the supply of affordable units rather than addressing persistently high rents. However, if paired with policy reforms enacted at the state and local levels "with an emphasis on spurring additional housing production across all income levels," there is potential to see greater levels of affordability.

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