

Resolution No.   3  

Date: February 6, 2007

City: Orlando, Florida

NAHB Resolution

Title: Repeal of Low-Income Housing Tax Credit 10-Year Rule for Existing Properties

Original Sponsor: Housing Credit Group of the Multifamily Board of Trustees

WHEREAS, State Housing Finance Agencies are increasingly allocating Low Income Housing Tax Credits (LIHTCs) for the preservation of affordable housing;

WHEREAS, many developers are turning to rehabilitation due to the high cost of land for new construction and the political and regulatory barriers;

WHEREAS, under Internal Revenue Code eligibility requirements for the LIHTC there must be a period of at least 10 years between the date of the developer's acquisition of the building and the date the building was last placed in service or substantially improved;

WHEREAS, the purpose of the 10-year rule is to prevent "churning" of properties for tax benefits by individual taxpayers;

WHEREAS, the Tax Reform Act of 1986 eliminated the benefits of property "churning" and therefore eliminated the policy justification for this rule;

WHEREAS, in addition to there being no rationale for it, the 10-year rule also inhibits investments in existing properties; and

WHEREAS, there are many vacant, blighted properties that could provide affordable housing if they received an allocation of LIHTCs,

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Repeal of Low-Income Housing Tax Credit 10-  
Year Rule for Existing Properties – February  
2007

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to repeal the Internal Revenue Code Section 42(d) 10-year rule requirement for existing properties.

Board of Directors Action:	<b>Approved</b>
Joint Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
State & Local Government Affairs Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Taxation Subcommittee of the Federal Government Affairs Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Multifamily Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval
Multifamily Board of Trustees Action:	Recommends Approval
Housing Credit Group of the Multifamily Board of Trustees Action:	Recommends Approval

## Addendum

**Title:** Improving the Low-Income Housing Tax Credit Program for the Production of New Affordable Housing  
**Resolution adopted:** (1/03, Resolution Number 7)  
**Committee with Primary Jurisdiction:** Millennial Housing Commission Working Group  
**Review Committees:** Housing Credit Group, Taxation Subcommittee, Multifamily Finance Subcommittee, Federal Government Affairs Committee, Housing Finance Committee and the Multifamily Board of Directors  
***(all the review committees approved the resolution)***

- The Housing Credit Group is requesting that the final resolve of the above listed resolution be rescinded and replaced by the proposed resolution.
- In the last few years, more Housing Finance Agencies are setting aside a portion of the low-income housing tax credit (LIHTC) allocation for preserving existing affordable housing.
- The existing restrictions on acquisition tax credits prevents LIHTC owners from rehabilitating dilapidated housing units.
- It also reduces tax credit developers' ability to receive an allocation of LIHTCs in areas of the country where the cost of land is prohibitive for providing affordable housing.

### Existing Resolution:

BE IT FURTHER RESOLVED that the National Association of Home Builders oppose the following:

- Amending the LIHTC statute to allow a property to receive an allocation of acquisition tax credits when it has changed hands within the previous 10 years, which would increase the use of the LIHTC for preservation to the detriment of new production activities.

### New Resolution:

NOW, THEREFORE, BE IT RESOLVED that National Association of Home Builders supports repealing the Internal Revenue Code Section 42(d) 10-year rule requirement for existing properties.