

July 24, 2015

Dear _____,

As you may have seen, yesterday GAO released a report on Federal oversight of the low-income housing tax credit (Housing Credit) program. The report was requested by Senator Charles Grassley. Here is a link to the report: <http://www.gao.gov/products/GAO-15-330>

GAO states that IRS lacks the resources to conduct more than minimal oversight of the Housing Credit program, recommending that HUD jointly administer the program with IRS, while conceding that HUD would require increased resources and staff to take on this responsibility.

Very significantly, the GAO did not find problems with the Housing Credit program itself, citing the positive role of the private sector in assuring properties are suitable for occupancy, rented to qualified families at restricted rents and underwritten for quality and sustainability.

The report also notes that IRS relies on state housing finance agencies to determine the amount of housing credit needed for financial feasibility and to monitor compliance with program requirements, which is exactly what Congress intended in enacting the Housing Credit program almost 30 years ago. In our view, the program shows Federalism and private sector enterprise at their very best and there is nothing in the GAO report that disputes that notion.

Although the Housing Credit industry in general was not consulted by the GAO before this report was released, the National Council of State Agencies (NCSHA), which represents the Housing Credit agencies, did discuss the report with the GAO for several months before its release. NCSHA argued vigorously against the recommendation for joint administration, suggesting instead that Congress provide increased resources to IRS if it believes more resources are necessary for increased program oversight.

In addition, the Treasury Department stated that it strongly believes that “responsibility for interpreting and for enforcing the provisions of the Tax Code should remain entirely with the IRS,” although it supported additional research and analysis by HUD on the program’s effectiveness.

HUD stated that it would support enhanced interagency coordination on housing policy, but that “[W]ithout additional resources appropriated by Congress, no agency assigned this responsibility will have the sufficient capacity to provide oversight, review QAPs [qualified allocation plans], conduct in-depth research on LIHTC, or collect or analyze tenant-level data.”

We strongly believe that the Housing Credit continues to exceed the intent of Congress. We are proud of its accomplishments in producing nearly 2.8 million affordable rental homes, leveraging \$100 billion in private capital and supporting more than 3 million jobs since its enactment. We welcome whatever oversight Congress believes is appropriate but we strongly disagree that HUD should jointly administer the program.

HUD has no experience in administering the Housing Credit program and little capacity to take on this responsibility. If necessary, the common sense solution would be to provide more resources to IRS to increase oversight.

One of my colleagues or I will be in contact with you shortly to schedule a meeting to more thoroughly discuss the GAO report. Please do not hesitate to contact me with any questions. Thank you.

Sincerely,