



PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM

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State of New Mexico

Office of the Governor

Bill Richardson
Governor

June 14, 2005

The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW
Suite 2100
Washington, D.C. 20220

Dear Chairman Mack and other Panel members:

As you consider proposals to reform the Internal Revenue Code, I urge you to protect the Low Income Housing Tax Credit (Housing Credit) and tax-exempt private activity housing bond (Housing Bond) programs. It is imperative that you consider the impact of reform proposals on these critical programs. Even proposals that may seem to have no impact on the Housing Credit and Bond programs could have significant unintended consequences, as we discovered in 2003 when the Administration's dividend tax cut proposal threatened to reduce annual Housing Credit apartment production by more than one-third.

More than 14 million American working families spend at least 50 percent of their income on housing. Hundreds of thousands more live in substandard housing. The Housing Credit and Bond programs help address these unmet needs by making homeownership and rental housing affordable to those families.

The Housing Credit and multifamily Housing Bond programs have been enormously successful. Since 1986, they have financed over 2.7 million apartments for lower-income families. The two programs finance 130,000 apartments each year and are the only significant producers of affordable rental housing. In New Mexico, the New Mexico Mortgage Finance Authority (MFA) has utilized the Housing Credit and multifamily Housing Bond programs to finance over 11,000 units in 25 counties.

Single-family Housing Bonds have made first-time homeownership possible for more than 2.5 million low and moderate income families — more than 100,000 every year. Between 2000 and 2004, MFA successfully utilized single-family housing bonds to finance mortgages for over 9,000 first-time homebuyers with an average income of roughly \$30,000 throughout New Mexico. MFA's MRB-funded programs have served to bolster minority homeownership, too: approximately two-thirds of MFA first-time homebuyer families are minority households.

Recent significant reductions in federal appropriations are exacerbating the problem of affordable housing in many communities across the nation, including a number of New Mexico communities, making the Housing Credit and Bond programs even more important. Furthermore, these programs promote economic growth and increase employment. It is estimated that the construction of 100 single-family homes supports about 115 full-time equivalent jobs. Between 2000 and 2004, MFA Mortgage Revenue Bonds financed 3,800 *new* single family homes; that's almost 4,400 new jobs!

The Housing Credit and Bond programs render a broader economic impact over time. The National Association of Home Builders has calculated the average economic impact of 100 Tax Credit homes within the first ten years after construction at \$21.6 million in local income and \$4.6 million in local taxes. MFA has financed over 11,000 apartments using the Tax Credit and multifamily Bond programs; this amounts to a \$2.9 billion economic impact over ten years. NAHB also estimates that within the first ten years after construction, 100 new affordable single family homes generate \$27.9 million in local income and \$4.6 million in local taxes. Since its inception, MFA's single-family bond program has financed an estimated 16,000 newly constructed home loans with an estimated \$5.2 *billion* ten-year economic impact.

New Mexico families, businesses and governments have reaped clear economic benefits as a result of Housing Credit and Bond-funded development and loan financing. I urge you to oppose tax reform proposals that would directly or indirectly harm these vital programs

Sincerely,

A handwritten signature in black ink that reads "Bill Richardson". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Bill Richardson
Governor of New Mexico

BR/mw