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## FEDERAL RECEIPTS

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creasing the amount of credits certified by the Department of the Treasury to \$7.3 billion.

***Provide tax credit for energy-efficient commercial building property expenditures in place of existing tax deduction.***—The proposal would replace the existing deduction for energy efficient commercial building property expenditures with a tax credit and also allow taxpayers to take an alternative credit for placing in service specified property that meets certain energy efficiency standards. If a real estate investment trust (REIT) becomes entitled to the credit, the REIT would be able to entitle its shareholders to the credit under regulations prescribed by the Secretary of the Treasury. The tax credit would be available for property placed in service during calendar year 2012.

### Incentives to Promote Regional Growth

***Extend and modify the New Markets tax credit (NMTC).***—The NMTC is a 39 percent credit for qualified equity investments made in qualified community development entities that are held for a period of seven years. The NMTC provisions are scheduled to expire at the end of 2011. The Administration proposes to extend the NMTC through 2012, with an allocation amount of \$5 billion for that year. The Administration also proposes that \$250 million of this \$5 billion be allocated to support financing healthy food options in distressed communities as part of the Healthy Food Financing Initiative. The proposal would also permit the NMTC to permanently offset AMT liability.

***Reform and extend Build America bonds.***—ARRA created the Build America bond program as an optional new lower cost borrowing incentive for State and local governments on taxable bonds issued in 2009 and 2010 to finance new investments in governmental capital projects. Under the original program applicable to Build America bonds issued in 2009 and 2010, the Department of the Treasury makes direct subsidy payments (called “refundable tax credits”) to State and local governmental issuers in a subsidy amount equal to 35 percent of the coupon interest on the bonds. The Administration proposes to make the successful Build America bond program permanent at a reduced subsidy level designed to be approximately revenue neutral in comparison to the Federal tax losses from traditional tax-exempt bonds. The Administration also proposes to expand the Build America bond program beyond new investments in governmental capital projects to include certain additional program uses for which State and local governments may use tax-exempt bonds under existing law. The proposed modifications to the Build America bond program would be effective for bonds issued beginning upon the date of enactment.

***Reform and expand the Low-Income Housing tax credit (LIHTC).***—To serve households in greater need and to provide incentives for creating mixed-income housing, the Administration proposes to allow projects to comply with a rule under which the income limits for at least

40 percent of the units in a project could average to not greater than 60 percent of area median income (AMI). None of these units could be occupied by an individual with income greater than 80 percent of AMI, and any units with income limits less than 20 percent of AMI would be treated as being at 20 percent. The provision would apply to elections under section 42(g)(1) of the Internal Revenue Code that are made after the date of enactment.

The Administration also proposes to allow a 30-percent “basis boost” for LIHTCs for certain projects financed with tax-exempt bonds that are subject to private-activity-bond volume cap (volume cap). The projects receiving the boost would involve preservation, recapitalization, and rehabilitation of existing housing that was originally financed with Federal funds and is subject to a long-term use agreement limiting occupancy to low-income households. In each State, the boost for buildings financed in whole or in part by tax-exempt bonds issued during a calendar year would be limited to buildings whose financing is assisted with tax-exempt bonds whose aggregate issue price is not more than an amount equal to 0.4 percent of the State’s volume cap for the calendar year in which the bonds are issued (regardless which year’s volume cap is taken into account in issuing the bonds). The State housing finance agency would determine which preservation projects receive a boost. The proposal would be effective for projects that are financed by bonds issued after the date of enactment.

***Designate Growth Zones.***—The Administration proposes to designate 20 growth zones (14 in urban areas and 6 in rural areas). The zone designation and corresponding incentives would be in effect from January 1, 2012, through December 31, 2016. The zones would be chosen through a competitive application process based on the strength of the applicant’s “competitiveness plan,” economic indicators, and other criteria. Two tax incentives would be applicable to growth zones. First, an employment credit would be provided to businesses that employ zone residents that would apply to the first \$15,000 of qualifying wages annually. The credit rate would be 20 percent for zone residents who are employed within the zone and 10 percent for zone residents employed outside of the zone. Second, qualifying property placed in service within the zone would be eligible for additional first-year depreciation of 100 percent of the adjusted basis of the property. Qualifying property would generally consist of depreciable property with a recovery period of 20 years or less.

***Restructure assistance to New York City, provide tax incentives for transportation infrastructure.***—Some of the tax benefits that were provided to New York following the attacks of September 11, 2001, likely will not be usable in the form in which they were originally provided. State and local officials in New York have concluded that improvements to transportation infrastructure and connectivity in the Liberty Zone would have a greater impact on recovery and continued development than would some of the existing tax incentive provisions.