

Tax Extenders Signed Into Law

Basic Allowance for Housing (BAH) Income Exclusion and 9% Tax Credit Applicable Rate made Permanent

Congress passed and on December 18, 2015, the President signed the Protecting Americans from Tax Hikes (PATH) Act of 2015.

The legislation includes a number of permanent (as opposed to temporary) extensions of expiring tax provisions. Included in these are 1) a permanent extension for the minimum low-income housing tax credit rate for non-Federally subsidized buildings – (the 9% credit) and 2) the permanent exclusion of the military basic housing allowance for determining whether a tenant in certain areas of the country is low-income.

Section 131 of the Act makes the 9% tax credit for new Low-Income Housing Tax Credit (LIHTC) properties and rehabilitation expenditures permanent. This does not apply to the acquisition cost of existing properties or properties that use tax-exempt bond financing. These properties must still use the floating 4% tax credit percentage. This amendment is retroactively effective as of January 1, 2015.

Section 132 of the Act extends permanently the exclusion of the military housing allowance from income for LIHTC and Tax-Exempt Bond purposes for certain areas of the country. It is effective as if included in the Housing & Economic Recovery Act of 2008. Excluded areas include any county/city which contains a qualified military installation to which the number of members of the Armed Forces assigned to the units based out of such qualified military installation increased by 20% or more as of June 1, 2008 over the personnel level of December 31, 2005 and also includes any adjacent counties. The affected military installations have to have at least 1,000 members of the Armed Forces assigned to it.

Below is the list of areas in Virginia where the BAH exclusion is applicable.

Chesapeake

Norfolk

Virginia Beach

The list of counties/cities provided on this page is the official list of areas meeting the requirements. It may not include all areas which are eligible for the BAH exemption. It is up to the taxpayer to prove eligibility if an area is not listed.