LEGISLATIVE UPDATE

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The president on Monday, a week late, will send his program-by-program budget recommendations for FY 2013 and some of his tax proposals to Congress.

In the coming weeks the House will vote on its Budget Resolution, which does not now carry the force of law, outlining more general spending caps and policy recommendations.

Once again, the Senate will not produce its own Budget Resolution, rather depending on the overall spending levels (plus automatic sequestration scheduled to occur in January 2013) that were, by default, agreed to when the so-called Super Committee could not agree on $1.2 billion in spending cuts last November.

At some point, however, the House is expected to try to override the reductions in defense cuts that were automatically included in the spending limits after the failure of the deficit reduction Super Committee.

Last year the president's budget proposal, along with a mini-scandal, led to severe cuts in the HOME program. Rural rental assistance funding was also cut below the president's proposed level which was considered minimal to begin with.

The administration's budget submittal apparently will once again include $1 billion for the Housing Trust Fund – a request that is expected (once again) to be ignored.

No other details on affordable housing programs have been leaked or revealed at this point.

Last year the Obama budget did include the popular proposal to permit income averaging for LIHTC projects. But that legislation, even if proposed again, will have to wait until Congress tackles comprehensive tax reform which is not expected until 2013 and the next Congress.

Treasury Secretary Timothy Geithner recently said the administration this spring would offer specifics on reforming GSEs and "winding down" Fannie and Freddie, but only to set the stage for possible Congressional action next year.

Related, both the House and Senate have approved a prohibition on payment of bonuses to senior executives at Fannie and Freddie in their versions of the STOCK Act (Congressional and executive branch “insider trading”) legislation. In addition to the prohibition on bonuses, the original House bill would have capped Fannie and Freddie executive salaries at $218,000.

And discussions of the reform of the two GSEs continue to focus on single family while not acknowledging the success and profitability of multifamily programs.

As Congress continues to struggle with legislation extending, by February 29, the payroll tax cut, unemployment insurance, and Medicare payments to doctors, the fate of the annual extenders bill, which includes the flat 9 percent LIHTC, is uncertain.

The Senate had pushed to include some or all of the annual extenders in the payroll tax rollback package, but that was rejected by the House.

Members of the tax-writing committees recognize that continued delays in renewing the expired, and expiring, tax provisions create serious problems in the affected industries, but candidly admit that action might not come until a post-election session of Congress.

There is broad general agreement that the temporary provisions, some decades old, should be made permanent or eliminated, but that can’t come until there is serious debate on comprehensive tax reform in 2013 or later.

The package that includes the rollback of payroll taxes is estimated to cost $160 billion, and the one-year extension of the annual expiring provisions would add another $38 billion.

Philosophical differences and the offsets (pay-fors) for the package of tax breaks that end February 29 are responsible for the impasse that mirrors the problem that prevented a full year’s extension last year.

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