

## **Crapo Statement at Hearing on Housing Tax Incentives**

*March 7, 2023*

**Washington, D.C.**--U.S. Senator Mike Crapo (R-Idaho), Ranking Member of the U.S. Senate Finance Committee, delivered the following remarks at a hearing entitled, "Tax Policy's Role in Increasing Affordable Housing Supply for Working Families."

*As prepared for delivery:*

"Thank you, Mr. Chairman. You have well laid out the issue today. I appreciated your focus on this issue and supply-side solutions, but the fact that you recognized the bipartisan work we do in this Committee and identify this as one of the key areas where we ought to be able to accomplish similar solutions.

"When this Committee held a hearing on housing last summer, we had just learned that consumer price inflation had spiked to 9.1 percent, the highest in more than 40 years. The shelter component of the consumer price index was up 5.6 percent relative to a year earlier and rents were up by nearly 6.0 percent.

"Unfortunately for renters and potential homeowners, the mislabeled 'Inflation Reduction Act' did nothing to address inflation and rising costs, but is in fact projected to exacerbate inflation in the near term.

"As the Federal Reserve attempts to control price growth with interest rate hikes, mortgage rates have hit highs not seen since the 2008 financial crisis and are now hovering at 6.5 percent, slowing investment in the housing market and pricing many buyers in Idaho and all across the country out of the market. January's overall consumer price inflation is still significantly above normal, hitting 6.4 percent annually. Shelter accounts for over half of the core increase, up 7.9 percent over the last year. Inflation is also eating away at the value of wages; real hourly earnings have declined 1.8 percent.

"Across the country, Americans are faced with unaffordable housing. Specifically, lower income Americans are facing a shortage of about 7 million affordable homes and the supply of affordable housing continues to fall short of demand, with the gap increasing every year. One tax tool used to address the supply shortage and incentivize builders to create affordable homes is the Low Income Housing Tax Credit (LIHTC). It is responsible for generating a majority of all affordable rental housing created in the U.S. today and generally enjoys bipartisan support in Congress.

"Several members of this committee have been working across the aisle to find affordable housing solutions. Senator Wyden has well-described those efforts. Proposals include changes to LIHTC and new tax incentives.

“Senators Young and Cantwell, as well as several other members, are working to reintroduce the Affordable Housing Credit Improvement Act, which would bolster LIHTC for developing and preserving affordable housing.

“Senators Young and Cardin introduced the Neighborhood Homes Investment Act, which would create a federal tax credit to finance home building and rehabilitation in urban and rural neighborhoods.

“Other Finance Committee members have expressed interest in addressing the affordable housing supply shortage, including one of our newest members, Senator Blackburn.

“Additionally, Senator Wyden has introduced the Decent, Affordable, Safe Housing for All – or DASH – Act.

“Thank you all for your hard work.

“Targeted tax policies such as LIHTC are an important part of solving housing affordability and supply issues, but we must also address the drivers that are raising the cost of housing generally. When input and regulatory costs are high, LIHTC is less effective.

“Zoning laws and regulatory barriers are often uncoordinated, unnecessary or overly cumbersome, and can ultimately work against the goal of providing affordable housing by creating excessive development costs. States and localities with the most restrictive zoning laws and regulatory barriers often have the most severe shortages in affordable housing as a result. Federal, state and local leaders must work together to reduce regulatory barriers, and they should look to success stories around the country.

“In Houston, local leaders reduced the minimum lot size from 5,000 to 1,400 square feet. After initial success, the reform was expanded to cover the entire city. Due, in part, to the ability for small-lot construction, Houston’s median house price is below the national median. Further, it is estimated the average Houston household benefited from the reform by roughly \$18,000. In order to make it economically viable to build across price points in the market, these supply-side factors need to be addressed. Overall tax costs, regulations, supply chain bottlenecks, and financing expenses all enter into investment decisions.

“Overall, there is no better cure to housing affordability than a healthy, thriving economy. The pro-growth policies in Republicans’ 2017 tax reform led to one of the strongest economies in decades: low unemployment, a low poverty rate, strong wage growth, high median incomes, increased investment and record federal tax revenues. We should preserve these policies and explore additional opportunities to promote growth, increase investment and encourage research and development in the United States.

“I look forward to discussing with today’s witnesses ways to ensure that affordable housing is accessible and that the American dream of homeownership remains attainable.

“Thank you, Mr. Chairman.”