NMHC NATIONAL MULTIFAMILY HOUSING COUNCIL

NAA NATIONAL APARTMENT ASSOCIATION

LOW-INCOME HOUSING TAX CREDIT (LIHTC)

NMHC/NAA Viewpoint

The LIHTC program provides critical support to the nation's affordable housing production. Given that the nation is short 3.9 million affordable units for extremely low-income households, lawmakers should resist calls to eliminate the LIHTC in any effort to reform the nation's tax code. Moreover, the program should be improved by: (1) making permanent the flat 9% credit rate and extending the same treatment to the 4% credit for acquisitions and (2) allowing "income averaging" to make the program more flexible and allow for more mixed-income.

The Low-Income Housing Tax Credit (LIHTC) is a public/private partnership that leverages federal dollars with private investment to produce affordable rental housing and stimulate new economic development in many communities. At its peak, the LIHTC program generated approximately 140,000 jobs and $1.5 billion in state and local tax revenues annually; it has financed more than 2.7 million units since its inception in 1986. According to the National Association of Home Builders, in a typical year, LIHTC development supports approximately: 95,700 jobs; $3.5 billion in federal, state and local taxes; and $9.1 billion in wages and business income.

Under the program, state housing agencies issue credit allocations to developers who then sell the credits to investors. Investors receive a dollar-for-dollar reduction in their federal tax liability over a 10-year period, and developers invest the equity raised to build or acquire apartments. This equity allows apartment firms to operate the properties at below-market rents for qualifying families. LIHTC-financed properties must be kept affordable for at least 30 years.

The LIHTC has two components:

- A 9% tax credit that subsidizes 70% of new construction and cannot be combined with any additional federal subsidies.
- A 4% tax credit that subsidizes 30% of the unit costs in an acquisition of a project and can be paired with additional federal subsidies.

The LIHTC has helped build 2.7 million apartments since 1986.

The rate for the 9% credit is currently fixed, but that provision expired at the end of 2014, moving the credit to a floating rate system, which often values it below 9% and reduces the equity created.

Program rules also require owners to either rent 40% of their units to households earning no more than 60% of area median income (AMI) or 20% to those earning no more than 50% of AMI. If program rules were revised to allow owners to reserve 40% of the units for people whose average income is below 60% of AMI, it could serve a wider array of households.

The LIHTC has enjoyed broad partisan support over the years, and it should be protected as Congress considers comprehensive tax reform.

NMHC/NAA Joint Legislative Program
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