



NATIONAL  
MULTIFAMILY  
HOUSING  
COUNCIL



### **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 additional resources available to enable the production of new units; and (2) allowing "income averaging" to make the program more flexible and allow for more mixed-income housing.***

***The LIHTC has helped build nearly 3 million apartments since 1986.***

## LOW-INCOME HOUSING TAX CREDIT (LIHTC)

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 nearly 3 million apartments and served 13.3 million residents 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.

Given the nation's severe shortage of affordable housing, Congress should provide the LIHTC with additional resources so the program can build on its success. According to Harvard University's Joint Center for Housing Studies, in 2013, there were just 58 affordable units available to serve every 100 renters earning no more than 50 percent of area median income (AMI).

Program rules also require owners to either rent 40% of their units to households earning no more than 60% of 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.