HPN Issue Summary

HOUSING PARTNERSHIP NETWORK

Low-Income Housing Tax Credit Program

What is the Low-Income Housing Tax Credit Program?

The Low-Income Housing Tax Credit (Housing Credit) is designed to encourage corporations and private individuals to invest in housing for low-income people by providing a tax credit over a 10-year period. The Housing Credit finances about 90 percent of all new affordable housing development.

The equity investment Housing Credit investors put into a project is combined with other resources to build or rehabilitate affordable housing. Tax credits do not provide 100% of the financing for the project but provide an infusion of cash which reduces the amount of money a developer has to borrow, thereby reducing the rent level that needs to be charged. While the investor receives the tax credit over 10 years the affordable units in the property must remain affordable for 30 years.

What projects are eligible for the Low-Income Housing Tax Credit?

The Housing Credit can be used to support a variety of projects: multifamily and single-family housing, new construction and rehabilitation, special needs housing for elderly people and people with disabilities, and permanent supportive housing for homeless families and individuals.

What is the impact of the Low-Income Housing Tax Credit?

The Housing Credit has financed nearly 3 million apartments since 1986, which have provided roughly 6.7 million low-income families, seniors, veterans, and people with disabilities homes they can afford. It has provided affordable housing to all 50 states and all types of communities, including urban, suburban, and rural.

The Housing Credit has generated $310 billion in local income and $122 billion in tax revenues, and has supported approximately 3.25 million jobs over the past thirty years, according to the National Association of Home Builders. Each year, Housing Credit development supports 96,000 jobs and adds roughly $3.5 billion in taxes and other revenues to local economies. Affordable housing also saves federal, state, and local governments' money through reductions in Medicare, Medicaid, police service, and other spending.

What can Congress do?

Multifamily Housing Bonds, which are private activity bonds, provide critical financing to roughly 40 percent of Housing Credit developments, and their tax exemption must be retained in order to sustain the Housing Credit's production potential. Congress should protect the Housing Credit in any tax reform legislation and consider expanding and strengthening the Housing Credit by supporting the Affordable Housing Credit Improvement Act of 2017, S. 548 in the Senate, cosponsored by Senator Maria Cantwell (D-WA) and Senator Orrin Hatch (R-UT) and H.R. 1661 in the House, cosponsored by Representative Pat Tiberi (R-OH) and Representative Richard Neal (D-MA).

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