The LIHTC program provides critical support to the nation’s affordable housing production. Given that 10.9 million renter households spend more than half their income on rent, lawmakers should strengthen the program by: (1) making permanent and augmenting by an additional 50 percent the increased credit authority enacted in March 2018 to enable the production of new units; and (2) establishing a minimum 4 percent credit rate.

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 percent tax credit that subsidizes 70 percent of new construction and cannot be combined with any additional federal subsidies.
- A 4 percent tax credit that subsidizes 30 percent 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 in March 2018 rightly increased LIHTC authority by 12.5 percent for 2018-2021. Congress also sensibly authorized income averaging so that LIHTC could serve a wider array of households.

Congress should continue to invest in the LIHTC’s success by making permanent the increase in program authority, as well as further augmenting credit authority by 50 percent. Additionally, Congress should establish a minimum 4 percent tax credit rate, akin to current law’s minimum 9 percent credit rate -- so that investors may derive its full value. Under current law, the 4 percent credit rate floats and is worth considerably less due to low interest rates.

The LIHTC has enjoyed broad partisan support over the years, and Congress sensibly preserved it in the 2017 tax reform bill. It should now be strengthened to meet the continued need for affordable housing.