The LIHTC program provides critical support to the nation’s affordable housing production. Given that 11.6 million renter households spend more than half their income on rent, lawmakers should strengthen the program by increasing credit authority and reducing the bond financing threshold to 25 percent to receive the full amount of 4 percent Low-Income Housing Tax Credits.

The LIHTC has developed or preserved 3.7 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. Between its inception in 1986 and 2019, the LIHTC program has according to the ACTION Campaign financed 3.7 million apartments and served approximately 8 million households. This development has supported 5.68 million jobs for one year while generating $643 billion in wages and business income and $223 billion in Federal, state and local tax revenues.

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 recent years has enacted significant improvements to the LIHTC program. In December 2020, Congress established a minimum 4 percent credit rate, akin to current law’s minimum 9 percent credit rate -- so that investors may derive its full value. Under prior law, the 4 percent credit rate floated and was worth considerably less due to low interest rates. Additionally, 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 expired increase in program authority effective in 2018-2021, as well as further augmenting credit authority by 50 percent. Additionally, Congress should lower the bond financing threshold to 25 percent from 50 percent to receive the full amount of 4 percent Low-Income Housing Tax Credits.

The LIHTC has enjoyed broad bipartisan 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.