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HOUSING
COUNCIL



MIDDLE-INCOME HOUSING TAX CREDIT

NMHC/NAA Viewpoint

The proposed Middle-Income Housing Tax Credit (MIHTC) would complement the successful Low-Income Housing Tax Credit (LIHTC). Although LIHTC should be provided with significant additional resources, middle-income households are also facing severe cost burdens that cannot be addressed without a new, dedicated resource. The MIHTC program is necessary to construct workforce housing that working households can afford.

The Middle-Income Housing Tax Credit (MIHTC) is a proposal to establish a public/private partnership that leverages federal dollars with private investment to produce rental housing affordable to our nation's workforce.

Designed to complement the successful Low-Income Housing Tax Credit (LIHTC), the MIHTC program would enable state housing agencies to issue credit allocations to developers that would subsequently be sold to investors. Investors would receive a dollar-for-dollar reduction in their federal tax liability over a 15-year period, and developers would invest the equity raised to build apartments. The equity raised would cover 50 percent of the cost of constructing of qualifying units. A development project eligible for MIHTC would have to set aside 60 percent of units for households earning 100 percent or less of Area Median Income (AMI) and must be kept affordable for up to 30 years.

Housing affordability is a significant challenge facing many American families. The U.S. needs to build 4.3 million more apartments by 2035 to meet the demand for rental housing. This includes 600,000 units (total apartments) to fill the shortage from underbuilding after the 2008 financial crisis. Underproduction of housing has translated to higher housing costs – resulting in a decline of 4.7 million affordable apartments (monthly rents less than \$1,000) from 2015-2020.

The median asking rent for an apartment completed in the third quarter of 2022 was \$1,805, and a renter would need to earn at least \$72,200 to afford such a unit. MIHTC would make housing more affordable and available to middle-income Americans.

Affordability challenges are not unique to households receiving federal subsidies. In fact, solidly middle-income households are facing constraints. According to the U.S. Census Bureau's Survey of Market Absorption, the median asking rent for apartment units completed in the third quarter of 2022 was \$1,805, a 27 percent increase from the same period in 2017. NMHC calculates that for a renter to afford one of those units at the 30 percent of income standard, they would need to earn at least \$72,200 annually. Thus, this issue impacts those supporting the very fabric of communities nationwide, including teachers, firefighters and nurses.

The Middle-Income Housing Tax Credit would help build housing that is affordable to a wide range of income levels at a time such housing is increasingly difficult to afford.