AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

The Low-Income Housing Tax Credit

HOW THE HOUSING CREDIT WORKS:

The federal government funds the program.

- The Treasury Department gives states the authority to allocate tax credits to developers of rental housing that is dedicated to low-income families for a minimum of 30 years.
- In 2016, each state will receive an allocation of either $2,690,000 or a maximum of $2.35 per capita – whichever amount is greater. Since 2003, this amount has been adjusted annually for inflation, but not meaningfully increased since 2000.

The states determine what housing gets built.

- State agencies write regulations (called Qualified Allocation Plans or QAPs) describing the selection criteria they will use in determining what kinds of developments receive Housing Credit allocations.
- States review developers' applications, and decide which projects will receive an allocation based on the projects' ability to meet the selection criteria outlined in the QAP.
- Through this process, states can guide which types of affordable rental housing are built, who gets served, and where those projects are located.
- State agencies put each development through three separate, rigorous evaluations to make sure the project receives only enough tax credits to make it affordable to low-income families for at least 30 years.

Developers get funds toward construction.

- State agencies award the Housing Credits to affordable housing developers.
- "Syndicators" create funds made up of pooled investor capital, which they trade to developers in exchange for the Housing Credits.
- With the financing obtained from syndicators and investors, developers can borrow less money to cover the costs of construction, reducing the cost of the development.
- The lowered development costs allow for reduced rent for low-income tenants without needing any ongoing subsidy.

Low-income renters get an affordable home.

- Housing Credit apartments must be rented to families whose income is no more than 60 percent of the area median.
- The rent for these apartments cannot be more than 30 percent of the income limit at that property.

Investors get a 10-year tax credit.

- By purchasing the Housing Credits, investors get an equity stake in the development and 10 years worth of tax credits based on the cost of constructing or rehabilitating the apartments.
- Investors also get a return on their investment for providing the capital to finance the housing.
- The private sector has a stake in making these apartments work – in order to continue to claim tax credits and keep a strong return on their investment, investors must ensure that the project remains in compliance.

THE IMPACT OF THE HOUSING CREDIT:

- The Housing Credit has helped finance nearly 3 million apartments since 1986, and is responsible for virtually all affordable housing production in the U.S.
- Roughly 6.5 million low-income households have been able to live in affordable apartments that the Housing Credit made possible.
- Housing Credit development has supported over 3 million jobs, mostly in the small business sector, while generating over $300 billion in local income and $118 billion in tax revenue.