The ACTION Campaign Calls on Congress to Strengthen and Expand the Low-Income Housing Tax Credit

The Housing Credit and Housing Bonds are our nation’s most successful tools for encouraging private investment in the production and preservation of affordable rental housing.

- The Housing Credit is responsible for nearly all of the affordable housing built and preserved since the program was authorized in the Tax Reform Act of 1986.
- The Housing Credit has financed over 3 million apartments since 1986, which have provided roughly 7.2 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.
- Multifamily Housing Bonds (Housing Bonds) – tax-exempt private activity bonds used by state Housing Finance Agencies to acquire, construct and rehabilitate affordable multifamily housing units for low-income renters – provide roughly half of all financing for Housing Credit developments annually.

Our nation’s affordable housing needs are vast and growing.

- There is a severe shortage of affordable rental housing available to low-income families and we are not producing new affordable rental homes fast enough to keep pace with the rising demand.
- More than 11 million low-income households – roughly one in four renters – spend over half their income on rent, leaving too little for other necessary expenses like transportation, healthy food, and medical bills.
- Affordable housing promotes better health outcomes, improves children’s school performance, and helps people gain employment.

The Housing Credit has far-reaching economic benefits for local communities.

- The Housing Credit has generated $323 billion in local income and $127 billion in tax revenues, and has supported approximately 3.4 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.

The Housing Credit is a model public-private partnership.

- The Housing Credit is “pay-for-success” – the federal government awards credits only after properties are successfully completed and occupied, and can recapture credits for non-compliance.
- Private sector investors – not taxpayers – bear the financial risk, and are closely involved in monitoring and oversight.
- Unlike many other tax expenditures, which subsidize activity that would occur at some level without a tax benefit, virtually no affordable rental housing development would occur without the Housing Credit. To develop new apartments that are affordable without an incentive like the Housing Credit, construction costs would have to be reduced by 72 percent of the current construction cost average, according to Harvard University’s Joint Center for Housing Studies.
- The Housing Credit is administered at the state level, and only the affordable housing developments that are most responsive to local housing priorities receive credits.

We urge Congress to strengthen and expand the Housing Credit

- The Housing Credit and Housing Bonds were both retained in the Tax Cuts and Jobs Act of 2017, but other changes from tax reform, most notably the decrease in the top corporate tax rate from 35 to 21 percent, will reduce the future supply of affordable homes by an estimated 235,000 over the next ten years.
- The Consolidated Appropriations Act of 2018 made a significant down payment on offsetting this loss by enacting a 12.5 percent increase in Housing Credit allocation for four years (2018-2021), which is estimated to finance an additional 28,400 affordable rental units. However, many more resources are needed to make up for the nationwide shortage of affordable rental housing.
- A provision in the Affordable Housing Credit Improvement Act (S. 548) would increase Housing Credit allocation by 50 percent, providing roughly 400,000 additional homes over ten years. This would completely offset the reduced production resulting from tax reform and provide new and sorely needed resources. The bill also includes a number of other modifications to make the Housing Credit an even better tool for meeting the needs of low-income families.