The Low-Income Housing Tax Credit (Housing Credit) is our nation’s most successful tool for encouraging private investment in the production and preservation of affordable rental housing. Since its inception in 1986, the Housing Credit has been used to develop and preserve more than 270,000 homes across 7,600 developments in rural communities nationwide. It has supported 1.15 million jobs and generated $86.9 billion in local income and $67.8 billion in state and local tax revenue and is the single largest financing source for developing and preserving affordable rural homes, making up nearly 50% of all financing.\(^1\) Nearly all states also include incentives to promote rural development in their allocation of Housing Credits. However, more rural affordable housing is sorely needed.

THE NEED FOR AFFORDABLE RURAL HOUSING

Although housing costs are generally lower in rural communities, lower incomes and higher poverty rates make housing options simply unaffordable for many rural residents. Rural renters’ median income is just $21,000, making it extremely difficult to find affordable places to live, especially in areas with limited options.\(^2\) Nearly half of rural renters are “cost-burdened,” spending more than 30% of their income on rent. Rural renters are also twice more likely to live in substandard housing than rural homeowners.\(^3\)

THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT (S.1703/H.R. 3077)

Provisions to Support Affordable Housing Development in Rural Communities

The Affordable Housing Credit Improvement Act (AHCIA) of 2019 is sponsored by Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Johnny Isakson (R-GA) and Representatives Suzan DelBene (D-WA-1), Kenny Marchant (R-TX-24), Don Beyer (D-VA-8), and Jackie Walorski (R-IN-2). It includes several provisions that make it easier to finance affordable housing in rural communities using the Housing Credit.

Expand the Housing Credit by 50 percent, phased in over five years. This provision would allow states to address a wider range of housing needs. This additional allocation would increase affordable housing production over 10 years by over 384,500 more homes than we are able to produce today.

Provide a Basis Boost for Properties in Rural Communities, allowing states to provide up to 30 percent additional Housing Credit equity for developments in rural areas. This provision would make more properties serving rural residents more financially feasible.

Standardize Rural Income Limits for all Housing Credit properties, making more rural developments feasible.

Provide a Basis Boost for Properties Serving Extremely Low-Income (ELI) Tenants, allowing states to provide up to 50 percent additional Housing Credit equity for developments serving extremely low-income tenants. This provision would make more properties serving extremely low-income rural residents financially feasible.

Support the Preservation of Rural Housing, which is especially critical in rural areas where a significant amount of the housing stock was originally financed with USDA’s Rural Development programs and older HUD programs and is in dire need of repair.

Encourage Development of Housing in Native American Communities, which are home to some of our most vulnerable rural residents. The AHCIA would require states to consider the affordable housing needs of members of tribes and provide for additional equity for properties in Indian areas if needed for financial feasibility.

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