

Low-Income Housing Tax Credits



The Low-Income Housing Tax Credit (Housing Credit) is a critical resource for preserving and improving affordable housing. The Housing Credit provides the private sector with an incentive to invest in affordable rental housing. **Since 1986, the Housing Credit has:**

2.8
MILLION

Financed the construction and preservation of more than 2.8 million affordable apartments

6.7
MILLION

Provided homes to 6.7 million low-income families, seniors, veterans and people with disabilities

3.25
MILLION

Supported 3.25 million jobs

\$310
BILLION

Generated \$310 billion in local income

\$122
BILLION

Generated \$122 billion in tax revenues

Annually, Housing Credit development supports approximately 96,000 jobs across the country, while generating \$3.5 billion in federal, state and local taxes and \$9.1 billion in economic income.

How Housing Credits Work

Step 1 The federal government issues Housing Credits to states based on their populations.

Step 2 States establish credit allocation plans under broad federal guidelines that identify their affordable housing priorities.

Step 3 Through a highly competitive process, which is transparent and open to public scrutiny, Housing Credits are then awarded to developers based on how well their proposed projects meet the housing needs of the state.

Step 4 Developers use the Housing Credits to raise equity capital from investors, which reduces the debt that would otherwise be required to build the property and makes it possible to offer apartments to low-income residents at an affordable rent.

Step 5 Either 20% of the apartments in a Housing Credit property must be targeted to residents at or below 50% of area median income (AMI), or 40% of the apartments must be targeted to residents at or below 60% of AMI. In practice, though, 100% of apartments are targeted to low-income tenants in most Housing Credit properties.

Low-income residents pay no more than 30% of their income for rent.