

Low Income Housing Tax Credits

Urge your Senators and Representative to:

- Support targeting requirements for the LIHTC program that require at least 25% of LIHTC resources go to households with incomes below 30% of area median.
- Support efforts to use LIHTC to preserve more federally assisted housing.

Background:

As part of its FY12 budget request, the Department of the Treasury is seeking two changes to the low income housing tax credit (LIHTC) program:

- Allow “income averaging” so properties could serve higher income tenants than is currently allowed if they also house lower income tenants.
- Provide an increase in a LIHTC property’s eligible basis (the amount of tax credits a property can receive) if it meets certain criteria aimed at preserving federally-assisted low income housing.

Income Averaging Proposal

To qualify for the LIHTC program, owners must comply with one of the two existing income targeting requirements: at least 20% of units must be rent-restricted and occupied by tenants with income at or below 50% of area median; or, at least 40% of units must be rent-restricted and occupied by tenants with income at or below 60% of area median income. The White House’s FY12 proposal would add a third option for owners to meet the program’s income targeting requirements: at least 40% of the units would have to be occupied by tenants with incomes that average no more than 60% of area median.

This proposal would allow LIHTC units to serve tenants with incomes up to 80% of AMI. For the purpose of calculating the average, any unit with an income that is less than 20% of AMI would be treated as having an income at 20% of AMI. Treasury FY12 budget documents describe the proposal as one that will help the LIHTC incentivize mixed-income housing, and will help the program serve those most in need. The Joint Committee on Taxation estimates that this proposal would cost \$271 million over the next 10 years.

Basis Boost Proposal

The other LIHTC proposal would allow for a basis boost of 30% for LIHTC properties that meet each of the following criteria:

- The project involves the preservation, recapitalization, and rehabilitation of existing housing;
- The housing demonstrates a serious backlog of capital needs or deferred maintenance;
- At least half of the aggregate basis of the building and of the land on which the building is located is financed by tax-exempt bonds that are subject to the volume cap;
- The project involves housing that was previously financed with Federal funds (including having benefited from LIHTC); and
- Because of that funding, the housing was subject to a long-term use agreement limiting occupancy to low-income households.

The Joint Committee on Taxation estimates that this proposal would cost \$465 million over the next 10 years.

Other Legislative Proposals



727 15th Street NW, 6th Floor
Washington, DC 20005
(202)662-1530 (202)393-1973 fax
www.nlihc.org

Tax credit advocates are working with House and Senate offices to introduce legislation that would make the 9% credit's fixed floor rate permanent and establish a similar fixed floor rate for the 4% credit.