Low-Income Housing Tax Credit Talking Points

The Low-Income Housing Tax Credit (Housing Credit) and Multifamily Housing Bonds (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 rental housing built and preserved since the program was authorized in the *Tax Reform Act of 1986*.[1]
- The Housing Credit has financed 3.85 million affordable homes since 1986,[2] which have provided nearly 9 million low-income families, seniors, veterans, and people with disabilities homes they can afford.
- It has provided affordable rental housing to all 50 states, the District of Columbia, and U.S. territories, and to all types of communities, including urban, suburban, and rural.
- Housing Bonds – tax-exempt private activity bonds used by state Housing Finance Agencies to acquire, construct, and rehabilitate affordable rental homes for low-income renters – are increasingly used to finance Housing Credit homes, accounting for more than half of all financing annually.

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

- In recent years, rents have skyrocketed. This is largely due to the imbalance between supply and demand after more than a decade of insufficient production of rental homes across income levels.
- While demand for high end rentals has cooled some, affordability challenges for low-income households continue to worsen.[3]
- 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.
- About 11.3 million renter households – roughly one in four renter households – are severely cost-burdened, meaning they spend more than half their income on rent, leaving too little for other necessary expenses such as transportation, healthy foods, and medical bills.[4]
- 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.

- As of 2022, the Housing Credit has generated approximately $716.3 billion in cumulative wages and business income, $257.1 billion in cumulative tax revenues, and creates approximately 6.33 million jobs per year.[5]
- According to a 2023 analysis by the National Association of Home Builders, for every 100 new Housing Credit units, an estimated 190 jobs are supported and an estimated $7.9 million in tax

[1] Tax Reform Act of 1986, Public Law 99-514
[2] National Council of State Housing Agencies, *State HFA Factbook: NCSHA Annual Survey Results 2022*, October 2023.
[3] Joint Center for Housing Studies, Harvard University, *Rental Markets One Year After our America's Rental Housing Report*, March 9, 2023
[4] National Low Income Housing Coalition, *The Gap: A Shortage of Affordable Homes 2023*
[5] ACTION Campaign, National Fact Sheet, November 2023

revenue and $21.6 million in wages and business income are generated. For every 100 rehabilitated Housing Credit units, an estimated 131 jobs are supported and an estimated $5.1 million in tax revenue and $14.5 million in wages and business income are generated.

- The Housing Credit helps the economy finance housing near businesses, which helps employers attract and retain workers.
- Affordable housing also saves federal, state, and local governments' valuable dollars through reductions in Medicare, Medicaid, police services, and other spending.

The Housing Credit is a model public-private partnership.

- The Housing Credit is structured on a "pay-for-success" model – the federal government awards credits only after properties are successfully completed and occupied, and the IRS 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 such as the Housing Credit, construction costs would have to be 28% of the 2010 average – essentially making the financing impossible.[6]
- The Housing Credit is administered at the state level, and only the affordable housing developments that best satisfy state housing priorities, needs, and goals receive credits.

We urge Congress to pass the *Affordable Housing Credit Improvement Act*.

- The bipartisan *Affordable Housing Credit Improvement Act* (*AHCIA*) *of 2023* (**S.1557** & **H.R.3238**) would increase the Housing Credit allocation by 50 percent over current levels – phased in over two years.
- The *AHCIA* also would allow states and their partners to produce and preserve more bond-financed developments by lowering the bond financing threshold from 50 percent to 25 percent and includes basis-boosts for harder-to-reach communities.
- The three major unit financing provisions would provide for over 1.94 million additional affordable homes over the next ten years.
- The bill also includes a number of other modifications to make the Housing Credit an even better tool for meeting the needs of rural communities, veterans, seniors, Native Americans, and extremely low-income families.

[6] Joint Center for Housing Studies, Harvard University, *America's Rental Housing 2011*.