LIHTC Income Averaging

The Low-Income Housing Tax Credit (LIHTC) is a critical tool in addressing the rental housing crisis. LIHTC’s public-private partnership model financed nearly 3 million affordable apartments since 1987. A new LIHTC Income Averaging legislative proposal can make the program even more effective.

Current LIHTC rules limit eligibility to families earning 60% of Area Median Income (AMI) and usually rely on other capital or rental assistance programs to serve extremely low-income individuals like seniors, people with disabilities, and those who have experienced homelessness.

- Household Income Limit ≤ 60% AMI
- Usually serves 54-60% AMI absent other subsidy
- Limits income diversity in affordable buildings

Proposed LIHTC income averaging rules increase flexibility to serve households across the low-income spectrum in buildings with mixed incomes.

- Household Income Limit ≤ 80% AMI
- Average Household Income Limit ≤ 60% AMI (average income of all tax-credit units in building)
- Greater ability to cross-subsidize for deeper affordability
- Optional program component for markets that need it

How Income Averaging Will Work (in the same 100-apartment development)

**CURRENT RULES**

100 apts @60% AMI
Rent: $760-$1055

**WITH INCOME AVERAGING**

33 apts @40% AMI
Rent: $475-$698

34 apts @60% AMI
Rent: $760-$1055

33 apts @80% AMI
Rent: $1,050-$1,495

A typical LIHTC development with 100 apartments

Higher rent apartments cross-subsidize very low-income apartments

Note: Rents are based on Denver metro area tax credit rents for a mix of apartment sizes (1, 2 and 3 bedrooms)
Who would LIHTC Income Averaging Help?

20.1 million working renter households are rent-burdened in the U.S. (Paying more than 30% of income on housing)

Real Families Who Could Qualify With Income Averaging

- **Young Family.** A single mom raising her two school-aged children works in a full-time job as a home health aide, dedicated to caring for the elderly in Columbus, OH. At present, she makes too little to afford a tax credit apartment in her hometown.
  
  Household income: $26,198
  40% AMI

- **Disabled Household.** The husband of this family in Miami, FL is working as a security guard while his wife is currently unable to work. They make too little to afford a tax credit apartment.
  
  Household income: $27,244
  40% AMI

- **Rent Burdened Family.** A family of four struggles to afford rent in Los Angeles, CA even with two full-time working parents supporting two young children. The dad works as a groundskeeper and the mom works as a receptionist in a local business.
  
  Household income: $68,602
  80% AMI

The Low Income Housing Tax Credit is a successful program with bipartisan support.

Let’s make it even more effective by enacting Congressional legislation for Income Averaging.