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.

LIHTC Income Averaging

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 apartments @60% AMI
- Avg. Rent: $765-$1265

With Income Averaging

- 34 apartments @40% AMI Rent: $731-$1131
- 33 apartments @60% AMI Rent: $1096-$1695
- 33 apartments @80% AMI Rent: $1462-$2260
- 34 apartments @40% AMI Rent: $442-$684
- 33 apartments @60% AMI Rent: $663-$1026
- 33 apartments @80% AMI Rent: $884-$1368

A typical LIHTC development with 100 apartments

Higher rent apartments cross-subsidize very low-income apartments

Note: Rents are based on tax credit rents for a sample of California counties and a mix of apartment sizes (1, 2, 3 and 4 bedrooms)
Who would LIHTC Income Averaging Help?

1.8 million low income working households are rent-burdened in California.

**Extremely Low Income**  
(≤30% AMI)  
- A full-time cashier in San Francisco supporting a disabled parent earns $26,872 which is less than 30% AMI.  
- Source: NHC’s 2016 Housing Landscape and Paycheck to Paycheck reports

**Very Low Income**  
(>30% AMI, ≤50% AMI)  
- A nursing aide working full-time in Oakland earns $32,669 which is less than 50% AMI.  
- Source: NHC’s 2016 Housing Landscape and Paycheck to Paycheck reports

**Low Income**  
(>50% AMI, ≤80% AMI)  
- A cardiac technician working full-time in Los Angeles earns $45,703, which is less than 80% AMI.

**Real Californians Who Could Qualify With Income Averaging**

**Young Family.**  
A single dad raising his two school-aged children works in a full-time job as school bus driver in Oakland. At present, he makes too little to afford a tax credit apartment.

- Household income: $27,129  
  40% AMI

**Single Person Household.**  
In San Francisco, a female police officer earns too much to afford a tax credit apartment under the current 60% AMI income limit. In a tight rental market, affordable options are limited even for a professional earning 80% AMI.

- Household income: $65,880  
  80% AMI

**Rent Burdened Family.**  
A family of four struggles to afford rent in Los Angeles 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: $64,204  
  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.