Low-Income Housing Tax Credit (LIHTC) Program - Capital Access

Summary:
- LIHTC pass-through mechanisms are not working to fulfill both tribal and state needs.
- Support S. 548 to incentivize states to use existing LIHTC allocations for tribal housing, while keeping parity between both tribal and state needs.
- Create an Indian Housing allocation from existing funds for all states to draw from when meeting housing needs for tribal governments.

Background Information:
The Low-Income Housing Tax Credits (LIHTC) Program was enacted in 1986, to provide the private market with greater incentives to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects who then sell these credits to investors to raise capital or equity for their projects. As a result, a tax credit property can offer lower, more affordable rents. The Internal Revenue Service (IRS) allocates housing tax credits to designated state agencies – typically state housing finance agencies – which, in turn, award the credits to developers of qualified projects. Each state is limited to a total annual housing tax credit allocation of $1.75 per resident.

The LIHTC Program provides a viable source of economic development that could be used to benefit tribal communities. However, as allocations are awarded to state agencies and are based on population, as opposed to need, there is no incentive or regulation requiring state agencies to consider tribal projects in their IRS approved Qualified Allocation Plans. In fact, the incentive for states is often contrary to serving tribes since states often seek to prioritize their own state-run housing program objectives before considering tribally-run housing programs. Tribes have the highest housing occupancy rate of any demographic and some of the longest waiting lists for public housing in the nation making it imperative that the IRS or Congress make changes to the program in a meaningful way that incentivizes states to consider the needs of tribes within their boundaries in their housing plans.

Recommendation:
Support S.548 which provides both an incentive for states while reducing the burden of states to use existing allocations for tribal housing. Creating a separate Indian Housing allocation, as opposed to using the population framework, from existing funds for all states with Indian populations to draw from when meeting the housing needs for tribal governments is a simple and effective solution that benefits all parties. The needed solution helps build a fundamental infrastructure and improves the quality of life for Native people. This is especially timely since the Administration is placing an emphasis on housing in the infrastructure plans.