LOW-INCOME HOUSING TAX CREDIT (LIHTC)

And how it works with Permanent Supportive Housing (PSH)

WHAT IS LIHTC: A BRIEF OVERVIEW

Low-Income Housing Tax Credit, or LIHTC, provides a tax incentive to construct and rehabilitate affordable rental housing for low-income households. The LIHTC program is the federal government's primary policy tool for encouraging the development and rehabilitation of affordable housing. The program awards developers federal tax credits to offset construction costs in exchange for agreeing to reserve a certain fraction of units that are rent-restricted for lower-income households In the Detroit CoC LIHTC helps support affordability to units in addition to Project Based Voucher (PBV) which helps with rent payments.

HISTORY OF LIHTC

1960s

Public housing was in a steep decline

1986

LIHTC program was created by the Tax Reform Act of 1986

1993

Program was made permanent

2023

LIHTC has helped produce over 3.5 million units across the country

HOW DOES IT WORK

- Through the Michigan State Housing Development Authority (MSHDA), developers are given funding resources needed to develop and operate Permanent Supportive Housing (PSH) units.
  - Project Based Vouchers provide other affordability to PSH units such as rent support.
- Once PSH units are made available to tenants, project investors can claim a tax credit over a 10-year period.
- In the Detroit CoC, LIHTC PSH projects must receive a letter of support from the Lead CoC Agency (HAND) which ensures projects align with CoC values, verifies the project is committed to creating high-quality housing and services for the most vulnerable based on CoC standard assessment and prioritization with ongoing support to PSH tenants, and overall meets the requirements outlined in the letter of support.
- Once a letter of support is approved, this letter is passed on to MSHDA who provides the tax credits to PSH LIHTC projects.
- It's important to note that every CoC has PSH projects and units but not every CoC has LIHTC.
- To learn more about how LIHTC directly impacts the CoC, please contact: coc_coordinator@handetroit.org

TYPICAL TYPES OF TAX CREDITS

- The "9% credit" reserved for new construction and rehabilitation projects not utilizing certain additional federal financial supports
- The "4% credit" typically used for projects utilizing federally tax-exempt bond financing

For more information on typical tax credits please refer to LIHTC for Regular People

LIHTC INFORMATIONAL VIDEOS

- How Do LIHTC Tax Credits Work?
- Low Income Housing Tax Credit (LIHTC) in 3 minutes *Giving a real-world example of how it works*

SOURCES AND MORE INFORMATION

- ShelterForce LIHTC: The Good, The Bad, and The Very Complicated
- An Introduction to the Low-Income Housing Tax Credit
- National Housing Law Project Low Income Tax Credits
- Webinar LIHTC: Are Little Changes Enough? - Shelterforce
- LIHTC for Regular People
- MSHDA 2024-2025 Addendum 3