US LIHTC Program: The Roles of Participants and Implications

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Summary

1. The Low Income Housing Tax Credit (LIHTC) program is to promote the development of affordable rental housing for low-income households in the US. In contrast to other direct federal subsidy programs, the LIHTC encourages private developers to build low-income housing through tax credits administered by the Internal Revenue Service (IRS).

2. Qualified private developers receive LIHTC allocation through the state's Housing Financing Agency (HFA) and trade the tax credits to raise capital for their projects.

3. The LIHTC program involves a variety of actors, such as the IRS, the US Department of Housing and Urban Development (HUD), the HFAs, private developers, non-profit organizations, investors, syndicators and lending institutions, all of whom participate in the LIHTC program with different interests and goals but work in partnership.

4. Participants in the LIHTC program are subject to legal duties and responsibilities that correspond to the rights and benefits granted to them. Effective public control and oversight systems are in place.

Policy Implications

1) Small local authorities have limited financial resources to pursue public housing initiatives and thus need assistance from the central government in the form of financial support and project performance.

2) It is necessary to promote and diversify the supply of public housing projects through wide participation and cooperation of private players.

3) Stimulating the supply of low-income or small housing units requires various channels of public support to

induce private participation.

4) Incentives should be provided to encourage various actors—non-profit organizations and private sectors—to participate in supplying public housing units. Systems should be devised to ensure fairness and accountability during the process.