



## Low Income Housing Tax Credit (LIHTC)

Categories : [Housing](#)

The following was summarized from the Connecticut Housing Finance Authority website ([www.chfa.org/Rental%20Housing/for%20Developers%20and%20Sponsors/Funding%20Initiatives/Tax%20Credit%20Programs/LIHTC%20Program.aspx](http://www.chfa.org/Rental%20Housing/for%20Developers%20and%20Sponsors/Funding%20Initiatives/Tax%20Credit%20Programs/LIHTC%20Program.aspx))

### What is the Low Income Housing Tax Credit?

The Low Income Housing Tax Credit Program (LIHTC) was created by the Tax Reform Act of 1986 to help meet the need for low-income rental housing, and to replace the Section 8 New Construction/Sub Rehab program terminated in the early 1980s. To be eligible for low-income housing tax credits, a housing developer must set aside a minimum percentage of units for low-income residents. This percentage must be maintained throughout the extended use period, usually at least 30 years. The minimum set-aside is either of the following:

- 20% of the units rented to tenants earning 50% or less of the area median income (adjusted for family size) established by HUD
- 40% of the units rented to tenants earning 60% or less of the area median income (adjusted for family size) established by HUD

If the standards are met and approval is granted in advance of the project, investors receive a fifteen-year stream of federal tax credits. The value of these credits is usually converted into equity in the project, thereby resulting in reduced debt and more affordable rents. However, the rents may not be as low as the rents at public housing developments and private rental developments receiving a direct subsidy, like Section 8. Tax credits are allocated to developers and must be approved by the state housing development or finance agency. States must reserve a minimum of 10 percent of the credits for nonprofit developers. The program is administered at the Federal level by the Internal Revenue Service within the U.S Treasury Department. In Connecticut, the tax credits are administered by the Connecticut Housing Finance Authority (CHFA).

### Eligibility

Household income of 50-60%, or less, of area median income (see HUD website: [www.huduser.org/portal/datasets/50per.html](http://www.huduser.org/portal/datasets/50per.html))

### Cost

Rents are below the average for the local rental market, and are determined by average area market rent. The rents are fixed, and not based upon income. Thus, these rents are sometimes still quite high for low to moderate income households.

### To Find Application Sites in Connecticut's Community Resources Database:

#### Search by service names:

- [Low Income/Subsidized Private Rental for Families, Older Adults, Single Adults](#)



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*SOURCES: Connecticut Housing Finance Authority website; 2-1-1 Database*

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