



# TaxNewsFlash

## United States

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### **Legislative update: Middle-income housing tax credit proposed by Wyden**

Senator Ron Wyden (D-OR), ranking member of the Senate Finance Committee, today released draft legislation that would create a new tax credit “...to spur development of rental homes affordable to Americans with moderate income.”

The middle-income housing credit (MIHTC) would be modeled after the low-income housing credit that has financed about 2.8 million affordable homes for low-income persons since its enactment in 1986.

#### **Summary**

Details of the discussion draft provide the following:

- The federal government would allocate tax credits to the states based on population. For 2017, the allocation would be \$1 per capita with a \$1.14 million small state minimum. State housing authorities would allocate the credits to developers through a competitive process. The credits would be provided to developers over a 15-year compliance period. The credit amount would equal 50% of the present value of the qualifying costs, or 5% a year on an undiscounted basis. However, state housing authorities would only allocate so much credit as makes a housing project feasible.
- To qualify for the credit, a rental property would need to meet two affordability standards: (1) a property would have to include a minimum percentage of affordable units; and (2) rents for those units could not exceed maximum amounts based on average incomes in the area. Specifically, at least 60% of the property's units would have to be occupied by individuals with incomes of 100% or less of “area median gross income” (AMGI). Furthermore, tenants' rents could not exceed 30% of 100% of AMGI. The affordability restrictions would remain in place for up to

an additional 15 years after the compliance period. Credits would be discontinued to the developer if a project fails to meet these income/rent requirements.

- While geared to incentivizing the construction of affordable housing for middle-income families, the discussion draft also includes protections for low-income affordable housing. A state's unused MIHTC credits would go back into the state's low-income housing tax credit (LIHTC) allocation and then back to the national LIHTC allocation pool if not used by the state.

## Request for comments

Senator Wyden has requested comments within 90 days on the discussion draft, harmonizing and coordinating the proposed new credit with the LIHTC, and other issues.

## Documents

- Read a [one-page summary](#) [PDF 42 KB] of the proposed legislation
- Read a [detailed summary of the discussion draft](#) [PDF 115 KB]
- Read the [proposed statutory language](#) [PDF 134 KB]

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