How Does the Low Income Housing Tax Credit Work?

1

Illinois is allocated Low Income Housing Tax Credits (LIHTC) based on population

2

Developers need subsidy funds because costs to build affordable housing are the same as market-rate housing

3

Developers apply for tax credits with IHDA and get selected based upon competitive application criteria

4

IHDA selects developments to receive LIHTC awards

5

Developers convert LIHTC into equity by selling them to investors who utilize the credits to offset tax liability

6

Developer builds housing in Illinois

7

Equity generated allows developer to rent units at below market rates for a minimum of 15 years

The Low Income Housing Tax Credit (LIHTC, Housing Credit) is a dollar-for-dollar federal tax credit for affordable housing investments. It was created under the Tax Reform Act of 1986 and gives incentives for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The program is administered at the state level by State housing finance agencies (I.e., IHDA) with each state getting a fixed allocation of credits based on its population. IHDA evaluates applications against our "Qualified Allocation Plan" (QAP).

ILLINOIS HOUSING DEVELOPMENT AUTHORITY®

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