



# The low-income housing credit

More than 3.2 million affordable rental housing units have been created since the low-income housing credit (LIHTC) was enacted in 1986 making the LIHTC program a very important source of funding for affordable housing in the United States today.

The LIHTC is a federal tax credit equal to a building's qualified basis times the tax credit rate for each year in the 10-year credit period. For new buildings and qualified rehabilitation costs, the tax credit rate is fixed at no less than 9 percent. For acquisitions of existing buildings, tax-exempt bond financed buildings, and tax-exempt bond financed qualified rehabilitation costs, the tax credit rate is fixed at no less than 4 percent.



## Investor opportunities

A number of opportunities exist for investors who partner directly with developers or through an investment fund as a limited partner in a partnership that has received an allocation of LIHTCs from state housing agencies to finance affordable housing projects.

Investors:

- Are allocated LIHTCs in exchange for their investment
- Receive allocations of tax depreciation and losses in addition to the LIHTC
- Can demonstrate good corporate citizenship through investing in affordable housing
- Satisfy bank regulatory rules under the Bank Community Reinvestment Act.



## How KPMG can help

Professionals in the KPMG Washington National Tax practice who focus on federal tax credits can provide a variety of services, such as modeling and structuring, and otherwise advise clients on the federal tax aspects of the LIHTC requirements.

Examples of LIHTC services include providing:

- Federal tax consulting services to clients that are considering investing in LIHTC partnerships
- Federal tax consulting services to developers applying for LIHTC allocations from state housing agencies
- Structuring and advice on the federal tax aspects of LIHTC partnerships.

# Contact us

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