Unlocking the Full Potential of Low-Income Housing Tax Credits

Enabling Low Income Housing Tax Credit (LIHTC) "transferability" would provide a free-market solution to incentivize and boost investment in affordable housing and enhance prosperity for American families.

Making LIHTCs "transferable" will unleash greater supply of affordable housing and spur private sector investment.

The LIHTC program is the federal government's most important tool for facilitating private investment in affordable rental housing. The program provides tax credits to owners of qualified rental housing projects – investors then buy these tax credits to offset their federal tax liabilities. Since its inception nearly forty years ago, the LIHTC program has financed nearly four million affordable housing units.[1] While the LIHTC program was permanently expanded by the One Big Beautiful Bill Act, more can be done to make LIHTC a more effective tool to increase affordability for American families, support businesses, and build communities.

Congress recently reaffirmed its commitment to LIHTC. Enhancing the liquidity of LIHTC to more outside investors through "transferability" is a market-based solution that will drive additional investments into affordable housing projects and address the housing shortage.

LIHTC credits have fallen in value since 2017, now trading at around 84 cents on the dollar.[2] Making LIHTC transferable — akin to how the Inflation Reduction Act allowed tax credit transferability for energy project financing — could transform how affordable housing is financed in the U.S. Enabling LIHTC "transferability" would expand the pool of potential investors for LIHTC projects, allowing each state's LIHTC allocation to stretch further. This would increase the capacity to develop more affordable homes and help address America's housing shortage.

LIHTC "transferability" would work by unlocking new investors (including financial institutions), increasing demand, and ultimately, investment in affordable housing.

LIHTC "transferability" allows the original recipient of a tax credit to sell or transfer that credit to another entity without requiring a transfer of ownership of the underlying asset. This allows the original investor to monetize the credit even if they don't have sufficient tax liability to use it themselves, as well as attract new investors who can utilize the tax savings. By increasing the availability and liquidity of the tax credits in the secondary market, demand will increase and push the value higher. For renewable energy projects where transferability is currently allowed, tax credits are typically valued between 92 to 96 cents on the dollar. The higher the value of the LIHTC credit, the more money becomes available to go into affordable rental housing development.

Citi's *Blueprint for Housing Opportunity* initiative commits **$60 billion over five years** to increase America's housing supply through the creation and preservation of at least **250,000 units**. In addition, the Citi Foundation will deploy **$50 million in philanthropic grants** to non-profits addressing housing challenges and supporting the financial health of residents in their communities. Citi will also work with policymakers, relevant stakeholders and others to **advance public policy and advocacy efforts** that help enhance supply. Learn more at Citigroup.com by clicking on our impact.

1. U.S. Department of Housing and Urban Development
2. Novogradac, LIHTC Equity Pricing Trends, available at: https://www.novoco.com/resource-centers/affordable-housing-tax-credits/lihtc-equity-pricing-trends

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