Workforce Housing Tax Credit Summary

Communities across the United States are facing a housing affordability crisis. As the face of renters has changed, with fewer homeowners and more renters, America needs more housing to accommodate middle-class families and young people starting their careers, and allow our workforce to live in the communities where they work. For that, there needs to be more housing supply between low-income housing and million-dollar homes—to fill the missing middle.

The Workforce Housing Tax Credit (WHTC) builds on the very successful Low-Income Housing Tax Credit (LIHTC) program by providing additional tax credits that can be used to build affordable housing for tenants between 60% and 100% of area median income, or transferred to LIHTC for tenants generally below 60% of area median income.

The WHTC also adopts key features from LIHTC, including the deference to state and local housing authorities to select the projects that are best suited to their local housing needs and using public-private partnerships to catalyze private capital. Considerable flexibility is also provided to the states to maximize their resources and best meet community needs – by allowing housing finance agencies to transfer their middle-income allocation to LIHTC at any time and allowing buildings to combine the two credits.

Highlights of the Workforce Housing Tax Credit Act include:

- Similar to LIHTC, state housing finance agencies allocate the tax credits to developers through a competitive process. The tax credits would be provided to developers over a 15-year period, with a 15-year compliance period and 30-year extended commitment.
- Tax credits are allocated to states based on population. For 2024, the allocation would be $1 per capita with a $1.5 million small state minimum. An additional 5% of the allocation is made available and reserved for middle-income housing developed in rural areas.
- For new buildings, the credit would equal 50% of the cost of the building over the lifetime of the credit. For rehabilitated buildings and bond-financed buildings, the credit would equal 20% of the cost of the building. More credit can be awarded for buildings in difficult development areas, as designated by the U.S. Department of Housing and Urban Development (HUD). However, state housing agencies would only allocate the amount of credit needed to make a housing project financially feasible.
- To qualify for the credit, at least 60% of the building's units must be occupied by individuals with area median incomes of 100% or less where the rents are restricted to 30% of the designated income. The affordability restrictions would remain in place for up to 15 years after the compliance period (for a total 30-year affordability period).
- WHTC also works in conjunction with LIHTC to support low-income affordable housing. First, a state can tailor the allocation to its needs: it can elect to transfer any portion of their middle-income allocation to LIHTC at any point during the year. Second, WHTC can help the financial feasibility of affordable buildings by combining LIHTC and middle-income housing tax credits for different units as long as at least 20% of the total units are middle-income units.
- The effective date for this provision is buildings placed in service after 2023, in taxable years after 2023.