

Middle Income Housing Tax Credit



In September 2016, Senator Ron Wyden (D-OR) introduced the Middle Income Housing Tax Credit Act of 2016 to create a new federal tax credit to incentivize developers to build and preserve housing that is affordable to families earning 100% of the Area Median Income (AMI) or below. When fully implemented, the tax credit would cost \$4.5 billion annually.

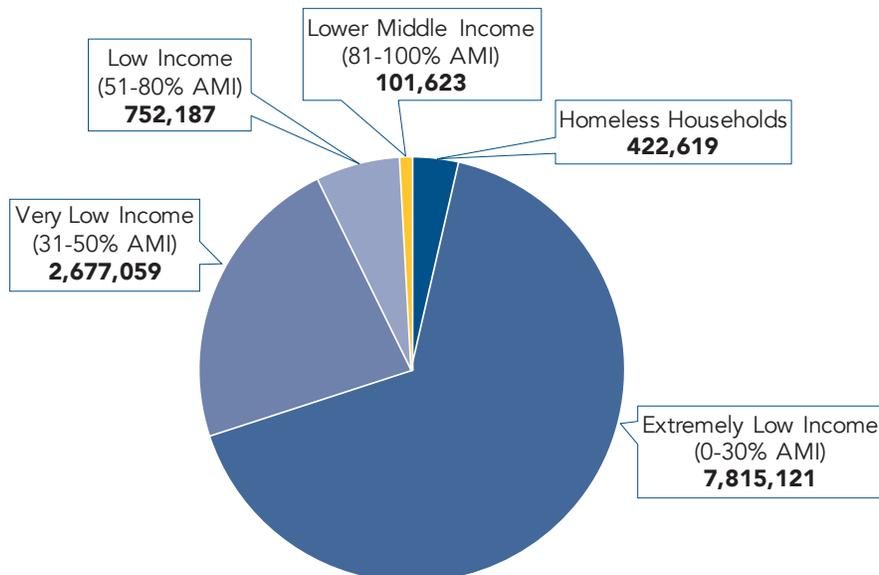
Evidence shows that nearly all of the need for affordable housing is concentrated among families with extremely low incomes (ELI), not middle-income families who largely do not face significant housing challenges. **For that reason, NLIHC opposes this bill as a misguided and wasteful use of federal resources.** We strongly believe that any new federal resource should be targeted to serve those with the greatest needs.

1. The vast majority of middle-income households are not severely cost burdened. The opposite is true of ELI families.

Just 2% of middle-income renters nationwide are severely cost burdened, compared to 75% of the poorest renters who pay more than half their income on rent. The same trends can be seen in every state and district.

The Middle Income Housing Tax Credit targets scarce resources to the 100,000 middle-income renters who are severely cost burdened, while providing minimal benefit to the 12 million lower income families who pay more than half their income on rent.

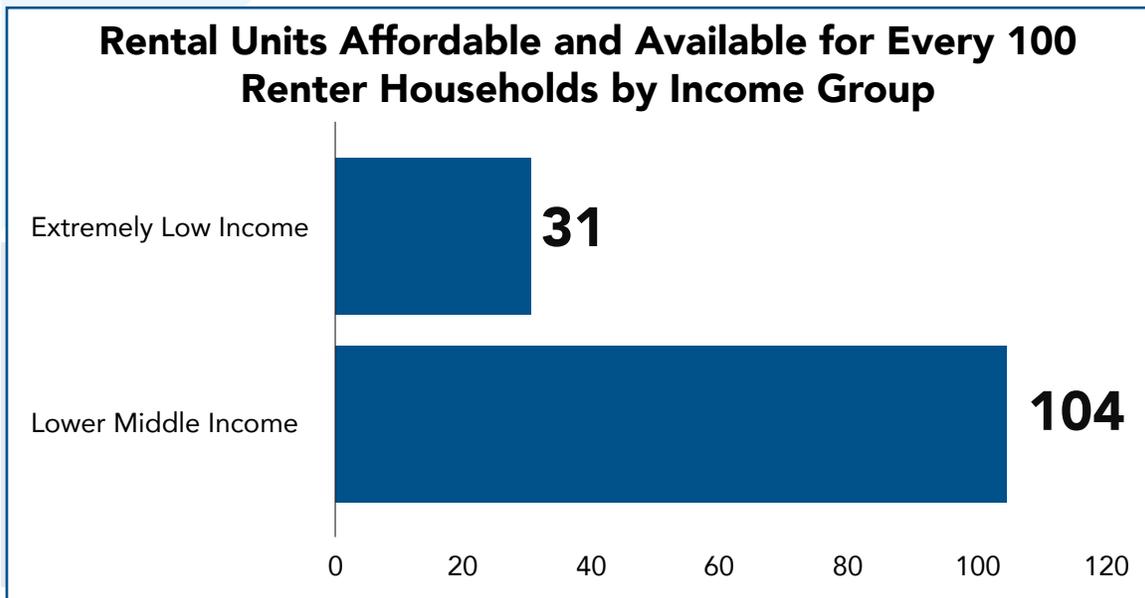
Homeless and Severely Cost-Burdened Renter Households



Sources: Renter households from NLIHC tabulations of 2014 ACS PUMS Data. Homeless households from *The State of Homelessness in America 2016*. Note: Severely cost-burdened households pay more than 50% of their income on rent and utilities. AMI = Area Median Income

2. Nationwide, there is an excess of rental homes that are affordable and available to middle-income households, compared to a steep shortage for ELI families.

America's 10.4 million ELI families face a shortage of 7.2 million affordable and available apartments. In fact, for every 100 ELI households, there are just 31 affordable and available rental homes. In comparison, there are 104 homes affordable and available to every 100 middle-income households.



3. There are better, alternative ways to serve those cost-burdened middle-income households living in high-cost cities.

A bipartisan proposal by Senators Cantwell (D-WA), Hatch (R-UT), and Wyden (D-OR) would provide additional flexibility under the Low Income Housing Tax Credit to serve higher-income families. By allowing "income averaging," the proposal would help high-cost cities serve families up to 80% of AMI, as long as the average income across the entire development remained at 60% of AMI.

Moreover, building and preserving affordable housing targeted to ELI families through the national Housing Trust Fund would also benefit middle-income families. Because of the significant deficit in affordable homes, most ELI families have no other option but to rent apartments that they cannot afford that would otherwise be available to higher-income families. As the shortage of housing targeted to ELI households decreases, the rental market will become better aligned to meet all of the needs in a community.

For more details, see NLIHC's Factsheet on housing needs by [State](#) and [Metro](#) areas.

For more information, contact Sarah Mickelson, NLIHC Public Policy Director, at smickelson@nlihc.org or by calling 202-662-1530, ext. 228.