

## LOW-INCOME HOUSING TAX CREDIT CHANGES



**Preston Brashers**, Research Fellow  
APRIL 2026

**ADVANCING AMERICAN  
FREEDOM FOUNDATION**

**TOPLINE:** The One Big Beautiful Bill (OB BB) expanded housing developers' access to Low-Income Housing Tax Credits (LIHTCs).

**BACKGROUND:** The Tax Reform Act of 1986 [created](#) the LIHTC with the intention of incentivizing housing developers to build or rehabilitate “affordable housing.” Roughly speaking, the LIHTC includes two alternative types of credits—the “9 percent credit,” and the “4 percent credit”—that developers can claim each year for 10 years. Both credits are distributed by state housing agencies to developers. Each state receives an allocation of 9 percent LIHTCs based on population (with a fixed minimum for small states). To qualify for the 4 percent credits, at least 50% of the basis in the building had to be financed with tax-exempt private activity bonds. Therefore, state and local governments (ultimately taxpayers) shared some of the cost of 4 percent credits.

The LIHTC is only allowed for the share of units rented by low-income residents, so receiving the subsidy depends on income verification of tenants. The credits are governed by complicated federal and state rules. In 2023, the Novogradac & Company LLP published a [1,798-page](#) LIHTC Handbook to help developers navigate the credit.

### What OB BB Did:

- [Increased](#) LIHTC allocations based on state population (9 percent credits) by 12%.
- [Increased](#) the federal share of the 4 percent credits by relaxing the tax-exempt bond threshold from 50% to 25% to qualify for the lower 4% credit rate.

### Facts, Figures, and Things to Know

- LIHTC subsidies are paid to housing developers, not low-income households.
- The subsidies haven't led to discernable improvements in housing supply or rents.
- In 1985 and 1986 (when the LIHTC was established), [1.7 million](#) housing units were completed each year, and that figure had risen five straight years.
  - After the LIHTC was enacted, the number of units completed fell each of the next five years.
  - In the past 40 years, only in 2004-2006 (before the housing crash) did the number of new private units [completed](#) exceed the 1985-1986 level.
- Rents have risen [24% more](#) than overall prices since the LIHTC was created.

**Where Can I Find the Changes?** OB BB Sec. [70422](#); [26 U.S.C. § 42\(h\)](#).

**BOTTOMLINE:** The LIHTC is bad policy that enables state housing agencies to dole out subsidies. Most conservatives oppose LIHTC expansions, but the unfortunate compromise on this [\\$15.7 billion](#) subsidy expansion shouldn't overshadow the passage of several **trillion** dollars of good tax policy in OB BB.

