

Federal Maryland Low Income Housing Tax Credit – Fact Sheet

Federal Low Income Housing Tax Credit Program Fact Sheet (LIHTC)

Purpose

The Federal Low-Income Housing Tax Credit (Tax Credit) was created by the Tax-Reform Act of 1986 and extended by the revenue Reconciliation Acts of 1989 and 1992 in order to encourage the private sector to invest in the construction and rehabilitation of housing for low- and moderate-income families. The law gives states an annual tax credit allocation based on population.

Tax Credits are awarded on a competitive basis to nonprofit and for-profit sponsors of eligible housing projects. Awards are based on the criteria outlined in the State's Allocation Plan. Projects financed with tax-exempt bonds may be eligible for Tax Credits outside of the competitive process. Project sponsors, or in the case of syndication, investors claim the Tax Credit on their federal income tax return.

The Tax Credit equals the applicable percentage of the qualified basis of each qualified low-income building. The applicable percentage is determined by the IRS monthly.

Eligible Types of Housing

A residential rental building that is to be placed in service in or within two years after the year in which the allocation is made and provides at least, in part for low-income occupancy is eligible to receive a Tax Credit allocation. The low-income project must comply with a number of requirements regarding tenant income, maximum rent levels, and the percentage of low-income occupancy. The building must remain in compliance for a minimum of 15 years.

Eligible Applicants

For-profit and nonprofit sponsors are eligible to apply for Tax Credits. Ten percent of the State's annual allocation is set aside solely for nonprofit sponsors.

Eligible Residents

The owner of a qualified low-income building must rent either 20 percent of the units to households with incomes of 50 percent or less of the area median income or 40 percent of the units to households with incomes of 60 percent or less of the area median income.

Local Government Involvement

The local government in which a housing development financed through the program is located must generally approve the development formally and make a contribution which materially reduces the project's development or operating costs, or otherwise significantly supports the development.

Tax Credit Property Locations

Information regarding Low Income Housing Tax Credit recipients is available on the DHCD website at:

<http://www.dhcd.state.md.us/Website/programs/lihtc/lihtc.aspx#recipient>

Additional Information

It typically takes 2-3 years to produce affordable housing after tax credits are awarded. Property managers are required to hold available units for individuals with disabilities vacant for 1-3 months, after which they may lease the unit to a non-disabled person. It is advisable to contact the property managers on a periodic basis to learn whether units are expected to become vacant so that they can be held for an individual with a disability. In addition, it is advisable to contact property developers during the construction phase to establish interest in leasing units and to advise the developer of any need for accessibility adaptations.

Eligibility requirements usually apply, including credit, income and criminal background.

For More Information, Contact:

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