ABSTRACT

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Title: The Impact of Income Inequality on Low Income Housing Tax Credit Distribution

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The Low-Income Housing Tax Credit (LIHTC) program is the single-biggest way the government supports the creation of affordable housing through new construction and rehabilitation in the United States. Previous research has found that the distribution of LIHTC funding can affect income levels and demographics in the neighborhoods in which LIHTC funded projects are built in. Rather than focusing on whether the LIHTC affects neighborhood demographics, we are looking at the decision-making level of distributing the LIHTC at the local level. We use data from the American Community Survey to investigate if and how income inequality is correlated with the distribution of the LIHTC across the United States as a whole and Connecticut, specifically. We hypothesize that the LIHTC would be allocated at higher rates to towns across the United States with higher income inequality than towns with lower income inequality levels. The rationale behind this hypothesis is that areas of high-income inequality house both low-income and high-income households. Low-income households in these areas are housing insecure because of inflated housing prices due to the presence of high-income households in the same area and thus would be an area in need of access to affordable housing options, one of which is the LIHTC. We found that both on the national-level and state-level, results showed a statistically significant positive correlation between income inequality and LIHTC housing unit growth.