

## Calculation of Maximum Rent a Tax Credit Complex May Charge

I. See 26 U.S.C. § 42(g) (2013) for LIHTC

II. Maximum Rents:

A. **Formula Rents** set based on Adjusted Median Income

1. Set at 30% of 50% of adjusted median income with assumed family size of 1.5 persons per bedroom, or
2. Set at 30% of 60% of adjusted median income with assumed family size of 1.5 persons per bedroom
3. Must adjust for utility allowance
4. Not based on family's actual income, absent other subsidy

B. Calculation of Maximum Rent Example: Assume the following facts:

1. Complex is leasing to individuals whose income is 60% or less of area median family income (AMFI)
2. 60 % of annual AMFI is as follows:
  - 2-person Household -- \$34,140
  - 3-person Household -- \$38,400
3. Family moves into 2-bedroom unit.
4. Regardless of the size of the family -- whether 1-person or 4-persons -- the maximum gross rent that the landlord may charge is 30% of the AMFI for 3 persons. (The landlord must set the rent on the 2-bedroom unit based on imputed number of persons of 3 @ an assumed 1.5 persons per bedroom.)
5. That calculates to **\$960 maximum monthly rent:**  
 $60\% \text{ of annual AMFI} = \$38,400$   
 $X .30 = \$11,520 \text{ annual gross rent}$   
 $\div 12 \text{ (months)}$   
 $= \$960, \text{ if the family is paying no utilities.}$
6. If the family is paying utilities, then the maximum rent that the landlord can charge must be reduced by the amount of the utility allowance. So, if utility allowance is \$100, then the maximum rent the tax credit landlord can charge is \$860.