

## How to Combine 9% and 4% LIHTC Credits to Fund Your Project

We all know that financing in the affordable housing sector can be a significant hurdle. Let's explore a strategy that can help bridge funding gaps: twinning 9% and 4% low-income housing tax credits, or LIHTCs.

First, let's briefly understand what LIHTCs are. The 9% LIHTC is a competitive, federally allocated credit that offers substantial subsidy for affordable housing projects. Due to its competitive nature, it's limited in availability.

The 4% LIHTC is a non-competitive and typically paired with tax-exempt bonds, providing an additional layer of financing.

Twinning involves combining both 9% and 4% LIHTCs within a single development. Instead of structuring your project solely with one type of credit, you divide it into two related but independently financed parts: one utilizing the 9% credit and the other the 4% credit. This approach allows you to maximize the equity generated for your project, making it more financially viable.

So why consider twinning? There are a few reasons. The first is to enhance project feasibility. By leveraging both credits, you can finance a larger portion of your project through tax credit equity, reducing the need for additional funding sources. Twinning also optimizes resource allocation. The 9% credit, while more substantial, is limited. Combining it with the 4% credit allows for better utilization of available resources.

Twinning can also significantly increase the total equity available for your project, which can be the difference between a project moving forward or being shelved. While twinning offers notable advantages, it's not without challenges. Managing two sets of financing can be difficult and requires careful planning and coordination. Each credit has its own set of compliance requirements, which must be meticulously followed. Although the 4% credit is non-competitive, it relies on the availability of taxes and bonds which are subject to volume caps in some states.

Twinning 9% and 4% LIHTCs can be a powerful strategy to enhance the financial feasibility of affordable housing projects. However, it's a complex process that requires planning and expertise. Consulting with professionals experienced in LIHTC financing can help you navigate this approach effectively.

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### Madison, WI

1221 John Q Hammons Drive  
Suite 100  
Madison, WI 53717

**Phone: (608) 831-8181**  
**Fax: (608) 831-4243**

### Brookfield, WI

18650 W. Corporate Drive  
Suite 200  
Brookfield, WI 53045

**Phone: (262) 641-6888**  
**Fax: (262) 641-6880**

### Colorado Springs, CO

P.O. Box 62786  
Colorado Springs, CO 80962  
**Phone: (719) 413-5551**

### Contact Us:

**Email: [info@SVAaccountants.com](mailto:info@SVAaccountants.com)**  
**Web: [SVAaccountants.com](http://SVAaccountants.com)**