



In this week's Tax Credit Tuesday podcast, Michael Novogradac, CPA, Novogradac partner Jim Kroger, CPA, and Novogradac principal Melissa Chung, CPA, discuss the 50% test for affordable rental housing properties financed by private activity bond (PABs) and 4% low-income housing tax credits (LIHTCs). They discuss how the 50% test works, potential complications, what developers can do to avoid failing the test, when to check in and options if failure occurs. They also discuss federal efforts to reduce the 50% test and the implications of that change.

**Summaries of each topic:**

1. Basics of the 50% test, why it's critical and why some states have put caps on allocation (3:56-9:23)
2. How the 50% test works, what's included and potential complications (9:24-11:11)
3. Steps developers can take in advance to protect against failing 50% test (11:12-14:51)
4. Value of fixed-price contracts and other ways to lock in costs (14:52-17:01)
5. Benchmarks and other key times to check in on 50% test (17:02-19:03)
6. Considerations with the numerator in the 50% test, including maximizing bond amount (19:04-23:47)
7. Option of adjusting developer fee to meet 50% test and complexities of that decision (23:48-25:09)
8. Efforts to reduce 50% test to 25% and the benefits of doing so (25:10-26:33)

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### **Additional Resources**

#### **Email**

[Jim Kroger](#)

[Melissa Chung](#)

#### **Blog Post**

[How to Unleash Underutilized Private Activity Bonds to Build More Affordable Rental Housing](#)

#### **NCSHA-Novogradac Report**

[Analyzing the Impact of Lowering the 50% Test for 4% Tax-Exempt bond-Financed Properties](#)

#### **Previous PAB Podcast**

[June 29, 2021: California Bond and LIHTC Allocation Competition](#)