



## MEMO

**To: Development Community**  
**From: Melanie Brewer, Director of Real Estate Development**  
**Date: May 6, 2026**  
**Subject: 25% Test Policy for RIHousing Tax-Exempt Bond Financing**  
**Bulletin# 2026-02**

### **Background:**

On July 4, 2025, the One Big Beautiful Bill Act of 2025 (Pub. L. No. 119-21, 139 Stat. 72 (2025)) permanently lowered the “50% Test” threshold to 25% for 4% Low-Income Housing Tax Credit (LIHTC) properties placed in service after December 31, 2025. Properties qualify for the 25% Test when at least 5% of aggregate costs are financed by Private Activity Bonds issued on or after January 1, 2026.

This change reduces the amount of tax-exempt bonds required for 4% LIHTC eligibility and affects transaction structuring. Lowering the threshold for 4% LIHTC properties to qualify for tax credits will further leverage the federal resource by enabling more properties to qualify for 4% LIHTC using fewer tax-exempt bonds, potentially increasing the number of affordable housing developments that RIHousing can finance.

### **RIHousing Policy, effective for bond closings after June 30, 2026:**

RIHousing will allocate multifamily tax-exempt Private Activity Bonds to 4% LIHTC transactions limited to the following:

1. RIHousing Tax-Exempt Bond Financing, where RIHousing is the primary lender, will be limited to the higher of:
  - a. 40% of the property’s Aggregate Basis or
  - b. Permanent supportable debt, not to exceed 50% of the property’s Aggregate Basis
2. Conduit Bond & Local Issuance will be limited to the higher of:
  - a. 30% of the property’s Aggregate Basis or
  - b. Permanent supportable debt, not to exceed 40% of the property’s Aggregate Basis

Subject to underwriting, total debt in excess of the tax-exempt amount will be made available from taxable sources and will impact the final rate.



RIHousing reserves the right to verify lender's underwriting assumptions or to apply RIHousing's underwriting standards to the permanent supportable debt on projects that will not be financed by RIHousing for the purpose of sizing the tax-exempt bonds.