Peter Welch
U.S. SENATOR FOR VERMONT

Supporting Small Affordable Housing Developers Act of 2026

Led in the Senate by: Senator Peter Welch (D-Vt.)

Background:
For the past two decades, housing costs have outpaced income growth in the United States, with median home prices increasing by an average of 60% from 2019 to 2025. A key driver of this affordability crisis is a lack of housing supply. In 2023, the U.S. housing market was short an estimated 4.9 million units to meet demand. On top of skyrocketing housing costs and nationwide shortages, dwindling market supply has made it even more difficult for lower-income families—including the nearly 750,000 Americans facing homelessness—to purchase a home. The U.S. housing market needs to build around 1.6 million new houses per year by 2034 in order to begin closing that housing gap.

Rising inflation, driven in large part and rising labor costs make it increasingly difficult for developers to build affordable housing, particularly in rural communities.

The current U.S. tax code creates hurdles that discourage small, local developers from building in rural areas, including taxing grants they receive for affordable housing projects. For example, in 2022, Vermont-based Village Ventures received $1.1 million in federal grant funds to support the development of six new affordable housing units in Bradford. However, despite investing roughly $1.3 million to develop the property, the completed building was only appraised at $650,000, leaving Village Ventures with a roughly $400,000 loss. Village Ventures then faced over $500,000 in income taxes on the property, leaving them struggling to make ends meet. Congress must take action to ensure that affordable housing developers aren't paying unreasonable income tax on grants they receive to help address Vermont's housing crisis.

Legislation:
The *Supporting Small Affordable Housing Developers Act* would exempt grants supporting affordable housing development from taxation to empower small, rural housing developers to build more affordable housing. The bill would also exempt income from the sale of transferable state tax credits from federal taxation, allowing developers to put more proceeds toward housing development.

The legislation would also exclude certain forgiven loans used to develop or rehabilitate affordable housing from taxable income, in addition to preventing developers or investors from receiving a duplicative tax benefit. If an eligible developer with annual gross receipts of up to $36 million receives a state or federal grant to develop or rehabilitate new affordable housing units, this grant income will not be included in the developer's taxable income.