

New Federal Renters' Credit Proposal

What is the Renters' Credit proposal?

- The renters' credit proposal would authorize states to allocate federal tax credits to make housing affordable for low-income renters. Families assisted with credits generally would pay no more than 30 percent of their income for rent and property owners (or sometimes banks that lend to them) would receive a tax credit in exchange.
- If capped at \$5 billion the proposal could help 1.2 million families afford housing, reduce rents by an average of \$400 and lift four of five of the poorest families it assists out of deep poverty.

Why do we need the Renters' Credit?

- Many low-income families, seniors, and people with disabilities struggle to afford rental costs, yet only about one in four households eligible for rental assistance receives it due to funding limitations.
- The shortfall in rental assistance has increased significantly in the last decade, as the number of low-income families facing high rent burdens has grown but the number of families receiving rental assistance has not kept pace.
- When housing costs are too high, the effect on low-income renters can be severe and enduring. Families that receive assistance to help pay rent are far less likely to experience homelessness and housing instability, problems that do long-term harm to children's health and development.
- States could target credits based on their priorities. For example, they could use credits to sharply reduce homelessness among veterans, help low-income seniors and people with disabilities live in independent housing instead of nursing homes (potentially cutting health care costs), or target TANF recipients for whom lack of stable housing is a barrier to work.
- The new proposal would complement existing programs such as the Low-Income Housing Tax Credit (which subsidizes development of affordable housing but is rarely sufficient to push rents down to levels poor families can afford) and target families without Section 8 vouchers or other federal rental assistance (which is highly effective but helps only a fraction of those in need).

Why now?

- Renters make up one out of every three households. Yet, federal spending on housing — counting both tax expenditures and direct appropriations — disproportionately favors homeownership over renting, and it targets a large share of subsidies toward higher-income households that often do not need assistance.
- Policymakers in both parties have proposed reforms to homeownership and other tax expenditures that would make them more efficient and raise added revenues to reduce the deficit.
- While considering a larger tax reform proposal to improve the efficiency of the tax code and help reduce deficits, Congress could make the nation's housing expenditures more equitable and address part of the pressing need for housing assistance among lower-income renters by directing a modest share of the savings from changes to homeownership or other tax subsidies to establish a federal renters' tax credit.