



Renters' Tax Credit Would Promote Equity and Advance Balanced Housing Policy

By Barbara Sard and Will Fischer

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Summary

Over the past several decades, the nation's housing policy has focused predominantly on increasing homeownership. Most federal housing expenditures now benefit families with relatively little need for assistance. More than 75 percent of federal housing expenditures support homeownership, when both direct spending and tax subsidies are counted. The bulk of homeownership expenditures go to the top fifth of households by income, who typically could afford to purchase a home without subsidies. Overall, more than half of federal spending on housing benefits households with incomes above \$100,000.

Meanwhile, low-income renters are far more likely than higher-income households to pay a very high share of their income for housing and to face other serious housing-related problems. Research has shown that rental assistance sharply reduces homelessness and housing instability — conditions that have a major long-term impact on children's health and development — and generates other important benefits. Yet, federal rental assistance programs only reach about one in four eligible low-income renters, due to funding limitations.

The time is right to implement a more balanced housing policy. Policymakers in both parties have proposed reforms to homeownership tax expenditures that would make them more efficient and raise added revenues to reduce the deficit. The Bowles-Simpson and Rivlin-Domenici deficit reduction commissions and the George W. Bush Administration's Advisory Panel on Federal Tax Reform each proposed to convert the mortgage interest deduction to a credit that would increase revenues and reach a broader share of low- and middle-income homeowners. Congress could further improve the effectiveness and fairness of the nation's housing expenditures by directing a modest share of the savings from reform of homeownership subsidies or other tax expenditures (once deficit reduction goals have been met) to address part of the unmet need for housing assistance among lower income renters, in the form of a federal renters' tax credit.

The renters' credit would be administered by states and implemented through a public-private partnership with property owners and lenders. Each state would receive a fixed dollar amount of credits, and would allocate the credits based on federal income eligibility rules and state policy preferences. This approach would make it possible to provide credits sufficient to help more poor families afford housing at a relatively modest overall cost. For example, a renters' credit capped at \$5 billion — costing less than 3 percent of total federal homeownership tax expenditures — could assist about 1.2 million of the lowest-income renter households. It could reduce each household's monthly rent by an average of \$400; its value alone would lift 270,000 families out of poverty and lift four of five of the poorest families it assists out of deep poverty (defined as having income below 50 percent of the federal poverty guidelines).

Families assisted with credits would pay no more than 30 percent of their income for rent (unless the rent exceeds a cap based on typical rents in the local market, in which case the family would pay the remainder). States could award families credit certificates that would enable them to use the credit to help rent a modest unit of the family's choice. Alternatively, states could also enter into agreements allocating credits to particular owners or lenders, which would use the credits to assist eligible families. The owner of the rental unit would claim a federal tax credit based on the rent reduction it provides, or the lender holding the mortgage on the property could claim the credit in return for a reducing the owner's mortgage payments.

A renters' tax credit would complement the existing Low-Income Housing Tax Credit (which works well as a subsidy for affordable housing development but is rarely sufficient on its own to push rents down to levels poor families can pay), and rental assistance programs such as Section 8 vouchers (which are highly effective but meet only a modest share of the need).

States could also coordinate the credits with other state-run programs and target the credits to address state priorities. For example, states could use credits to:

- end or substantially reduce homelessness among veterans and individuals with severe health needs;
- provide supportive housing to families at risk of having their children placed in foster care;
- help families participating in state TANF (Temporary Assistance for Needy Families) or other employment-promoting programs for whom lack of stable affordable housing is a barrier to work;
- provide stable housing near high-performing schools for families with school-age children; or
- enable low-income elderly people or people with disabilities to live in service-enriched developments rather than in nursing homes or other institutions.

Such initiatives would not only further important policy goals and provide needed help to some of the nation's most vulnerable people, but they would also generate savings in health care, child welfare, and other systems.

Section 1: The Right Time to Consider a Renters' Credit

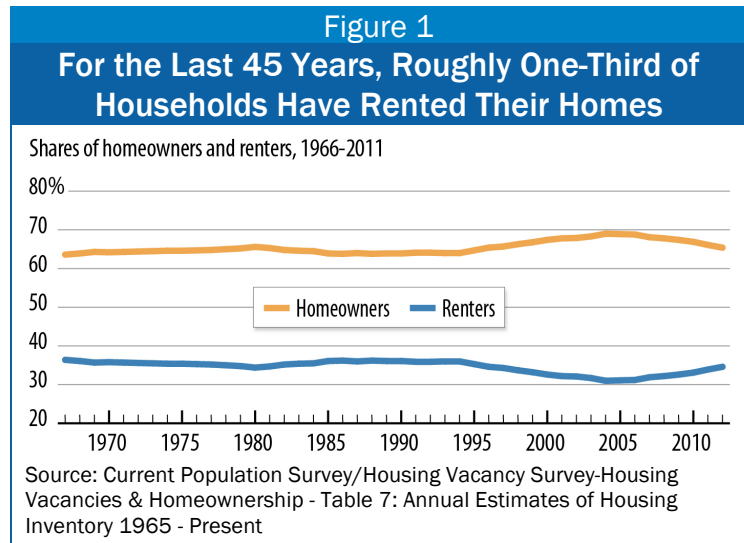
Policymakers are considering reform of the federal tax code, including how to restructure tax expenditures — a concept that has received growing attention from policymakers in both parties. For example, Senators Max Baucus and Orrin Hatch, the chair and ranking member of the Senate Finance Committee, recently called for tax reform to reexamine all tax expenditures.

Among the expenditures that may be considered for reform are homeownership tax subsidies, which until now have been fiercely protected. The Bowles-Simpson plan, the plan adopted by a Bipartisan Policy Center task force chaired by Pete Domenici and Alice Rivlin, and the report of the Advisory Panel on Federal Tax Reform convened by the Bush Administration in 2005 all proposed converting the mortgage interest deduction to a tax credit that would both generate revenue and increase the share of homeowners benefiting from the tax break.¹ The Obama Administration, most recently

in its 2014 budget, has proposed to cap the value of the mortgage interest deduction and other itemized deductions for high-income taxpayers.² This recent focus on changing homeownership's favored tax treatment comes at the same time that the housing bust and resulting foreclosure crisis have increased awareness that "homeownership for all" may not be a sensible housing policy.

Meanwhile, the nation's lowest-income renters are far more likely to struggle to pay for housing than the higher-income households that benefit most from the homeowner tax expenditures. A portion of the savings from restructuring tax expenditures could be channeled into a new renters' credit to help some of the lowest-income renters better afford housing. This approach could help implement a more balanced housing policy — a desire of many policymakers and thought leaders — in place of the predominant focus of the past several decades on increasing homeownership.³

The proposed renters' credit described in this paper would partially address the demand side of this problem by increasing the ability of some low-income families to pay prevailing rents. Support for renters also should include policies that address the supply of housing for low-income families, such as maintaining the current Low Income Housing Tax Credit (LIHTC) for affordable housing development, as well as various other policies to increase investment in the construction, rehabilitation, and preservation of rental housing affordable to low-income families. Such a shift would promote greater equity among income groups (in terms of the federal support they receive for housing costs) and also advance the goal of a balanced housing policy.



Federal Housing Spending Is Unbalanced

Thirty-five percent of households today are renters. That figure hasn't varied by more than four percentage points — up or down — in the last 45 years, despite the strong efforts by the Clinton and George W. Bush administrations to increase homeownership. (See Figure 1.)

Federal spending on housing — counting both tax expenditures and direct appropriations — is unbalanced in two respects: it favors homeownership over renting, and it targets a larger share of the subsidies toward higher-income households.

More than three-quarters of the \$270 billion in federal housing spending in 2012 (including both federal outlays and the costs of tax expenditures) went to homeowners, who make up less than two-thirds of American households. Renters make up more than one-third of households but received less than one-fourth of federal housing spending. (See Figure 2.)⁴

Moreover, these data understate the number of potential renters, as they do not count doubled-up families and homeless individuals who would form their own households if they had the means to do so. Demographic and economic trends make it unlikely that the renter share of the population will decline over the next several decades, and it may increase significantly.⁵

This disproportionate distribution is explained in part by the fact that the federal government subsidizes homeownership primarily through tax breaks available to any homeowner who qualifies (effectively making them entitlements), while it assists renters primarily through programs that Congress funds annually, are not entitlements, and reach only a modest fraction of those who qualify for them, due to funding limitations. Only one-quarter of eligible low-income renters receive federal rental assistance.⁶

In addition, the bulk of homeownership expenditures go to the top fifth of households by income, who typically could afford to purchase a home without subsidies. According to estimates by the congressional Joint Committee on Taxation, 77 percent of expenses in 2010 for the mortgage interest and property tax deductions (the only two housing tax expenditures covered by the

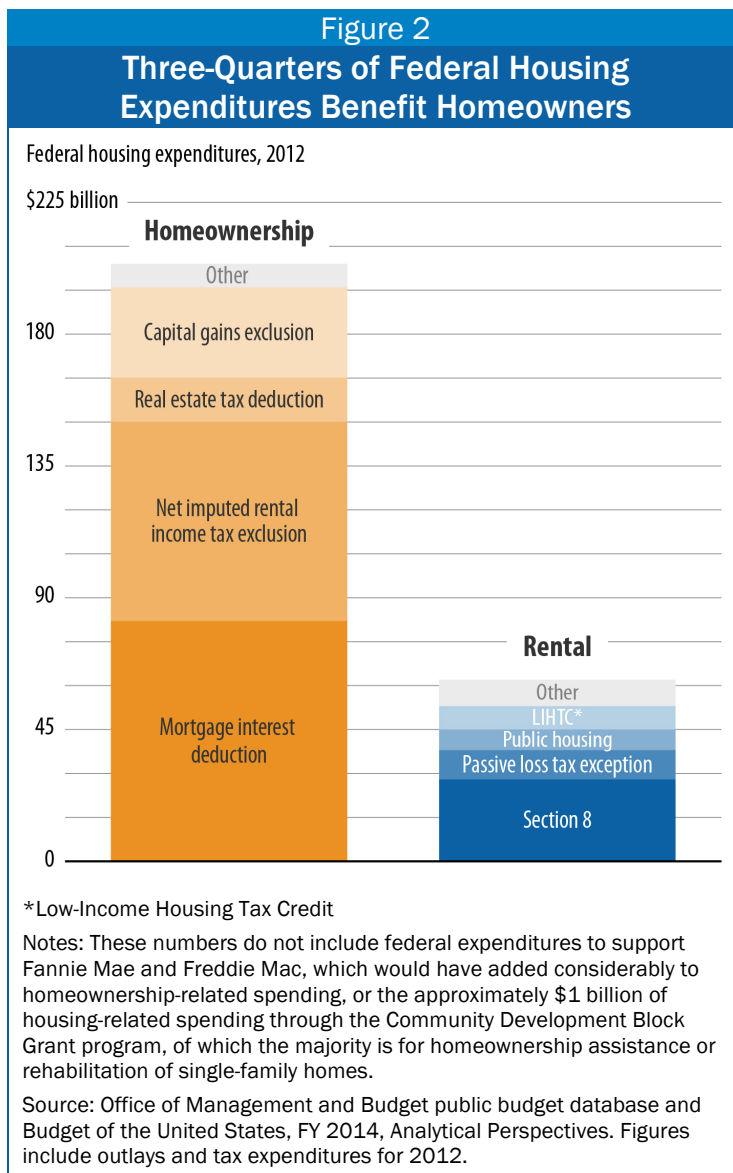
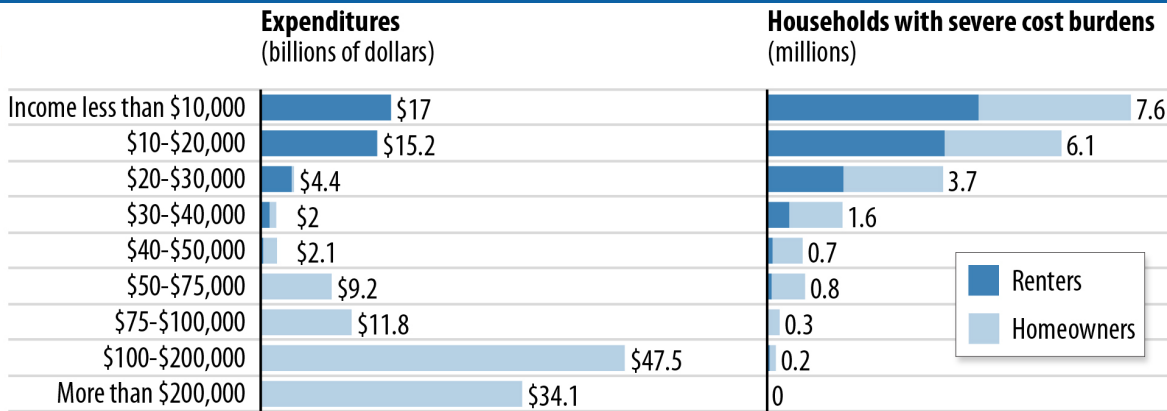


Figure 3

Federal Housing Expenditures Poorly Matched to Need



Notes: Homeowner expenditures include the mortgage interest and property tax deductions; income figures are for tax filing units. Rental expenditures include total outlays for the Housing Choice Voucher, Section 8 Project-Based, Public Housing, Housing for the Elderly (Section 202), and Housing for People with Disabilities (Section 811) programs; income figures are for households. Data on the income of beneficiaries of various housing expenditures are available only for these programs, which represent somewhat more than half of homeownership and rental spending. HUD defines households with severe cost burdens as those paying more than half their income for housing.

Source: Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2011-2015, Table 3, and CBPP analysis of HUD program data, Census data on number of households and cost burdens in each income group, and the Office of Management and Budget public budget database.

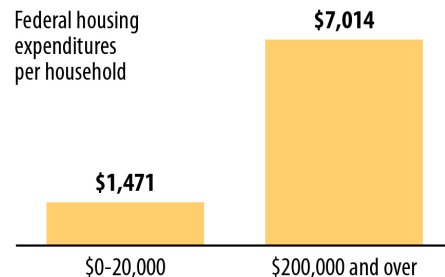
estimates) went to households with incomes of more than \$100,000, and 32 percent went to families with incomes above \$200,000.

Overall, more than half of federal housing spending for which income data are available benefits households with incomes above \$100,000. The 5 million households with incomes of \$200,000 or more receive a larger share of such spending than the more than 20 million households with incomes of \$20,000 or less, even though families with lower incomes are far more likely to struggle to afford housing. (See Figure 3.)

In 2010, households with incomes of \$200,000 or more received an average benefit of \$7,014 — more than four times the average benefit of \$1,471 received by households with incomes below \$20,000.⁷ It is difficult to see the policy purpose served by providing such large benefits to higher-income households, who in most cases could afford to purchase a home without subsidies. (See Figure 4.)

Figure 4

High Income Households Get Four Times More Housing Benefits Than Low-Income Households



Notes: Data on the income of beneficiaries of various housing expenditures are available only for mortgage interest and property tax deductions and for the Housing Choice Voucher, Section 8 Project-Based, Public Housing, Housing for the Elderly (Section 202), and Housing for People with Disabilities (Section 811) programs, which represent somewhat more than half of homeownership and rental spending.

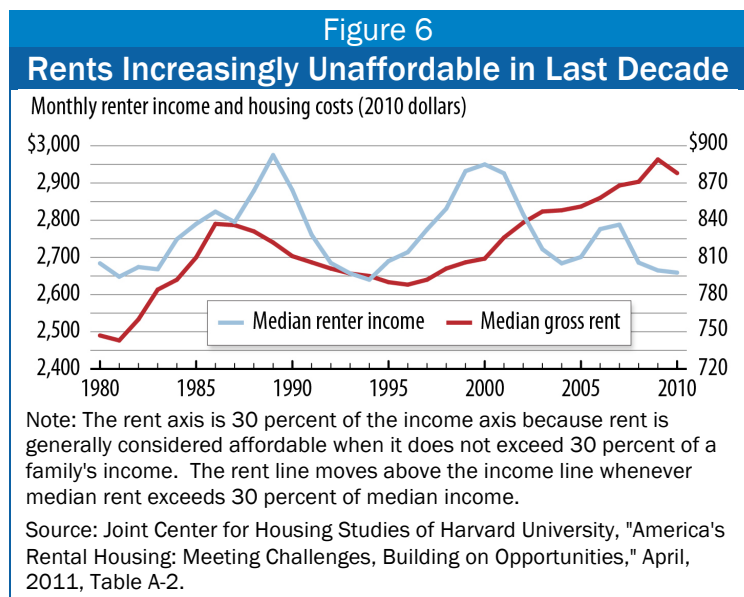
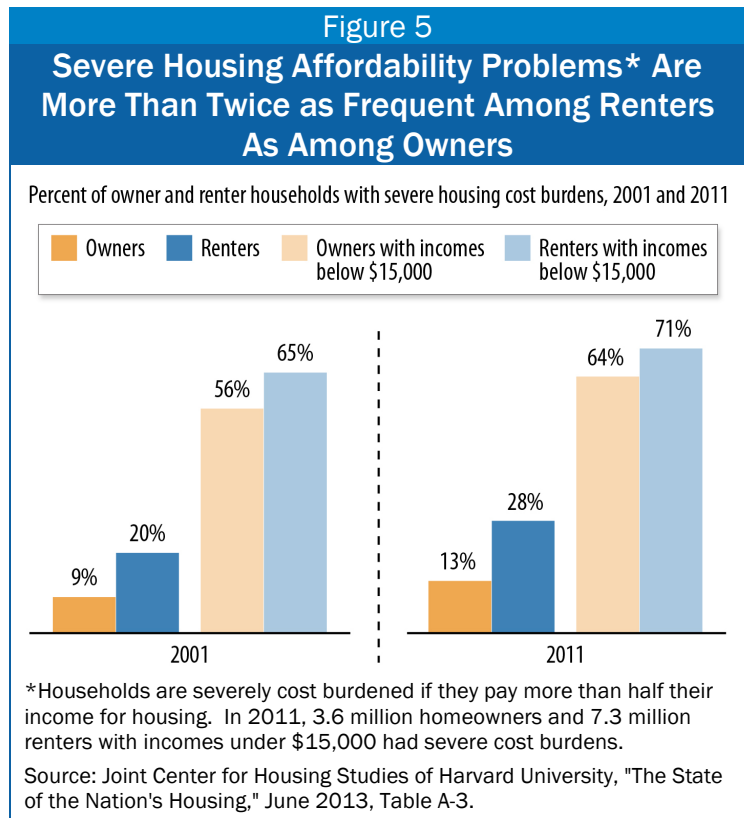
Sources: Joint Committee on Taxation, Estimates of Federal Tax Expenditures for Fiscal Years 2011-2015, Table 3, and CBPP analysis of HUD program data, Census data on households in each income group, and the Office of Management and Budget public budget database.

Low-Income Renters Have Greatest Need for Housing Assistance

According to Harvard University's Joint Center for Housing Studies, renters are more than twice as likely as owners to pay more than half their income for housing, the threshold for being considered "severely cost burdened."⁸ While the rates of severely cost-burdened households in both groups increased during the last decade, a larger share of renters than owners experienced worsening affordability problems. Even among the lowest-income households — those with incomes below \$15,000 — a larger share of renters than owners are severely cost burdened. (See Figure 5.)

These worsening renter affordability problems are part of a long-run trend. Income stagnation at the bottom of the income scale has resulted in declining real incomes for renters, even while real median household income has risen modestly overall. At the same time, rents have increased. (See Figure 6.) Growth in rents eased briefly during the recent housing downturn, but most parts of the country are now experiencing tightening rental markets and rising rents,⁹ and there is no indication that rent increases will slow significantly over the long run. If rents continue to rise more rapidly than incomes, affordability problems for renters will continue or worsen.

Supply shortages in some housing markets exacerbate the pressure on rents, making it important to address supply imbalances through a range of policy tools such as reform of land-use regulations and subsidies for housing development. But the underlying problem is that housing that meets current standards of safety and acceptability often cannot be built at a price affordable to many low-income renters. More than 70 percent of renter households have incomes that are generally too low to afford newly constructed units, unless subsidies such as the Low Income Housing Tax Credit lower the rents.¹⁰



Even LIHTC properties typically are unaffordable to roughly half of renters — those with incomes below about 50 percent of the local area median income — unless the family also receives rental assistance.¹¹ Even if the entire cost of building a development were covered by subsidies or if the loans used to finance construction have been paid off, many families with incomes below the poverty line cannot afford the rents owners would need to charge to cover the cost of operating and maintaining existing housing. The most direct way to address these problems is through subsidies (like housing vouchers or the proposed renters' tax credit) covering the gap between market rents and the rent that low-income families can afford.

Benefits of Providing Assistance to Additional Renters

When housing costs are too high, the effect on low-income renters can be severe and enduring. Broadly, research has shown that poverty in childhood may have a long and harmful reach.¹² Substantial changes in family income for young children in poor families affect their educational success and may affect their earnings as adults.¹³ Housing assistance directly addresses the shortage of income. Families that receive assistance to help pay rent have additional funds available to use for other basic needs, such as food, clothing, medications, child care, and transportation, and may be able to save or invest in education to help lift themselves out of poverty.¹⁴

More specifically, research suggests that housing instability, crowding, and homelessness can hinder the healthy development of children in ways that have a lasting impact, and deep rental assistance sharply reduces these problems.¹⁵ Housing assistance produces positive indirect effects, as well. Studies show that work-promoting initiatives are more effective for families with affordable housing.¹⁶ A growing body of research suggests that stable, affordable housing may provide children with better opportunities for educational success.¹⁷ Affordable housing combined with supportive services can help the elderly and people with disabilities retain their independence and avoid (or delay) entering more costly institutional care facilities.¹⁸ The evidence of health care and other savings from providing affordable housing and services to homeless individuals with chronic health problems is particularly compelling.¹⁹

When housing assistance also provides low-income families access to lower-poverty, safer neighborhoods, studies have documented additional positive impacts. Recent research shows that families that had the opportunity to use a housing voucher to move to a less-poor neighborhood are less likely to suffer from extreme obesity and diabetes — a benefit with potentially important savings in health costs as well as improved quality of life.²⁰ Using a voucher to move out of an extreme-poverty neighborhood has even been shown to save some children's lives, by sharply reducing deaths from disease or accidents among girls.²¹ For children living in particularly violent neighborhoods, using housing assistance to move to less-poor, safer neighborhoods appears to lead to an increase in their test scores, even if they do not change schools.²² Where housing policies have allowed low-income children to attend high-performing, economically integrated schools over the long term, their math and reading test scores are significantly better than comparable children who attended higher-poverty schools.²³

Federal Rental Assistance Meets a Small and Declining Share of the Need

While the need for rental assistance is high, only about one in four low-income families eligible for rental assistance receives it due to funding limitations. Families with children and non-elderly

	Families with children	Elderly without children	Other households with disabled members	Other households	All
Assisted renter households	2,007,000	1,431,000	615,000	803,000	4,856,000
Unassisted renters with housing problems	5,959,000	2,265,000	1,100,000	5,340,000	14,663,000
Unassisted renters with severe housing problems	3,381,000	1,498,000	759,000	3,209,000	8,846,000
Percentage with housing problems that do not receive assistance	75%	61%	64%	87%	75%

Source: CBPP analysis of 2011 American Housing Survey data for households with incomes at or below the higher of 60 percent of area median income or 150 percent of the poverty line. Numbers may not add due to rounding. "Housing problems" include housing cost burdens exceeding 30 percent of income, overcrowded housing, or inadequate housing. "Severe housing problems" include housing cost burdens exceeding 50 percent of income or severely inadequate housing. Households with disabled members were identified by HUD via responses to American Housing Survey questions about disabilities, a procedure that HUD acknowledges undercounts households in this group.

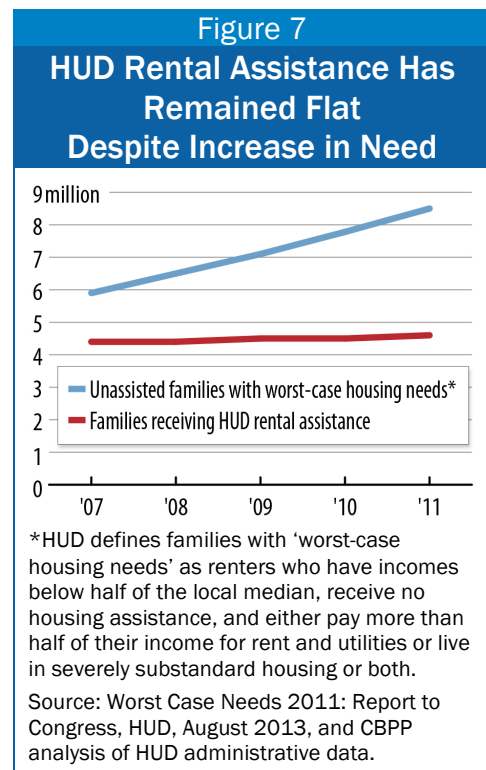
households without children or a disabled member face particularly severe shortages. (See Table 1.)²⁴

The shortfall in rental assistance has increased significantly in the last decade, as the number of families struggling to afford rental costs has grown but the number of families receiving rental assistance has not kept pace. (See Figure 7.)

Despite the increase in the number of lower-income households shouldering severe rent burdens and the imbalance in federal housing expenditures that favors higher income homeowners, the pressure to reduce the budget deficit and related constraints on discretionary spending will make it difficult even to maintain the current number of low-income households receiving federal rental assistance.²⁵ The “sequestration” cuts required under the 2011 Budget Control Act are expected to reduce the number of families with housing vouchers by up to 140,000 by early 2014, and will lead to deep underfunding of other rental assistance programs.²⁶

Renters’ Credit Would Expand Reach of Assistance and Facilitate Policy Improvements

It is exceedingly unlikely in this fiscal and political climate that additional rental housing needs will be met through annual appropriations. Thus, policymakers should consider enacting a new renters’ tax credit. Congress, for example, could permit states to allocate \$5 billion in renters’ credits



annually, subject to the eligibility and targeting policies described in the remainder of this analysis.

Consider the impact such a credit would have:

- States would be able to provide credits covering the gap between modest housing costs and 30 percent of a family's income to about 1.2 million lower-income households;
- It would reduce each recipient household's rent by an average of \$400;
- Its value would lift 270,000 families out of poverty; and
- It would lift four of five of the poorest families it assists out of deep poverty (defined as having income below 50 percent of the federal poverty guidelines).²⁷

In addition to assisting greater numbers of low-income renters, such a credit would offer opportunities for major policy improvements that would be difficult to achieve through the existing housing assistance programs. Today more than half of states administer rental assistance programs (which are mainly run at the local level), but most of those do so at a small scale. A state-administered renters' credit would allow states to provide rental assistance in coordination with other state-run programs. For example, states could use credits to make LIHTC developments affordable to poor families, to support assisted living arrangements that could lower state Medicaid costs, or to help families participating in state TANF or other employment-promoting programs for whom a lack of stable, affordable housing is a barrier to work. Ways in which states could use credits to achieve state priorities beyond affordable housing are described in the box, "States Could Use Renters' Credit to Achieve Key Policy Priorities," below.

Section 2: Key Features of a Renters' Credit

This section describes a proposal for a renters' tax credit that would help lower-income families afford housing. A renters' tax credit would complement the existing Low-Income Housing Tax Credit (which works well as a subsidy for development of affordable housing but is rarely enough on its own to push rents down to levels poor families can pay), and rental assistance programs such as Section 8 vouchers (which are highly effective but meet only a modest share of the need).

The renters' credit would be provided through capped allocations from the federal government to states. Families assisted through the credit generally would pay 30 percent of their income for rent, and building owners (and in some cases lenders holding mortgages on rental properties) would receive a tax credit in exchange for the rent reduction. We discuss the following six key features of the proposal:

- State credit ceilings;
- Income eligibility and targeting;
- Allocation of credits to families, owners, and lenders;
- The process for claiming credits;
- Setting the credit amount based on family incomes and housing costs; and
- Handling administrative costs.

State Ceilings

States would be given authority to allocate renters' credits, up to a cap established by Congress.²⁸ This approach would be similar to that used for the major existing low- and moderate-income housing tax expenditures, which give states broad discretion to allocate credits and bond authority among families or developments. These include LIHTC and three programs that states can support through allocations of tax-exempt bond authority: private activity bonds for affordable rental housing; Mortgage Revenue Bonds (MRBs), which subsidize mortgages for eligible households; and Mortgage Credit Certificates (MCCs), which provide a tax credit for between 10 percent and 50 percent of a household's mortgage interest.²⁹

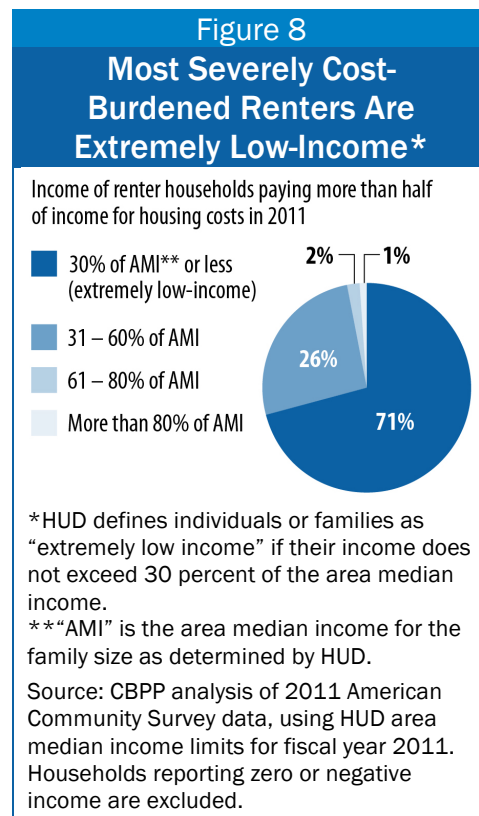
A capped credit would make it possible to provide a substantial credit at a more moderate cost than providing an uncapped credit to all eligible households. (For additional discussion of an uncapped credit and the reasons this analysis focuses on a capped credit, see Appendix 1.)

Congress would establish a formula to determine the amount of credits each state would be permitted to allocate. The formula could allocate credits on a per capita basis, as the LIHTC formula does. Alternatively, it could link credit amounts to the number of renters or the level of housing need in the state. Under any of these approaches, it would be sensible to follow the precedent of LIHTC (and various housing block grants) and include a minimum allocation for small states, to prevent states from receiving allocations that are too small to administer efficiently. (Appendix 3A lists the amount of credits each state could allocate under formulas based on total population, renter population, and two measures of housing need, with small state minimums included.)

Each state would designate an agency to administer the credit. In many states this would likely be the agency that administers LIHTC. In other states it could be an agency that does not administer LIHTC but runs a state Section 8 voucher program.

Income Eligibility and Targeting

States would allocate credits based on federal income eligibility rules and state policy preferences. Eligibility would be limited to families with incomes at or below 60 percent of the local median income or 150 percent of the federal poverty line, whichever is higher, at the time they first receive the credit.³⁰ This limit would vary from one area to another, but would average \$29,600 nationally for an individual living alone and \$42,900 for a family of four.³¹ In addition, states would be required to issue 75 percent of credits to families with incomes at or below 30 percent of the local median or the poverty line, whichever is higher. This targeting threshold would average \$14,900 nationally for an individual living alone and \$24,500 for a family of four.³²



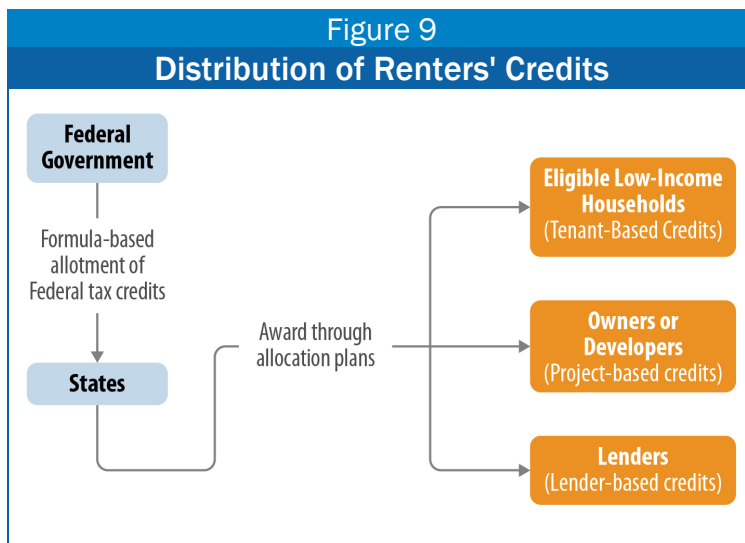
These limits would ensure that credits are directed to families that are most likely to need help to afford housing. As discussed above, high housing cost burdens are heavily concentrated among the lowest-income households. The large majority of renter households that pay more than half their income for housing costs have incomes at or below 30 percent of the local median, and only 3 percent of households with severe rent burdens have incomes above 60 percent of median. (See Figure 8.) The lowest-income households are also more likely to experience other serious housing problems, including severely inadequate housing, crowding, homelessness, and frequent moves from one home to another.

States could opt to target credits on particular groups based on other criteria in addition to income. These could include, for example, the elderly, people with disabilities, veterans, homeless people, or families with school-age children. A credit that established federal income eligibility limits and allowed states to set criteria to select families within those limits would allow a state to target credits based on its own priorities and needs and to coordinate renters' credits with state-run programs in health and human services and other areas. (See the box, "States Could Use Renters' Credit to Achieve Key Policy Priorities," for more.)

Types of Credit Allocations

States could choose to distribute renters' credits in three ways, which would give them flexibility to pursue a variety of policy goals (see Figure 9):

- *Tenant-based:* States could issue families credit certificates that they could use to rent a modest unit of their choice in the private market.
- *Project-based:* States could allocate credits to owners or developers to use in particular properties for terms of up to 15 years.
- *Lender-based:* States could allocate credits to lenders, which could enter into agreements to reduce mortgage payments of building owners who rent to eligible families at reduced rents.



Each of these approaches would have advantages. Tenant-based housing subsidies have the important benefit of enabling families to match the location of their homes to the circumstances of their lives. This can allow, for example, an unemployed worker to move near a job opportunity, parents to relocate near a school they would like their child to attend, or an elderly person or person with a disability to move near family members who can provide needed care.

Project-based assistance can allow states to guarantee that housing will be available in neighborhoods where it would otherwise be difficult for poor households to rent units. It can also

States Could Use Renters' Credit to Achieve Key Policy Priorities

States could target renters' credits to advance key priorities, make existing state programs more effective, and potentially achieve substantial savings. Possible uses of the credit include:

- **Ending or sharply reducing homelessness among veterans and individuals with severe health needs.** When the federal government adopted a plan in 2010 to end homelessness, it aimed first to end homelessness among veterans and the chronically homeless (defined as individuals with severe disabilities and long histories of homelessness) by 2015. HUD estimates that as of January 2012 there were 62,619 homeless veterans and 99,894 chronically homeless individuals (including some veterans). Supportive housing for homeless people with serious health problems can cut health care costs sharply – by as much as \$17,000 per person, according to one study.^a
- **Strengthening vulnerable families to prevent placement of children in foster care.** States could provide credits to families at risk of losing their children to foster care because they cannot afford adequate housing. One study concluded that affordable supportive housing for such families can hold families together, improve outcomes for children, and achieve savings in the emergency shelter and child welfare systems that offset almost its entire cost^b The U.S. Department of Health and Human Services is carrying out a broader demonstration of this approach.
- **Supporting TANF and other employment programs.** States could target credits to help jobless or underemployed workers obtain stable housing (often essential to finding or keeping a job) or move closer to job opportunities. Studies suggest that state welfare-to-work programs achieve greater earnings gains for families that receive rental assistance than for those that do not.^c
- **Improving educational outcomes.** States could allocate credits to enable families to rent stable housing near high-performing schools, which one study found raised poor children's test scores and narrowed achievement gaps with non-poor children by half in math and one-third in reading.^d More broadly, states could use the credit to reduce housing instability among families with school-age children, avoiding frequent moves that can be disruptive for both displaced children and their classmates.
- **Preventing unnecessary placement of low-income people in nursing homes and other institutions.** Credits could help elderly people and people with disabilities who would otherwise be at risk of placement in nursing homes or other institutional settings to rent accessible units in the private market, or could support service-enriched project-based housing that would meet their needs. States are required by federal law (under the Supreme Court's *Olmstead* decision) to offer opportunities to live in housing integrated in the community to people with disabilities who would otherwise be housed in institutions. The renters' credit could help states meet these obligations and achieve greater community participation for seniors and people with disabilities.^e

^a See Nardone et al, 2012, endnote 19.

^b Corporation for Supportive Housing, "Is Supportive Housing a Cost-Effective Means of Preserving Families and Increasing Child Safety? Cost Analysis of CSH's Keeping Families Together Pilot," 2011.

^c See Riccio 2008, endnote 16.

^d See Schwartz, 2010, endnote 23.

^e See Locke et al, 2011 and Sebelius 2012, endnote 18.

be useful for assisting populations that tend to have difficulty renting homes with tenant-based subsidies, such as the elderly or large families. In addition, project-based subsidies can support affordable housing development, since lenders can consider the revenues from the subsidy when assessing the owner's ability to repay loans taken out to fund rehabilitation or development. Finally, project-based subsidies can help fund supportive housing for the formerly homeless or people with mental or physical disabilities, which may function most efficiently if it concentrates services on families living in a single location.

Lender-based credits could reach properties whose owners would be less likely to accept tenant-based or project-based credits. This could include many smaller properties owned by individuals who have low or inconsistent tax liability or for other reasons are reluctant to take on the responsibility of claiming the credit themselves.

Two important limitations should apply to project-based and lender-based renters' credits. First, states should be prohibited from placing project-based credits in more than 40 percent of the units in a building, and lenders should not be permitted to enter into lender-based credit agreements covering more than that percentage. Exceptions should be permitted only in certain circumstances, including smaller buildings and developments in which more than 40 percent of units were previously subsidized through other federal project-based subsidies.

Limiting the share of credits in a property would impose a degree of market discipline that would not exist if all of the units had renters' credits and residents paid income-based rents far below market levels. Owners would need to rent units to a substantial number of households without credits for rents at or close to market levels, which would place pressure on managers to maintain developments in good condition and provide adequate security and other services.

Second, residents who have lived in units with project-based or lender-based credits for a period of time should be permitted to move from the development while retaining housing assistance. In the Section 8 voucher program, housing agencies can project-base some vouchers,³³ and the residents of these units have the right to move after one year using the next tenant-based voucher that becomes available. A new family from the waiting list then moves into the project-based voucher unit. This mobility right combines the strengths of project-based and tenant-based assistance, since an individual family is able to relocate if it so chooses, but the project-based unit remains available to other low-income families.

States that allocate project-based or lender-based credits should be required to have a workable mobility policy. If the state also provides some tenant-based credits, families that have lived in a development for a minimum period could be permitted to move out as soon as a tenant-based credit becomes available under the state's cap, and a new family could then be admitted to the project-based development and assisted with a credit. If the state project-bases or lender-bases all of its credits, it could offer mobility by allowing families to move among renters' credit developments or through voluntary agreements with state or local housing agencies to allow the families to move with tenant-based vouchers.

For all types of credits, families would be selected from waiting lists to receive a credit, since states would not have sufficient credit authority to assist all eligible families. States could opt to use existing waiting lists from Section 8 voucher or public housing programs, or they could establish one or more new lists specifically for the renters' credits. Owners of properties where project-based and

lender-based credits are used would likely select credit recipients themselves, but would be required to use waiting lists that meet federal and state eligibility and targeting requirements.

Process for Claiming Credits

A family living in a unit assisted through the renters' credit would not need to claim the credit on its tax return or to file a tax return if it would not otherwise be required to do so. Instead, the owner would limit the family's rent, generally to 30 percent of its income, and in most cases would claim a credit based on the amount of the rent discount — that is, the difference between the market rent and the tenant's payment. (The details of the credit and rent calculations are discussed below.)

The state would provide a form to the owner and the IRS annually verifying the owner's eligibility to claim a credit of a particular amount. The owner would be able to benefit from the credit before the end of the tax year by reducing quarterly estimated taxes or regular withholding.

Alternatively, the credit could be claimed by the entity holding the mortgage on the property in exchange for reducing the owner's mortgage payments. As explained above, states could allocate credits directly to lenders, who would then enter into agreements with owners to use the credits. In addition, owners that receive project-based credit allocations or rent to families with tenant-based credits could opt to pass the credit through to their mortgage lender. The family's rent and the credit amount would be the same as they would be if the owner claimed the credit directly.

Many, but not all, owners would have sufficient tax liability to claim credits. Just 5 percent of rental units were owned in 2001 (the latest year for which data are available) by entities that generally do not pay taxes, including non-profits, real estate investment trusts (REITs), and pension funds (see Table 2). These entities would not be able to claim the renters' credit directly, although they could pass the credit on to their lender if the property is subject to a mortgage held by a bank or other entity with tax liability and the authority to reduce the mortgage,³⁴ and some may also be able to pass credits on to taxable partners or investors.

Type of Owner	Number of Units	Share of All Rental Units
Individuals	19,297,741	55.3%
Partnerships (Limited and General)	8,149,331	23.3%
Non-REIT Corporations	3,815,020	10.9%
Non-Profits and Church Related	1,144,267	3.3%
REITs	666,961	1.9%
Pension Funds	72,265	0.2%
Other	1,769,399	5.1%

Source: CBPP analysis of Census Bureau's 2001 Residential Finance Survey.

Corporations and partnerships owned 34 percent of the rental stock in 2001. Most rental housing partnerships and corporations do not report positive taxable income, but partnerships and some types of corporations could pass credits through to partners or shareholders. Individuals owned 55 percent of the rental stock in 2001. IRS data show that 72 percent of individuals with rental income gains or losses had positive tax liability in 2010, although some might not owe enough taxes to claim the credit in full or be too uncertain of their tax liability during the year to be willing to accept a tax credit in place of direct rent payments unless they could pass it through to their mortgage lender.

The number of owners who could claim credits could be expanded by allowing the credits to be carried forward against future tax liability for up to 20 years and back against prior liability for up to five years. (These rules are somewhat more permissive than those applied to LIHTC and most other business tax credits, which also can be carried forward for 20 years but back for only one). It would also be beneficial to exempt the credit from rules that limit individuals' ability to claim credits and losses from "passive" activities (which include rental real estate credits and losses, except when they are claimed by a real estate professional who plays a substantial role in managing a property) against "active" income (such as wages and salaries).³⁵

The Renters' Credit and LIHTC

The renters' credit would complement the existing Low-Income Housing Tax Credit (LIHTC), which supports construction and rehabilitation of housing affordable to families with incomes below 60 percent of the local median income. LIHTC has proven effective as a development subsidy, but on its own generally does not make rents affordable to the lowest-income families, who are most likely to need assistance to afford housing.

LIHTC provides affordable homes to many extremely low-income families — those with incomes below 30 percent of the median — but this is usually because the families are also assisted through Section 8 vouchers or another form of rental assistance.^a Nearly all state LIHTC allocation plans include some incentive or requirement for assisting extremely low-income families or populations (such as the homeless) that mainly have extremely low incomes. And nearly all encourage coordination with rental assistance programs as a means to reach the poorest households. The number of families with rental assistance, however, has been stagnant in recent years (see Figure 7) and is unlikely to grow substantially in the foreseeable future. Since the number of LIHTC units grows each year, states' ability to use LIHTC to reach the neediest families will dwindle unless they receive additional resources to reduce rents to levels those families can afford.

The renters' credit would make rents affordable to the lowest-income families and could be used in developments built or rehabilitated with LIHTC, as well as a wide range of other units in the housing stock. LIHTC developments would be well positioned to use renters' credits, since they are typically owned by partnerships structured to pass tax benefits to investors with substantial tax liability. States could allocate renters' credits through the same allocation process they use for LIHTC, and many of the proposed renters' credit rules would facilitate administration of the credits together with LIHTC. For example, states could use the same income definition under both credits and any family that qualifies to move into a LIHTC development would also meet the renters' credit income eligibility criteria.

States would have flexibility to adjust other renters' credit parameters to support use of the two credits together. LIHTC developments are subject to rent restrictions for 15 years, but the full amount of the credit is provided during the first ten years of this period. In addition, the partners who claim LIHTC credits make an up-front investment at the start of the credit period and need to know the value of the credits over the full period to determine whether the investment is worthwhile. States would be permitted to fix the value of long-term renters' credits at the start of the credit period (based on an estimate of likely rents and tenant incomes in later years), and allow the full credit amount for a 15 year period to be distributed over the first 10 years. (As with LIHTC, the credits would be recaptured if the development did not comply with renters' credit rules for the full 15 years.)

^a Moelis Institute for Affordable Housing, "What Can We Learn about the Low-Income Housing Tax Credit Program by Looking at the Tenants?" October 2012, p. 6, http://furmancenter.org/files/publications/LIHTC_Final_Policy_Brief_v2.pdf.

These measures would be particularly important for tenant-based credits, which would need to be claimed by owners of units selected by families (or those owners' lenders) and would work best if families are able to choose from a wide range of units. Since project-based and lender-based credits would be used by owners and lenders who opt to apply for them and the renters' credit overall would only reach a small percentage of rental units, states should be readily able to find enough entities willing and able to claim the credits to make these allocation options workable. Measures to make the credits easier to claim would also be helpful for project-based and lender-based credits, however, since they could spur greater competition among lenders and investors to participate in the program.

Credits would count toward the taxable income of the entity that claims them, just as the rental income that the owner forgoes due to the credit — or the interest income that a lender forgoes — would have been taxable. (An alternative approach, which we proposed in the initial version of this analysis, would be to make the credits non-taxable. As discussed further in Appendix 1, a taxable credit would be simpler for states to administer and less likely to provide excessive benefits to owners and lenders than a non-taxable credit.)

Setting the Credit Amount

As noted, families in units assisted with the renters' credit generally would pay 30 percent of their income for rent. This formula is designed to provide the poorest families with adequate subsidies to afford modest housing while avoiding giving somewhat better-off families larger subsidies than they need. Thirty percent is widely used in federal housing assistance programs and by private landlords and lenders as a standard for the amount that families can afford to pay for housing.

The tax credit would equal the gap between 30 percent of the family's income and the full rent for the unit, capped based on modest rents in the local market and adjusted by a credit percentage established by the state. The family would be responsible for paying the full amount of any excess rent above the market-based cap (as well as any tenant-paid utilities, unless the state opted to cover such costs through the credit). Each of these major determinants of the credit amount is discussed further below. Table 3, below, shows the calculation in detail.

Income

For purposes of setting the family's rent payment, the family's income would be determined by the state, or the owner in some cases.³⁶ As under LIHTC and other state-administered housing tax expenditures, this determination generally would use the definition of income used by the Section 8 program.³⁷ The Treasury Department would have the authority to modify this definition to allow states to use income determinations from other means-tested programs, such as the Supplemental Nutrition Assistance Program (SNAP).

In developments with project-based or lender-based credits, the owner would determine the family's income itself or the state would determine the income and notify the owner of the appropriate rental charge, based on that income. For tenant-based credits, the state would enter the amount of the tenant payment on the family's credit certificate, which the family would provide to the owner.

The state generally would be required to redetermine the income of a family using the credit at least annually to ensure that the credit amount remains matched to need. For families whose incomes are primarily from fixed sources (such as Social Security or Supplemental Security Income), states could redetermine income as infrequently as once every third year, with adjustment for inflation in the intervening years (as income from these sources typically rises annually with an inflation-based cost-of-living adjustment).

States would base credit amounts on the family's income in the prior year, to reduce the need for ongoing adjustment (which would be required if states sought to base credits on current year income). If a family's income changes during the year, states would be permitted, but not required, to redetermine the family's income and the amount of the credit the family's landlord could claim. When this occurs, the family's rent would be raised or lowered promptly after its income is redetermined, and owners would adjust their estimated taxes or withholding to reflect the change in the credit amount.

Rent

To ensure that the credit would subsidize only modest rents, the rent counted toward determining the credit would be the lower of the actual rent or a market-based rent cap set by the state within 25 percent of the HUD Fair Market Rent (FMR) for the zip code (if the unit is in a metropolitan area) or non-metropolitan county.³⁸ FMRs reflect estimates of the 40th or 50th percentile of market rent and utility costs for units with various numbers of bedrooms. HUD has long established FMRs for entire counties and metropolitan areas, and recently began establishing zip code-level Small Area Fair Market Rents (SAFMRs) in metropolitan areas to more accurately reflect rents in particular neighborhoods.

If the renters' credit is capped by FMRs based on market rents in individual metropolitan zip codes and non-metropolitan counties, owners would not be able to inflate rents above market levels except in limited circumstances (such as when units are of lower quality or have fewer amenities than other nearby units, or are poorly located within the zip code or county, and consequently have market rents below the FMR). For this reason and because states would be responsible for paying the administrative costs of the renters' credit, states should not be required to review all rents to ensure that they are comparable to rents for similar units in the local market (as agencies administering Section 8 vouchers must do). Instead, states should be permitted to decide whether to establish additional policies to ensure that rents charged in renters' credit units are not inflated and to experiment with less burdensome rent monitoring processes (such as requiring owners to certify that rents are in line with the local market).

Utilities

States would decide whether to include utility costs when calculating credit amounts. Federal housing assistance programs have typically sought to include utilities in the costs they cover, because excluding tenant-paid utilities would unfairly disadvantage families that pay their own utilities relative to those whose utilities are included in their rent, and payment of utilities is essential to a household's ability to maintain decent living conditions and avoid eviction. Assistance with utilities is particularly important to households with little or no income, who in many cases would not be able to use a credit to rent housing if they had to fully cover utility costs on their own.

But using a tax credit to the owner to deliver a subsidy that covers utility costs that the tenant pays directly to utility companies would pose significant challenges. If the amount of the subsidy exceeds the rent to the owner (as could occur for tenants with little or no income), the owner would have to make a payment to the tenant for the remaining amount to assist the tenant in making utility payments, or would have to pay utility companies directly. Most owners would likely be unwilling to accept credits under these terms.

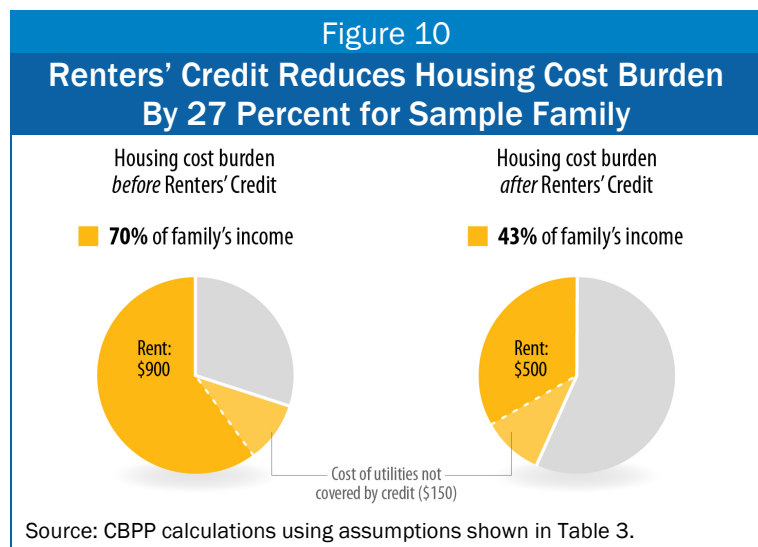
Including utilities would also increase the complexity of a tax credit for states. It would make it necessary to determine and verify which families are paying their own utility costs. Moreover, to avoid rewarding higher utility use (which would raise credit costs and have adverse environmental consequences), it would be necessary to establish utility allowances based on typical utility costs and base credit amounts on these allowances rather than actual utility costs. Housing assistance programs establish a wide range of utility allowances for tenants that are responsible for different combinations of utilities, are located in the service areas of different utility companies, and live in different types of buildings. States could use these allowances for the renters' credit, but the need to select the appropriate allowance for each family would still add complexity.

To make it feasible to provide utility assistance through the renters' tax credit, states would be permitted to count utilities in calculating the credit but cap the subsidy so that owners are never required to make separate utility payments — although this would mean that the utility subsidy would provide less help to the lowest-income credit recipients than to other recipients. In addition, states could opt to include utilities in credit calculations for project-based, but not tenant-based, credits, because the level of added complexity would be relatively low for project-based credits. In most project-based developments, all tenants would be responsible for the same mix of utility costs, so there would be no need to determine this for individual households. Moreover, LIHTC uses utility allowances to determine rents, so project-based renters' credit units that are also assisted through LIHTC (or other programs that operate similarly) would already have utility allowances associated with them.³⁹

When tenant-paid utilities are excluded from the rent, it would be reasonable to set the rent cap at 85 percent of the SAFMR, since FMRs are designed to include tenant-paid utilities and those utilities average just under 15 percent of total housing costs for renters.

Credit Percentage

States would set credits as a percentage of the rent discount the owner provides, between 100 percent and a cap set somewhat higher (perhaps at 110 percent).⁴⁰ It would sometimes be appropriate to provide owners and lenders a credit modestly above the rent discount, since this would encourage them to accept the credit and compensate them for drawbacks of doing so (which would include the modest delays that would sometimes occur between the time the owner



incurs the cost of the rent reduction and receipt of the credit, and for some owners, the uncertainty about whether their tax liability will be sufficient to claim the full credit in the current year) and for any administrative costs they bear as a result of the credit.

Flexibility to set credit rates above 100 percent would allow states to balance the goals of fostering widespread acceptance of the credit and limiting costs to maximize the number of families they can assist. If states set credit rates for some renters' credits above 100 percent, this would increase the cost per family assisted above the amount of the rent subsidy alone (though it would not increase the overall federal cost, which would be limited by the caps on the amount of credits each state could issue). All rental assistance programs, however, generate some administrative or other costs above the amount of the direct rent subsidy. In the voucher program, for example, Congress has generally provided added funding equal to 8 to 10 percent of subsidy funding to cover administrative costs.

Table 3			
Calculating the Monthly Renters' Credit for a Sample Family With a Monthly Income of \$1,500 Paying \$900 a Month in Rent			
Impact on Family		Impact on Owner	
\$900	Rent	\$400	Rent Reduction to Family
— \$850	Market-Based Rent Cap (85% of HUD FMR for Zip Code or Non-Metropolitan County)	x 105%	Credit Percentage
\$50	Excess Rent Paid by Family after applying the Market-Based Rent Cap	\$420	Credit to Owner
+ \$450	Family Income-Based Rent Payment (30% of \$1500)		
\$500	Total Family Rent Payment		
Total Rent Reduction for Family: \$400		Tax Benefit to Owner: \$420	

Administrative Costs

The bulk of the costs of administering a renters' credit would be incurred at the state level (although states would be free to contract out administration to local housing agencies or other entities). It is highly unlikely that Congress would provide funds to cover state administrative costs, so states would be responsible for paying those costs themselves. This would follow the approach used in existing state-administered tax expenditures.

If states are responsible for paying administrative costs, it would be important to streamline administrative requirements, particularly in areas where needs differ substantially from one state to another. For example, in units with tenant-based credits, states could determine what mechanisms and standards to put in place to ensure that units rented with the credit are of decent quality.⁴¹ States could conduct regular on-site inspections, similar to the requirements for housing agencies

administering Section 8 vouchers. Alternatively, states could require owners or tenants to certify that units meet applicable state or local standards, or tenants could simply be given information about how to identify serious quality problems and enforce applicable standards.

This flexibility would be reasonable, in part because housing quality problems have become less common due to long-term improvements in the nation's housing stock. Data from the American Housing Survey indicate that the share of renters with no housing assistance and incomes below half of the median that live in severely inadequate housing fell from 11 percent in 1978 to 4 percent in 2011. Moreover, there are substantial differences among states in the age of the housing stock (which is closely linked to the extent of housing quality problems),⁴² the existence and enforcement of state and local codes, and the cost of carrying out on-site inspections (which can be much more expensive in rural areas where rental units are more widely scattered than in urban or suburban areas).

Streamlining of inspections and other administrative tasks (such as income reviews and assessments of whether rents are reasonable) could likely reduce administrative costs significantly below those in the Section 8 voucher program. If we assume that costs would be 40 percent below voucher costs, a credit assisting one million households would generate about \$500 million in administrative costs for all states combined.⁴³

States could be permitted to charge property owners or banks participating in the renters' credit fees to cover administrative costs. As noted above, states could set the amount of the credit modestly above the rent reduction. Charging a fee to cover states' administrative costs would not be a disincentive to participate in the program if owners or banks receive a sufficient credit to cover the amount of the fee.

In addition, states could use general revenues to pay for administrative costs or could direct state housing agencies to use available revenues for this purpose (such as surplus fees from the MRB or LIHTC programs). Finally, states could use funds under the HOME and Community Development Block Grant programs for renters' credit administrative costs. An amendment to the statutes governing those programs would be needed to permit use of substantial amounts of grant funds in this manner, but this seems a more viable approach than securing a new federal funding stream.

If a renters' credit were enacted as part of a broader reform of housing tax expenditures, many states could gain revenues that might offset the administrative costs. Today, 32 states have state income taxes that allow taxpayers to apply the federal mortgage interest deduction to their taxable income.⁴⁴ These states would gain revenues if the federal mortgage interest deduction were scaled back or eliminated, as long as the state did not "decouple" its state income tax code from this change in the mortgage deduction. In the 12 states where recent state estimates of the mortgage interest deduction's impact on income tax revenues are available, the deduction reduced state revenues by a total of more than \$9 billion annually.

States would have incentives to provide funds to cover administrative costs. The credit would benefit real estate owners and low-income tenants in the state; might ease some burdens in state child welfare, Medicaid, and other systems; and, more broadly, would bring funds into the state's economy that would exceed administrative costs by a large ratio (more than 10 to 1 under the assumption above that administrative costs would be 40 percent below those under the voucher program) given that the credit itself would be fully federally financed. States that chose not to

provide administrative funds could opt out of the credit, and the federal government could then reallocate the state's credits to other states that are willing to provide the administrative funds.

Conclusion

As the debate on tax reform progresses, policy makers should consider instituting a renters' tax credit to help rebalance the nation's housing spending and address a portion of the unmet need for housing assistance among low-income households. A renters' tax credit capped at \$5 billion would help about 1.2 million low-income households afford housing. States could use the credit to address a series of pressing needs, including ending or sharply reducing homelessness among veterans and other groups, enabling low-income elderly people or people with disabilities to live in affordable housing with services rather than nursing homes, and providing stable homes near high-performing schools for poor families with children that would otherwise be at risk of frequent disruptive moves.

The cost of such a credit would represent less than 3 percent of total federal homeownership tax expenditures. It would amount to less than 15 percent just of the cost of the mortgage interest and property tax deductions now provided to taxpayers with incomes above \$200,000, who likely would not encounter serious difficulty in purchasing a home if the subsidies they received were more modest. Using a portion of the savings from reforming the homeownership tax expenditures to fund a renters' credit would complement existing programs and make the nation's housing spending considerably more equitable and effective.

Endnotes

¹ The Advisory Panel on Federal Tax Reform, the Rivlin-Domenici plan, and the illustrative tax reform plan in the Bowles-Simpson report differ in some details on homeownership tax benefits, but all proposed changing from a deduction of eligible mortgage interest payments to a credit. “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,” December 2010, http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf; Debt Reduction Task Force, “Restoring America’s Future,” Bipartisan Policy Center, November 2010, <http://www.bipartisanpolicy.org/sites/default/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf>; Connie Mack et al., “Simple, Fair, and Pro-Growth: Proposals to Fix America’s Tax System,” Report of the President’s Advisory Panel on Federal Tax Reform, November 2005, <http://govinfo.library.unt.edu/taxreformpanel/final-report/index.html>. On the Bush panel’s recommendations, see Aviva Aron-Dine and Joel Friedman, “Effects of the Tax Reform Panel’s Proposals on Low- and Moderate-Income Households,” Center on Budget and Policy Priorities, February 3, 2006, <http://www.cbpp.org/cms/?fa=view&id=1133>.

² For additional discussion of proposals to change the mortgage interest deduction, see Will Fischer and Chye-Ching Huang, “Mortgage Interest Deduction Is Ripe for Reform,” Center on Budget and Policy Priorities, April 4, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3948>.

³ See, e.g., U.S. Departments of the Treasury and Housing and Urban Development, “Reforming America’s Housing Finance Market: A Report to Congress,” February 2011, <http://portal.hud.gov/hudportal/documents/huddoc?id=housingfinmarketreform.pdf>; Sheila C. Bair, Chairman of the Federal Deposit Insurance Corporation, Remarks to the Housing Association of Non-Profit Developers Annual Meeting, June 7, 2010, <http://www.fdic.gov/news/news/speeches/chairman/spjun0710.html>.

⁴ The share of housing tax expenditures and direct outlays that supports renters or rental housing varies somewhat each year, due primarily to the impact of the economy on various tax expenditures and changes in appropriations for particular programs. But since at least 2005, the share of expenditures supporting renters has been consistently lower than the renter share of the population.

⁵ Rolf Pendall et al., “Demographic Challenges and Opportunities for U.S. Housing Markets,” Bipartisan Policy Center, March 2012, <http://www.bipartisanpolicy.org/sites/default/files/BPC%20Housing%20Demography.pdf>. The greater flexibility of rental housing may prove increasingly desirable to working-age households facing unstable jobs and to aging baby boomers downsizing to easier living situations. But for those able to meet newly tightened mortgage requirements, homeownership is again becoming more financially attractive as rents rise while sales prices and interest rates remain low by historical standards.

⁶ See note 24 below.

⁷ The average “housing benefit” for each income group includes tax expenditures and direct outlays for the programs included in Figure 3; all households in the income group are included in the denominator regardless of whether they receive a tax or program benefit. If homeowner *deductions* are changed to *credits* as the various tax reform commissions and many experts have recommended, lower and moderate income homeowners would receive a larger average benefit than they do under current tax policies.

⁸ Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing,” June 2013, p. 27 and Table A-3, <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013.pdf>.

⁹ *Id.*, pp. 23-24.

¹⁰ The Joint Center for Housing Studies estimates that a family needed an income of \$51,800 in 2010 to rent a typical newly constructed unit, paying 30 percent of income for rent and utilities. *America’s Rental Housing — Meeting Challenges, Building on Opportunities*, 2011, p. 24, <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americasrentalhousing-2011.pdf>. CBPP analysis of 2010 American Community Survey data found that 73 percent of renter households had incomes below \$51,800 in 2010.

¹¹ In 2011, American Housing Survey data indicate that 19.2 million of the nation’s 38.9 million renter households had incomes below 50 percent of the local median. An analysis of 2009 and 2010 data covering nine states found that among LIHTC renters without rental assistance, 67 percent of families with incomes at or above 50 percent of median

paid less than 30 percent of their income for rent, but the share paying less than 30 percent fell to 26 percent of families with incomes between 41 and 50 percent of median, 11 percent of families with incomes between 31 and 40 percent of median, and 14 percent of families with incomes at or below 30 percent of median. Katherine O'Regan and Keren Horn, "What Can We Learn about the Low-Income Housing Tax Credit Program by Looking at the Tenants?" July 1, 2012, p 40, http://nlihc.org/sites/default/files/LIHTC_Tenant_Report_2012.pdf.

¹²Mark M. Kishiyama, W. Thomas Boyce, Amy M. Jimenez, Lee M. Perry, and Robert T. Knight, "Socioeconomic Disparities Affect Prefrontal Function in Children," *Journal of Cognitive Neuroscience* 21(6): 1106–15 (2009).

¹³Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," Pathways, Winter 2011, http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf. For families with incomes below \$25,000, those children whose family received a \$3,000 annual boost to family income when the children were under age 6 earned 17 percent more as adults, on average, and worked 135 more hours per year after age 25, than otherwise-similar children whose families did not receive the income boost.

¹⁴Joint Center for Housing Studies of Harvard University, "America's Rental Housing: Meeting Challenges, Building on Opportunities," April, 2011, p. 5 and table A-9, <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americasrentalhousing-2011.pdf>; Elizabeth March et al, "Behind Closed Doors: The Hidden Health Impacts of Being Behind on Rent," Children's HealthWatch, January 2011; Craig Evan Pollack, Beth Ann Griffin, & Julia Lynch, (2010). "Housing affordability and health among homeowners and renters," *American Journal of Preventive Medicine*, 39(6): 515–21, (2010).

¹⁵Diana Becker Cutts, MD, "US Housing Insecurity and the Health of Very Young Children," *American Journal of Public Health*, August 2011, Vol. 101, No. 8, p. 1508; Lorraine E. Maxwell, 2003. "Home and School Density Effects on Elementary School Children: The Role of Spatial Density," *Environment and Behavior* 35(36438), (2003), pp. 566–78. Dalton Conley, "A Room With a View or a Room of One's Own? Housing and Social Stratification." *Sociological Forum* 16(2), (2001), pp. 263–80; Michelle Wood, Jennifer Turnham and Gregory Mills, "Housing Affordability and Well-Being: Results from the Housing Voucher Evaluation," *Housing Policy Debate* 19:367-412 (2008).

¹⁶James A. Riccio, "Subsidized Housing and Employment: Building Evidence of What Works," in Nicolas P. Retsinas and Eric S. Belsky, eds., *Revisiting Rental Housing*, Joint Center for Housing Studies and Brookings Institution Press, 2008.

¹⁷Maya Brennan, "The Impacts of Affordable Housing on Education: A Research Summary," Center for Housing Policy, May 2011, http://www.nhc.org/media/files/Insights_HousingAndEducationBrief.pdf.

¹⁸Gretchen Locke, Ken Lam, Meghan Henry, Scott Brown, "End of Participation in Assisted Housing: What Can We Learn About Aging in Place?" Abt Associates Inc., February 2011, http://www.huduser.org/publications/pdf/Locke_AgingInPlace_AssistedHousingRCR03.pdf. In 2012, the U.S. Department of Health and Human Services combined agencies serving seniors and people with disabilities into a new Administration for Community Living, to enhance federal efforts to avoid unnecessary institutionalization. This effort recognizes the importance of enabling individuals to have access to appropriate housing. See "A Statement from Secretary Sebelius on the Administration for Community Living," April 16, 2012, <http://www.hhs.gov/news/press/2012pres/04/20120416a.html>.

¹⁹For summaries of findings and references, see U.S. Interagency Council on Homelessness, "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness, 2010", pp. 18-19, http://www.usich.gov/PDF/OpeningDoors_2010_FSPPreventEndHomeless.pdf; and Michael Nardone, Richard Cho and Kathy Moses, Medicaid-Financed Services in Supportive Housing for High-Need Homeless Beneficiaries: The Business Case," Center for Health Care Strategies, Inc., June 2012, <http://www.rwjf.org/files/research/74485.business.case.pdf>.

²⁰Jens Ludwig et al., "Neighborhoods, Obesity, and Diabetes — A Randomized Social Experiment," *New England Journal of Medicine*, 365:16, October 2011, <http://www.nejm.org/doi/full/10.1056/NEJMsa1103216>.

²¹Brian A. Jacob, Jens Ludwig, Douglas L. Miller, "The Effects of Housing and Neighborhood Conditions on Child Mortality," NBER Work Paper No. 17369, National Bureau of Economic Research, August 2011, <http://www.nber.org/papers/w17369>.

²²Julia Burdick-Will et al., "Converging Evidence for Neighborhood Effects on Children's Test Scores: An Experimental, Quasi-Experimental, and Observational Comparison," in Greg Duncan and Richard Murnane, eds., *Whither Opportunity? Rising Inequality, Schools, and Children's Life Chances*, pp. 255-276, Russell Sage Foundation, September

2011, <https://www.russellsage.org/publications/whither-opportunity>. Similar neighborhood effects have not been shown in rigorous demonstrations where the crime levels in the neighborhoods did not differ greatly.

²³ Heather Schwartz, “Housing Policy is School Policy,” The Century Foundation, 2010, <http://tcf.org/publications/pdfs/housing-policy-is-school-policy-pdf/Schwartz.pdf>. This study examined educational outcomes for low-income children living in scattered site public housing units in Montgomery County, Maryland, a generally high-income suburb of the District of Columbia. Children attending schools with the lowest poverty rates (measured as 20 percent or fewer eligible for free and reduced-price meals) significantly outperformed children attending higher-poverty schools. In contrast, most children who moved to somewhat lower poverty neighborhoods as part of the Moving to Opportunity Demonstration generally continued to attend “majority-minority, overwhelmingly low-income,” low-performing schools, where about two-thirds of the children were eligible for free or reduced price meals. Lisa Sanbonmatsu et al., “Moving to Opportunity for Fair Housing Demonstration Program Final Impacts Evaluation,” National Bureau of Economic Research, 2011, pages 225, <http://www.huduser.org/portal/publications/pubasst/MTOFHD.html>.

²⁴ Table 1 uses an income cut-off of the higher of 60 percent of area median income (AMI) or 150 percent of the poverty line to correspond to our policy recommendation discussed in the next section. HUD’s analysis of American Housing Survey data from 2009, using an income cap of 80 percent of AMI — the current initial eligibility limit for most of HUD’s rental assistance programs — also finds that only one in four households with housing needs receives assistance (24 percent). See HUD, “Worst Case Housing Needs, 2009: A Report to Congress.” The AHS data rely on self-reporting of receipt of housing assistance and may include assistance funded by states and localities. Using HUD and Rural Housing Service administrative data, we find that about 5 million renter households received some form of federal rental assistance in 2009, of which a small number have incomes over the income cut-off used in Table 1.

²⁵ Richard Kogan, “Non-Defense Discretionary Programs Will Face Serious Pressures Under Current Funding Caps,” Center on Budget and Policy Priorities, December 6, 2012, <http://www.cbpp.org/files/12-4-12bud.pdf>; Douglas Rice, “Deficit Reduction Deal Without Substantial New Revenues Would Almost Certainly Force Deep Cuts in Housing Assistance,” Center on Budget and Policy Priorities, <http://www.cbpp.org/files/11-26-12hous.pdf>.

²⁶ Douglas Rice, “Sequestration Could Deny Rental Assistance To 140,000 Low-Income Families,” Center on Budget and Policy Priorities, January 3, 2012, <http://www.cbpp.org/files/4-2-13hous.pdf>.

²⁷ The estimates of the anti-poverty effect of the renters’ credit compare household income, using a modified definition of income, to the federal poverty guidelines for each household size. For the reasons explained in Appendix 2, the definition of income used here is after-tax cash income from all sources, plus the estimated amount of benefits received from the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps), and the amount of the rent reduction estimated for participating families.

²⁸ For credits to help families maintain stable housing, states would need to be able to allow families to use a credit for multiple years if the family otherwise remains eligible. States could count the estimated cost of the credits over a multi-year period — for example, five years — against the cap entirely in the year they are awarded. This approach would likely provide more security to families and owners than the alternative of applying the cap based on the total amount of credits claimed each year. It would also mean that the number of families assisted — and the revenues lost to the federal government — would grow gradually during the initial years of implementation (since each year states could award credits to only one-fifth of the total number of families they would assist once the credit is fully ramped up).

²⁹ For MCCs, states allocate certificates to families permitting them to claim the credit, and the amount of tax-exempt bond authority the state can allocate is reduced by an amount based on the total of the credits. For further discussion of MCCs, see Erica Greulich and John M. Quigley, “Housing Subsidies and Tax Expenditures: The Case of Mortgage Credit Certificates,” Institute of Business and Economic Research and Fisher Center for Real Estate and Urban Economics, University of California, Berkeley, Oct. 2009.

³⁰ If a family’s income later rises, the credits would gradually phase down as the gap between rent and 30 percent of income closes, rather than ending immediately when the family’s income exceeds the higher of 60 percent of the local median or 150 percent of the poverty line. This would avoid sharp credit cutoffs that would abruptly increase a family’s housing costs or discourage increases in earnings. Since the rents covered by the credit would be capped at typical levels for modest housing in the local market (see below), credits would phase down to zero at relatively low income levels — usually below 80 percent of the local median income.

³¹ The initial, July 2012 version of this analysis proposed an overall eligibility limit at the higher of 60 percent of the local median or 200 percent of the poverty line. We reduced the proposed eligibility limit to the higher of 60 percent of median or 150 percent of the poverty line because further analysis indicated that our initial proposal would have made excessively large numbers of households with little need for assistance eligible for the renters' credit and would have raised the credit's eligibility threshold above the current rental assistance eligibility limit (80 percent of the local median income) in many counties.

³² The proposed eligibility limit would ensure that any household admitted to a LIHTC development could benefit from the renters' credit. LIHTC limits eligibility to households with incomes at or below 60 percent of the area median (without adjustment for areas where this level is below 150 percent of the poverty line). The lower targeting threshold proposed here is similar to that used for the Section 8 voucher program, which generally limits overall eligibility to 80 percent of median income but requires that 75 percent of vouchers be issued to families with incomes at or below 30 percent of the median. The Administration's fiscal year 2014 budget, the fiscal year 2014 HUD appropriations bill approved by the Senate Appropriations Committee in June 2013, and several bipartisan authorizing bills considered in recent sessions of Congress have proposed to increase the voucher targeting threshold to the higher of the poverty line or 30 percent of median, the same approach we propose here.

³³ Agencies are permitted to use up to 20 percent of their voucher funds to project-base vouchers. Several bills considered by Congress in recent years would increase this threshold modestly. For example, a discussion draft of the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) that the majority staff of the House Financial Services Committee released on April 14, 2012, would permit agencies to project base up to 25 percent of their vouchers, if 5 percent are used to house formerly homeless people or for other specified purposes.

³⁴ Federal Reserve data indicate that of the total amount of mortgage debt outstanding in the first quarter of 2013, 44 percent was held by government-sponsored entities (GSEs). The largest of these entities, Fannie Mae and Freddie Mac, do not currently have tax liability and consequently would not be able to claim the renters' credit, although this could potentially change in the future. An additional 23 percent was held by mortgage pools or issuers of asset-backed securities, which may not have authority to reduce required payments in exchange for a credit.

³⁵ Individual taxpayers may claim no more than \$25,000 in passive losses and (depending on the taxpayer's income bracket) \$2,500 to \$9,900 in passive credits from rental housing against active income. For rental losses, this limit begins to phase down when the taxpayer's income rises above \$100,000, and taxpayers with incomes above \$150,000 may not claim any passive losses against active income. Taxpayers' ability to claim passive LIHTC credits does not phase out as their income rises.

³⁶ Owners of LIHTC developments and other types of developments with project-based subsidies certify tenant incomes, subject to various requirements to document the determination to oversight agencies or have documentation available if requested. Similarly, if some renters' credits were project-based in particular properties, states could opt to delegate income determinations to the property owners.

³⁷ LIHTC and the other state-administered housing tax expenditures use Section 8 *gross* income, without the deductions (for example, for child care or medical expenses) that are applied to the income used to set rents under Section 8 and other HUD housing assistance programs. It would be sensible for the renters' credit also to use gross income, to simplify administration for states generally and particularly to allow income determinations carried out for LIHTC to be used for the renters' credit as well. It would be feasible to use the Section 8 definition of income rather than taxable income under the tax code because the credit would not be claimed on the family's tax return. Taxable income has the major disadvantage of excluding some significant sources of income for poor people, such as cash public assistance benefits and child support payments. The Section 8 definition does count these income sources, so it would be more equitable between families with different types of income and more responsive to families' actual need for housing assistance.

³⁸ HUD's 2013 Small Area FMRs for metropolitan areas are available at http://www.huduser.org/portal/datasets/fmr/fmr2013p/small_area_fmrs_fy2013.xls, and its 2013 county-level FMRs are available at http://www.huduser.org/portal/datasets/fmr/fmr2013f/FY2013_4050_Final.xls.

³⁹ In LIHTC units, rents are capped at 30 percent of 60 percent of the local median income for a family of the appropriate size, but in units with tenant-paid utilities, owners must reduce the required rent payment by the amount of the utility allowance.

⁴⁰ In the initial version of this analysis, we proposed that credit percentages be capped at 100 percent and that states have flexibility to set percentages below that level. That version of the proposal also called for the renters' credits to be non-taxable. The lower credit percentages would have given states a tool to offset added tax benefits owners and lenders would have received from replacing taxable rent or interest income with the non-taxable credit. As is discussed further in Appendix 1, we concluded that it would be simpler and more efficient to make credits taxable, which eliminated the need for credit percentages below 100 percent.

⁴¹ States should be required to carry out housing quality inspections for project-based credit developments, since families that do not accept units in state-selected developments might not otherwise receive the benefit of a renters' credit. Most project-based credits would likely be provided in combination with LIHTC or other subsidies that already require inspections so this generally would not add to administrative burdens.

⁴² For example, American Community Survey data indicate that in 2011, units built before 1970 — which are far more likely than newer units to have quality problems — made up 72 percent of the rental stock in New York and Rhode Island, but just 12 percent in Nevada.

⁴³ In addition to administrative tasks related to selecting families to benefit from the credits, determining their incomes and rent obligations, and verifying that units comply with quality and other requirements, states would be required to determine priority uses for the credits through a public planning process, similar to the requirements in the LIHTC program, and to compile and report data needed to measure the effectiveness of the credits.

⁴⁴ In some of these states, the state income tax code uses the definition of taxable income under the federal income tax code. In others, taxpayers subtract itemized deductions from their state taxable income before calculating tax liability, or otherwise reduce their tax liability based on how much they paid in mortgage interest.

Appendix 1: Discussion of Alternative Credit Models

The paper proposes a renters' credit that would be capped and allocated by states, and that would count as taxable income for the entity that claims it. This appendix discusses the alternative approaches of providing an uncapped, entitlement tax credit that is available to all eligible families and of making the credit tax exempt.

Capped and Uncapped Credits

An uncapped credit would have the major advantage of helping all families in need of assistance, while a capped credit would only address a portion of the need. For two reasons, however, it would be infeasible to establish an uncapped renters' credit assisting poor and near-poor families, at least for the foreseeable future. First, it is unlikely that Congress would provide enough funding in the context of tax reform and deficit reduction to cover the cost of an uncapped credit that would be sufficient to enable the neediest families to afford housing. Second, for a credit to be available to all eligible families it would likely need to be claimed by the low-income tenants themselves (rather than by owners or lenders), but a tenant-claimed low-income renters' credit would face major political and policy obstacles.

Credit Costs and Amounts

As discussed in the analysis, a \$5 billion tax expenditure would be sufficient to provide credits covering the gap between a modest rent and 30 percent of a family's income to about 1.2 million households. By comparison, about \$49 billion would be needed to make a comparable uncapped credit available to all renter households with high housing cost burdens. (See Table 4. Appendix 2 describes the sources and methods used for these calculations.)

Costs would be lower under a shallower uncapped credit. One possible design would set the credit at 15 percent of a family's rental costs regardless of income. Several tax reform proposals have called for replacing the mortgage interest deduction with a credit equal to 12, 15, or 20 percent of mortgage interest. A 15 percent rent credit would provide renters a comparable benefit. An uncapped refundable credit using this design would cost about \$37 billion per year, but only about half of this amount would go to poor or near poor families. If a 15 percent credit were phased out gradually by deducting 30 percent of income above \$10,000 from the credit amount, the credit would be more tightly targeted on families who need help to afford housing and the cost would drop to about \$5 billion annually.

It is unclear, however, how effective such a shallow, uncapped credit — which would provide average subsidies of just \$82 a month, a small fraction of the subsidies under our capped credit proposal — would be in addressing severe housing problems. Research has shown that deep voucher subsidies (which average about \$650 per month) result in large reductions in homelessness, crowding, and housing instability among poor families. There is no research showing similar effects from very shallow subsidies. A very shallow credit could be expected to help families that are currently renting housing and struggling to make ends meet, but it is difficult to see how such a shallow credit could enable families to consistently pay the rent if they are now homeless or doubled up and have incomes far too low to afford housing. As a result, a shallow universal credit likely would be ineffective in aiding a large segment of the population most in need of housing assistance.

Table 4

Approximate Costs and Households Assisted Under Alternative Credit Designs

Credit Design	Total Annual Cost	Households Assisted	Average Credit Amount	Share of Credit Amounts Going to Families Below 150% of Poverty
Capped Credit Covering Gap Between Rent and 30 Percent of Income	\$5 billion	1.17 million	\$4,268	~100%
Uncapped Credit Covering Gap Between Rent and 30 Percent of Income	\$49 billion	11.06 million	\$4,404	77%
Credit for 15 Percent of Rent	\$37 billion	27.87 million	\$1,320	37%
Credit for 15 Percent of Rent with Phase-Out Above \$10,000	\$5 billion	5.57 million	\$984	98%

Obstacles to a Tenant-Claimed Credit

A credit intended to reach all eligible families would likely need to be claimed by the tenant household directly. This is because the owner- and lenders-claimed model the analysis proposes for a capped credit would not be able to reach all families, since some owners and lenders would be unable or unwilling to participate. A tenant-claimed credit, however, would pose other serious challenges.

For a tenant-claimed credit to help the poorest families afford housing, it would need to be refundable — that is, the federal government would have to make payments to cover the amount of the credit that exceeds the household's tax liability. This could make enactment considerably more difficult politically. A credit that operates by reducing the tax liability of the owner or lender, by contrast, could assist the poorest families without being refundable.

In addition, delivering periodic payments of a refundable renters' credit would face administrative challenges. Low-income families must pay their rent every month, so a renters' credit would be far more effective in helping families afford housing if it were provided on a monthly basis — rather than as a lump sum at year's end. IRS, however, does not currently make monthly payments under the individual income tax. The health care premium subsidy tax credits established under the 2010 Affordable Care Act will be paid monthly to insurance companies on behalf of eligible families, starting in 2014, establishing a potential precedent for monthly payment of a renters' credit. But creating a new system for a small capped renters' credit likely would be considered excessively burdensome and resisted by the IRS.

By contrast, it would be quite straightforward for an owner- or lender-claimed credit to provide periodic rental subsidies. The owner would be required to reduce the family's rent on a monthly basis, and the credit would be delivered by reducing required quarterly estimated tax payments (or more frequent tax withholding).

Finally, a credit claimed on a tenant's return would need to use the tax system's income definition, which excludes child support payments and public benefits under Temporary Assistance for Needy Families, state General Assistance programs, and Supplemental Security Income (SSI), and counts a

portion of Social Security benefits only for tax filers with incomes above \$25,000 for single filers and \$32,000 for married filers (although a special definition of income that includes all Social Security benefits was adopted for purposes of the health care premium credits).

This narrow income definition would be a significant disadvantage for a renters' credit assisting poor families, since it would reduce the credit's efficiency in matching the amount of assistance to the level of need and would favor public assistance recipients over the working poor. An owner- or lender-claimed credit would not encounter these problems, since the family's income would be determined by the state, owner, or lender and consequently could use a broader definition that counts the full amount of all of these income sources.

Taxable and Non-Taxable Credits

In the initial version of this analysis, we proposed that the renters' credit — like most federal tax credits — not count toward the taxable income of the entity that claims it. This approach would result in a double tax benefit to owners and lenders who claim the credit. They would receive the credit itself, and their tax liability would fall because they would replace some taxable rental or interest income with a non-taxable credit.

We proposed to allow states to offset this added benefit by setting the renters' credit below 100 percent of the rent reduction, so that the total tax benefit comes out close to the rent loss. For example, if a state anticipates that an owner claiming the renters' credit would have a 35 percent marginal tax rate, it could set the credit at 70 percent of the rent reduction and the total tax benefit would come out to 105 percent of the rent reduction.

It would have been challenging, however, for states to select the right credit percentage. A non-taxable credit would be worth more to an owner in a higher tax bracket since the drop in taxable income would reduce that owner's tax liability more than it would reduce the liability of an owner in a lower tax bracket. But a state often would not know the owner's tax bracket when it issues the credit. The state would therefore risk either setting the percentage too high to offset the benefit from lower taxable rental income (creating excess subsidy) or too low (which would deter some owners from participating).

In the current analysis, we have proposed to avoid this complication by making the renters' credit taxable. This would be similar to the treatment of credits under federal tax credit bond programs, which provide tax credits to holders of bonds issued for certain purposes, such as school construction or renewable energy projects. The bond credits, which are provided in place of interest payments on the bonds, are treated as taxable income for the entity that receives them.

If the renters' credit were taxable there would be no uncertainty about its value. A credit equal to 100 percent of the rent reduction would create the same tax liability as the rent payment it replaces and would therefore have essentially the same value as the rent payment, regardless of what tax bracket the owner is in. A taxable credit consequently would be simpler to administer (since it would spare states the task of trying to determine the optimal percentage for a credit whose value will vary from one owner to another) and more efficient (since it would be less likely than a non-taxable credit to result in unnecessary excess subsidies).

Under a taxable credit, we are proposing to provide states authority to set credit percentages up to 110 percent (or some other cap somewhat above 100 percent). Modest supplemental credits above the rent reduction may be needed to encourage owners to accept the credit and compensate them for drawbacks of doing so (which would include the modest delays that would sometimes occur between the time the owner incurs the cost of the rent reduction and receipt of the credit, and for some owners, the uncertainty about whether their tax liability will be sufficient to claim the full credit in the current year) and for any administrative costs they bear as a result of the credit. Under this proposal, however, the added credits would be capped at a level far below the potential excess subsidies under a non-taxable credit. Moreover, states would only provide added credits by deliberately choosing a credit rate above 100 percent when they determine it is warranted, not inadvertently because they are unable to determine the value of the credit to the owner.

Table 5	
Taxable and Non-Taxable Renters' Credit for a Sample Owner	
Taxable Credit	Non-Taxable Credit
\$400	\$400
Rent Reduction to Family	Rent Reduction to Family
x 105%	x 70%
Credit Percentage	Credit Percentage
<hr style="width: 50%; margin: 0 auto;"/> \$420	<hr style="width: 50%; margin: 0 auto;"/> \$280
Credit to Owner	Credit to Owner
	\$400
	Rent Reduction to Family
	x 35%
	Owner's Marginal Tax Rate
	<hr style="width: 50%; margin: 0 auto;"/> \$140
	Tax Benefit from Reduction in Taxable Rent
	\$280
	Credit to Owner
	+ \$140
	Tax Benefit from Reduction in Taxable Rent
	<hr style="width: 50%; margin: 0 auto;"/> \$420
	Total Tax Benefit to Owner
Total Tax Benefit to Owner: \$420	Total Tax Benefit to Owner: \$420

Appendix 2: Method Used to Estimate Cost and Impact of a Renters' Credit

This appendix describes the method we used to estimate the cost and impact of a renters' credit, both under our proposal for a capped credit and under the three alternative, uncapped credit designs described in Appendix 1. All of these estimates rely mainly on data from the 2011 American Community Survey (ACS).

Credit Calculation

Our estimates assume that the renters' credit would not cover tenant-paid utility costs, and that the "rent" used to calculate the credit would be the lower of (1) the actual rent excluding tenant-paid utilities or (2) 85 percent of a Fair Market Rent established by HUD. As discussed in the paper, we are proposing that states be permitted to include tenant-paid utilities in the credit calculations, in which case rents would be capped at 100 percent of the Fair Market Rent. If states opted to do this it would increase the cost of the uncapped credits and the per-household cost of the capped credit.

Under our proposal, credits would be calculated using FMRs for units with a given number of bedrooms for the metropolitan zip code or non-metropolitan county in which the rental unit is located. The ACS microdata we used to estimate credit amounts, however, do not identify which county or zip code a household lives in. The most specific geographic identifiers in the data are Public-Use Microdata Sample Areas (PUMAs), which contain multiple zip codes and often cross county lines.

We estimated FMRs for PUMAs in metropolitan areas by multiplying the fortieth percentile 2012 FMR for the Core-Based Statistical Area (CBSA) by a ratio equal to the median rent in the PUMA divided by the median rent in the CBSA (up to a maximum ratio of 150 percent). This is comparable to the approach HUD uses to set zip-code level Small Area FMRs, under which HUD multiplies the CBSA FMR by the ratio of the zip-code median rent divided by the CBSA median rent and capped at 150 percent. For PUMAs in rural areas, we calculated an average of HUD's actual county-level 2012 FMRs weighted by the number of renter households in each county located in the PUMA according to five-year ACS data covering the period from 2006 to 2010. In cases where counties were split across multiple PUMAs, we used household data from the Missouri Census Data Center's MABLE/Geocorr2010 online application version 1.1 to assign weights to portions of counties in particular PUMAs. For all geographic areas we made adjustments for unit size before using the FMRs to cap credits for individual households.

For the capped credit, we counted as income all sources of cash income reported in the ACS, since under our proposal states would determine income under the broad definition used in the Section 8 program. As discussed in Appendix 1, the three uncapped credits would be calculated on the tenant's tax return using an income definition already in use in the tax code: the modified adjusted gross income established for health care premium credits.

This definition of modified adjusted gross income excludes benefits under Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and General Assistance (GA) and child support payments. The ACS does not distinguish income from TANF, GA, or child support, however, so our estimates for the uncapped credits exclude income from SSI (by far the largest of the four income sources among poor and near-poor households) but not the other three sources. As a result, the actual costs under those credits would be somewhat higher than we estimate. For all

four alternatives, the estimates use all sources of cash income to determine whether a household's income falls below 150 percent of the poverty line.

For all of the credits, we assumed that the cost of the credit would be equal to the rent reduction under the formula. As discussed in the paper, states would have the option to set credits somewhat higher, perhaps up to 110 percent of the rent reduction.

Allocation, Targeting, and Participation

For the capped credit, our estimates assume that credits would be allocated among states using the per capita formula shown in Appendix 3a. We used the Internal Revenue Service (IRS) April 2013 resident population figures to estimate the state dollar allocation based on the per capita formula used for the Low Income Housing Tax Credit, including the small state minimum allocation. We then applied the state's national share to the capped amount of \$5 billion. The number of households assisted under the per capita credit is the dollar allocation divided by the annualized average cost of the credit in each state.

In each state, we assumed that 75 percent of recipients would have incomes below the higher of 30 percent of the local median income or the poverty line, and the remaining 25 percent would have incomes between that level and the higher of 60 percent of the local median income and 150 percent of the poverty line. This follows the requirements we proposed for income targeting at the time households first receive credits.

Under both the capped and uncapped credits we assumed that households qualifying for credits of \$25 or less per month would not participate. For the uncapped credit we assumed that 75 percent of households qualifying for credits of \$25 or more would claim them. This results in a take-up rate somewhat below the current rate for the EITC.

The ACS data (and therefore our estimates) do not include families that are currently homeless or doubled up but would rent their own unit if a renters' credit were available. To the extent that this occurred, it would add to the cost and number of households assisted under the uncapped credits and could also increase per-household costs under a capped credit.

Comparison with Voucher Costs

Our estimate of the average cost of a capped credit (\$4,268) is well below the average annual cost of a voucher subsidy (\$7,746 based on 2012 calendar year data). This largely reflects three design changes we have proposed to simplify administration of a tax-side renters' credit:

1. The renters' credit estimates assume that tenant-paid utilities would not be included in rental costs, while the Section 8 voucher program includes tenant-paid utilities in rent.
2. The renters' credit estimates cap rents at 85 percent of the SAFMR, while voucher program rents are capped using a local payment standard typically set between 90 and 110 percent of the FMR for the metropolitan area or rural county. As noted we lowered the percentage to 85 percent to be consistent with the exclusion of utilities. In addition, the use of FMRs for zip codes (approximated by PUMAs in our analysis) rather than metropolitan areas lowers costs because low-income families (including voucher holders) tend to live in areas with rents below

the metropolitan average. If the renters' credit enabled some households to move to higher-rent areas, per-household costs would be somewhat higher.

3. The renters' credit estimates use total household income, while the voucher program applies several deductions (including itemized deductions for certain medical and child care expenditures and standard deductions for dependents and for households where the head or spouse is elderly or has a disability) to income before calculating a family's contribution toward rent. These deductions reduce the amount voucher holders pay toward their rent and therefore increase voucher subsidy costs.

In addition, per-household renters' credit costs are lower than voucher costs because a smaller share of the recipients of renters' credits in our analysis are located in high-cost states, compared to the share of Section 8 voucher holders in those states. This difference in the distribution of assisted families is due to the formula we used in this analysis to set the funding allocations to each state, which allocates credits on a per capita basis. Per-household costs for the renters' credit would be higher if credits were allocated based on the number of renter households in the state or using either of the need-based alternatives we examined. (The state allocations under each of these formulas are shown in Appendix 3a.)

Appendix 3a:

Renters' Credit Allocations by State Under Alternative Formulas

State	Per Capita ^a		Per Renter Household ^b		Need-Based Formula #1 ^c		Need-Based Formula #2 ^d	
	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted
Alabama	\$76	25,966	\$66	22,543	\$59	20,024	\$42	14,389
Alaska	\$18	3,186	\$18	3,186	\$18	3,186	\$18	3,186
Arizona	\$103	25,974	\$111	27,950	\$96	24,152	\$88	22,122
Arkansas	\$46	18,408	\$45	17,674	\$39	15,436	\$24	9,499
California	\$600	85,187	\$788	111,898	\$726	103,059	\$988	140,359
Colorado	\$82	17,333	\$81	17,240	\$83	17,642	\$79	16,692
Connecticut	\$57	9,859	\$50	8,712	\$61	10,685	\$67	11,729
Delaware	\$18	3,805	\$18	3,805	\$18	3,805	\$18	3,805
District of Columbia	\$18	2,712	\$18	2,712	\$19	2,849	\$23	3,482
Florida	\$305	60,831	\$300	59,858	\$291	58,115	\$341	68,044
Georgia	\$156	41,809	\$160	42,663	\$156	41,687	\$135	36,052
Hawaii	\$22	2,435	\$26	2,936	\$20	2,248	\$37	4,105
Idaho	\$25	8,387	\$23	7,582	\$20	6,581	\$18	6,000
Illinois	\$203	42,991	\$180	38,162	\$190	40,201	\$180	38,178
Indiana	\$103	30,192	\$85	24,811	\$95	27,837	\$67	19,557
Iowa	\$48	14,362	\$35	10,449	\$43	12,596	\$29	8,587
Kansas	\$46	14,031	\$39	12,060	\$37	11,390	\$27	8,325
Kentucky	\$69	24,107	\$60	21,004	\$69	23,961	\$42	14,697
Louisiana	\$73	18,807	\$68	17,706	\$71	18,354	\$58	15,091
Maine	\$21	6,069	\$18	5,213	\$20	5,777	\$18	5,213
Maryland	\$93	14,412	\$84	12,980	\$81	12,521	\$106	16,496
Massachusetts	\$105	18,820	\$104	18,678	\$115	20,702	\$130	23,336

Appendix 3a:

Renters' Credit Allocations by State Under Alternative Formulas

State	Per Capita ^a		Per Renter Household ^b		Need-Based Formula #1 ^c		Need-Based Formula #2 ^d	
	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted
Michigan	\$156	44,625	\$120	34,360	\$160	45,768	\$122	34,894
Minnesota	\$85	22,635	\$60	15,890	\$69	18,428	\$53	14,031
Mississippi	\$47	16,107	\$42	14,263	\$37	12,562	\$27	9,115
Missouri	\$95	29,197	\$82	25,217	\$86	26,407	\$63	19,355
Montana	\$18	5,964	\$18	5,964	\$18	5,964	\$18	5,964
Nebraska	\$29	9,598	\$25	8,324	\$24	7,833	\$18	5,906
Nevada	\$44	9,428	\$57	12,356	\$47	10,225	\$51	11,092
New Hampshire	\$21	4,187	\$18	3,619	\$18	3,619	\$18	3,619
New Jersey	\$140	21,206	\$133	20,174	\$141	21,330	\$178	27,070
New Mexico	\$33	9,425	\$29	8,442	\$30	8,553	\$22	6,434
New York	\$309	48,979	\$395	62,764	\$456	72,337	\$540	85,676
North Carolina	\$154	43,216	\$149	41,763	\$139	39,101	\$110	30,972
North Dakota	\$18	4,612	\$18	4,612	\$18	4,612	\$18	4,612
Ohio	\$182	57,131	\$166	51,953	\$194	61,035	\$133	41,690
Oklahoma	\$60	19,734	\$56	18,452	\$52	16,974	\$36	11,714
Oregon	\$61	13,120	\$70	14,913	\$77	16,379	\$72	15,321
Pennsylvania	\$201	50,286	\$160	40,027	\$186	46,524	\$157	39,204
Rhode Island	\$18	4,213	\$18	4,213	\$19	4,550	\$18	4,213
South Carolina	\$74	22,009	\$67	19,900	\$59	17,370	\$49	14,436
South Dakota	\$18	6,452	\$18	6,452	\$18	6,452	\$18	6,452
Tennessee	\$102	33,234	\$94	30,696	\$91	29,798	\$69	22,412
Texas	\$411	107,251	\$422	110,062	\$345	89,940	\$295	77,116

Appendix 3a:

Renters' Credit Allocations by State Under Alternative Formulas

State	Per Capita ^a		Per Renter Household ^b		Need-Based Formula #1 ^c		Need-Based Formula #2 ^d	
	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted	Credit amount in millions	Households assisted
Utah	\$45	10,385	\$37	8,599	\$32	7,475	\$28	6,525
Vermont	\$18	3,846	\$18	3,846	\$18	3,846	\$18	3,846
Virginia	\$129	22,957	\$119	21,189	\$99	17,620	\$120	21,387
Washington	\$109	21,198	\$114	22,296	\$109	21,151	\$106	20,698
West Virginia	\$29	11,405	\$22	8,465	\$22	8,406	\$18	7,018
Wisconsin	\$90	24,000	\$78	20,650	\$94	25,017	\$71	18,998
Wyoming	\$18	5,310	\$18	5,310	\$18	5,310	\$18	5,310
Total	\$5,000	1,171,393	\$5,000	1,134,596	\$5,000	1,137,396	\$5,000	1,064,021

Totals may not add up due to rounding.

Notes:

^a Per Capita formula allocates credits based on the state's share of households estimated under the Low Income Housing Tax Credit formula as described in appendix 2, with a minimum allocation of \$18 million. This minimum is approximately the same, as a share of total credits, as the Low-Income Housing Tax Credit's small state minimum.

^b Per Renter Household formula allocates credits based on the state's share of the number of renter households in 2013, estimated by adjusting the Internal Revenue Service 2013 resident population figures (Internal Revenue Bulletin 2013-14) by the number of people in renter households using the American Community Survey 2011. We then applied the state's national share to the capped amount of \$5 billion adjusting for the minimum allocation of \$18 million. The number of households assisted is the state's dollar allocation divided by the annualized average cost of the credit in each state.

^c Need-based formula #1 allocates credits based on the state's share of households with incomes below the higher of 30 percent of the local median income or the poverty line and housing costs exceeding 50 percent of household income. For all four formulas, the number of households assisted in each state is the credit amount divided by the per-unit cost in the state (estimated as described in appendix 2) and we assumed states would be allocated a minimum of \$18 million regardless of the amount they would otherwise receive.

^d Need-based formula #2 allocates credits based on the state's share of households with incomes below the higher of 60 percent of the local median income or 150 percent of the poverty line and housing costs exceeding 50 percent of household income, multiplied by the average gross rent in the state.

Source: CBPP analysis of 2011 American Community Survey data.

Appendix 3b:

Rental Assistance Under Existing Federal Programs and Proposed Renters' Credit, By State

State	Households Using Housing Choice (Section 8) Vouchers ^a	Public Housing and Other HUD - Assisted Units ^b	USDA-Assisted Units ^c	Unmet Need for Rental Assistance ^d	Estimated Households Assisted Under Renters' Credit ^e
Alabama	29,655	58,251	7,730	105,425	25,966
Alaska	4,122	3,081	749	17,099	3,186
Arizona	21,205	17,492	3,286	190,549	25,974
Arkansas	21,685	27,728	5,971	68,644	18,408
California	301,672	157,806	15,814	1,515,369	85,187
Colorado	29,752	28,030	2,560	154,343	17,333
Connecticut	34,038	41,348	1,724	114,979	9,859
Delaware	4,520	7,348	1,240	23,265	3,805
District of Columbia	10,460	19,745	0	35,660	2,712
Florida	94,132	88,913	12,031	637,301	60,831
Georgia	52,536	72,727	8,306	293,369	41,809
Hawaii	9,346	9,386	736	46,707	2,435
Idaho	6,696	5,094	3,747	37,684	8,387
Illinois	78,854	122,802	7,170	360,695	42,991
Indiana	34,728	48,726	7,615	166,196	30,192
Iowa	20,867	17,592	6,985	71,019	14,362
Kansas	11,502	20,913	3,804	64,088	14,031
Kentucky	31,658	47,788	6,193	115,748	24,107
Louisiana	46,436	40,100	7,759	132,731	18,807
Maine	12,307	13,655	5,963	36,918	6,069
Maryland	41,975	47,182	3,007	163,900	14,412
Massachusetts	74,945	101,712	1,565	219,268	18,820
Michigan	53,092	83,900	9,146	285,336	44,625
Minnesota	30,458	55,112	6,418	120,000	22,635
Mississippi	22,105	31,261	8,708	66,649	16,107
Missouri	38,531	46,913	8,749	152,280	29,197
Montana	5,505	7,290	1,920	20,724	5,964
Nebraska	11,592	14,848	2,361	40,531	9,598
Nevada	13,809	7,512	1,648	99,357	9,428
New Hampshire	9,400	11,342	1,970	27,809	4,187
New Jersey	63,505	93,707	1,947	285,348	21,206
New Mexico	12,719	11,087	3,135	55,015	9,425
New York	226,139	334,017	5,326	888,712	48,979
North Carolina	54,769	65,955	15,981	257,413	43,216
North Dakota	6,828	5,417	1,716	14,797	4,612
Ohio	91,313	124,543	8,708	341,375	57,131
Oklahoma	23,459	28,106	4,902	92,138	19,734

Appendix 3b:

Rental Assistance Under Existing Federal Programs and Proposed Renters' Credit, By State

State	Households Using Housing Choice (Section 8) Vouchers ^a	Public Housing and Other HUD - Assisted Units ^b	USDA-Assisted Units ^c	Unmet Need for Rental Assistance ^d	Estimated Households Assisted Under Renters' Credit ^e
Oregon	32,224	18,348	4,601	149,646	13,120
Pennsylvania	75,365	128,784	6,742	337,403	50,286
Rhode Island	9,000	26,987	370	35,009	4,213
South Carolina	24,125	36,066	6,496	113,830	22,009
South Dakota	5,591	7,621	4,337	11,721	6,452
Tennessee	34,262	68,689	6,755	170,876	33,234
Texas	146,507	116,308	14,200	662,367	107,251
Utah	10,559	7,210	1,664	61,391	10,385
Vermont	6,321	5,726	1,326	13,609	3,846
Virginia	43,955	52,786	6,500	199,882	22,957
Washington	48,244	32,233	6,203	206,779	21,198
West Virginia	13,741	18,407	4,195	36,106	11,405
Wisconsin	26,671	46,151	6,235	166,949	24,000
Wyoming	2,355	3,154	1,155	9,211	5,310
Total	2,147,617	2,568,007	271,599	9,493,220	1,171,393

Notes

a) Housing Choice Vouchers: The households assisted in each state is the average number assisted by public housing agencies in the state in calendar year 2011, based on CBPP analysis of data reported by housing agencies to HUD's Voucher Management System. The total number includes the US Territories.

b) Public housing and other HUD-assisted units: Includes the number of total public housing units reported in HUD operating fund data available at <http://portal.hud.gov/huddoc/2013FinalRptUnit.xlsx>. For the nine housing agencies that do not appear in the operating fund data because they receive operating funds through special formulas under their agreements with HUD as part of the Moving-to-Work demonstration, we estimated the number of units using other HUD data sources. Also includes units assisted through the Section 8 Project-Based Rental Assistance, Supportive Housing for the Elderly (Section 202), Supportive Housing for People with Disabilities (Section 811), Rental Assistance Payment (RAP), Rent Supplement, Section 8 Moderate Rehabilitation (Mod Rehab), and Housing Opportunity for Persons with AIDS Tenant-Based Rental Assistance (HOPWA TBRA) programs. CBPP tabulated the number of units in each program except Mod Rehab and HOPWA from HUD's Multifamily Assistance and Section 8 Contracts Database, as of September 2012. We calculated the number of households assisted through the Mod Rehab using HUD 2010 microdata and the number assisted under HOPWA TBRA using the Office of HIV/AIDS Housing, HOPWA TBRA map 9-11-12 edition. For all programs except Moderate Rehabilitation and HOPWA, figures include temporarily unoccupied units. The total number includes the US Territories.

c) USDA Assisted Units: These are units in the U.S. Department of Agriculture's Section 515 Rural Rental Housing and Section 514 Farm Labor Housing programs that are also supported by Section 521 rental assistance. The number excludes units that either receive no rental assistance or receive rental assistance from other programs (such as Housing Choice vouchers). Source is the "2012 Multi-Family Housing (MFH) Annual Fair Housing Occupancy Report," U.S. Department of Agriculture, August 2012. The total number includes the US Territories.

d) Unmet need for rental assistance is the number of renter households with incomes below the higher of 60 percent of the area median income (AMI) or 150 percent of the poverty line and gross housing costs above 50 percent of household income that would be eligible for a credit of at least \$25 a month estimated using the method described in Appendix 2. Source is CBPP analysis of 2011 American Community Survey (ACS) data. AMI was calculated for each household as follows: Households contained in Core Based Statistical Areas (CBSAs) were assigned to their corresponding CBSA income limit. Households within non-metro areas were assigned to their average PUMA county-level income limit. Geographical relationships between Public-Use Microdata Sample Areas (PUMA, 2000), Core Based Statistical Area (CBSA, 2008), and counties (2002) were generated and weighted by 2010 household estimates using the Missouri Census Data Center's MABLE/ Geocorr2010 online application version 1.1.

e) See Appendix 2 for method used to estimate number of households assisted.

Appendix 3c:

Assistance Under Proposed Renters' Credit, by Demographic Group and State

State	Households with Unmet Need for Rental Assistance ^a	Estimated Share of Need Met by Renters' Credit	Estimated Households Assisted by Renters' Credit				
			Elderly ^b	People with Disabilities ^c	Families with Children ^d	Other	Total
Alabama	105,425	25%	3,341	5,536	8,627	8,461	25,966
Alaska	17,099	19%	374	800	1,042	969	3,186
Arizona	190,549	14%	4,201	4,294	8,513	8,966	25,974
Arkansas	68,644	27%	2,182	4,587	5,069	6,570	18,408
California	1,515,369	6%	15,597	13,188	31,222	25,180	85,187
Colorado	154,343	11%	2,336	3,003	4,811	7,182	17,333
Connecticut	114,979	9%	1,982	1,812	3,308	2,756	9,859
Delaware	23,265	16%	811	712	1,056	1,225	3,805
District of Columbia	35,660	8%	564	319	543	1,287	2,712
Florida	637,301	10%	10,863	10,469	19,266	20,233	60,831
Georgia	293,369	14%	5,735	7,365	14,136	14,573	41,809
Hawaii	46,707	5%	460	382	865	729	2,435
Idaho	37,684	22%	1,500	1,697	1,987	3,203	8,387
Illinois	360,695	12%	7,873	7,421	13,085	14,613	42,991
Indiana	166,196	18%	4,796	6,588	8,674	10,134	30,192
Iowa	71,019	20%	2,642	2,821	3,459	5,439	14,362
Kansas	64,088	22%	2,184	3,193	3,401	5,253	14,031
Kentucky	115,748	21%	3,597	6,563	6,875	7,072	24,107
Louisiana	132,731	14%	2,415	3,536	5,819	7,038	18,807
Maine	36,918	16%	1,352	1,496	1,262	1,960	6,069
Maryland	163,900	9%	2,889	2,478	4,699	4,345	14,412
Massachusetts	219,268	9%	4,013	3,736	5,001	6,070	18,820
Michigan	285,336	16%	7,183	11,636	11,906	13,900	44,625
Minnesota	120,000	19%	5,957	3,125	6,087	7,466	22,635
Mississippi	66,649	24%	1,810	3,213	5,756	5,328	16,107
Missouri	152,280	19%	4,827	6,883	8,405	9,082	29,197
Montana	20,724	29%	1,194	1,220	987	2,564	5,964
Nebraska	40,531	24%	2,252	1,427	2,819	3,100	9,598
Nevada	99,357	9%	1,850	1,429	3,148	3,002	9,428
New Hampshire	27,809	15%	850	868	1,046	1,423	4,187
New Jersey	285,348	7%	5,135	3,246	7,388	5,438	21,206
New Mexico	55,015	17%	1,292	1,670	2,684	3,778	9,425
New York	888,712	6%	11,576	7,958	14,877	14,567	48,979
North Carolina	257,413	17%	6,628	9,488	12,425	14,675	43,216
North Dakota	14,797	31%	773	403	490	2,946	4,612
Ohio	341,375	17%	10,540	13,490	16,041	17,060	57,131

Appendix 3c:

Assistance Under Proposed Renters' Credit, by Demographic Group and State

State	Households with Unmet Need for Rental Assistance ^a	Estimated Share of Need Met by Renters' Credit	Estimated Households Assisted by Renters' Credit				
			Elderly ^b	People with Disabilities ^c	Families with Children ^d	Other	Total
Oklahoma	92,138	21%	3,342	4,598	5,213	6,581	19,734
Oregon	149,646	9%	2,329	2,586	3,544	4,661	13,120
Pennsylvania	337,403	15%	11,248	10,984	11,842	16,212	50,286
Rhode Island	35,009	12%	1,124	896	1,145	1,049	4,213
South Carolina	113,830	19%	2,806	4,872	7,396	6,936	22,009
South Dakota	11,721	55%	1,320	1,019	1,173	2,939	6,452
Tennessee	170,876	19%	4,902	7,809	9,779	10,744	33,234
Texas	662,367	16%	15,170	18,011	37,162	36,907	107,251
Utah	61,391	17%	1,068	1,554	4,812	2,951	10,385
Vermont	13,609	28%	617	1,202	693	1,335	3,846
Virginia	199,882	11%	3,263	4,261	6,989	8,445	22,958
Washington	206,779	10%	3,635	4,667	5,712	7,184	21,198
West Virginia	36,106	32%	1,046	3,555	2,801	4,004	11,405
Wisconsin	166,949	14%	4,918	4,623	6,239	8,219	24,000
Wyoming	9,211	58%	977	600	1,348	2,384	5,310
Total	9,493,220	12%	201,340	229,289	352,626	388,137	1,171,393

Notes:

a) The estimate of the unmet need for rental assistance covers households with incomes below the higher of 60 percent of the local median income or 150 percent of the poverty line, and housing costs exceeding 50 percent of household income that would be eligible for a credit of at least \$25 a month estimated using the method described in Appendix 2. See note (d) in Appendix 3b for additional information on the method used for this estimate.

b) Elderly households are those in which the head or spouse is age 62 or older; children may be present.

c) People with disabilities includes non-elderly households where at least one adult has a self-care, hearing, vision, independent living, or ambulatory difficulty; children may be present.

d) Families with children are non-elderly, non-disabled households where a child under age 18 is present.

Totals may not add up due to rounding.

Source: CBPP analysis of 2011 American Community Survey data. Analysis assumes renters' credits are allocated to states based on the Per Capita Formula in Appendix 3a, and within states to each demographic group based on its share of unmet need in the state.

Appendix 3d:

Assistance Under Proposed Renters' Credit, by Race/Ethnicity and State

State	Estimated Households Assisted by Renters' Credit					Total ^f
	White ^a	Black ^b	Hispanic ^c	Asian/Pacific Islander ^d	American Indian/Alaskan Native ^e	
Alabama	11,411	13,169	847	302	235	25,966
Alaska	1,842	530	398	121	268	3,186
Arizona	14,112	2,226	7,939	898	755	25,974
Arkansas	10,254	5,840	1,364	451	494	18,408
California	30,222	10,723	33,768	9,412	893	85,187
Colorado	10,588	1,644	4,240	394	467	17,333
Connecticut	4,530	2,226	2,698	205	100	9,859
Delaware	1,680	1,275	557	143	46	3,805
District of Columbia	690	1,581	215	214	12	2,712
Florida	24,284	16,749	18,560	886	325	60,831
Georgia	15,557	20,536	4,647	753	249	41,809
Hawaii	842	111	287	1,142	54	2,435
Idaho	7,086	222	954	109	15	8,387
Illinois	19,815	13,515	7,252	2,019	271	42,991
Indiana	19,634	7,193	2,300	745	264	30,192
Iowa	11,633	1,272	863	364	222	14,362
Kansas	8,988	2,507	1,829	377	276	14,031
Kentucky	18,002	4,502	1,247	249	55	24,107
Louisiana	7,304	10,057	998	299	136	18,807
Maine	5,707	96	69	0	197	6,069
Maryland	5,324	6,868	1,573	482	117	14,412
Massachusetts	11,597	2,164	3,417	1,123	147	18,820
Michigan	25,229	15,769	2,013	816	744	44,625
Minnesota	15,342	4,463	1,778	754	289	22,635
Mississippi	5,582	9,256	826	236	190	16,107
Missouri	18,090	8,904	1,051	856	227	29,197
Montana	4,929	99	204	38	694	5,964
Nebraska	7,326	1,119	791	186	177	9,598
Nevada	4,468	1,689	2,521	537	187	9,428
New Hampshire	3,712	24	155	73	52	4,187
New Jersey	8,169	5,236	6,600	1,081	104	21,206
New Mexico	4,201	166	4,478	56	524	9,425
New York	19,814	11,008	13,656	3,843	322	48,979
North Carolina	20,500	17,475	3,666	911	492	43,216
North Dakota	3,779	79	341	125	287	4,612

Appendix 3d:

Assistance Under Proposed Renters' Credit, by Race/Ethnicity and State

State	Estimated Households Assisted by Renters' Credit					Total ^f
	White ^a	Black ^b	Hispanic ^c	Asian/Pacific Islander ^d	American Indian/Alaskan Native ^e	
Ohio	36,022	17,314	2,544	733	474	57,131
Oklahoma	11,773	3,707	1,944	506	1,804	19,734
Oregon	9,770	638	1,545	625	543	13,120
Pennsylvania	31,256	11,051	5,883	1,647	315	50,286
Rhode Island	2,706	418	938	90	28	4,213
South Carolina	9,687	10,041	1,758	273	243	22,009
South Dakota	4,960	728	30	0	734	6,452
Tennessee	18,925	11,388	2,371	348	190	33,234
Texas	38,233	25,233	39,358	3,342	969	107,251
Utah	7,163	408	2,204	334	266	10,385
Vermont	3,658	121	0	0	68	3,846
Virginia	10,795	7,830	2,896	1,272	150	22,958
Washington	13,880	2,220	2,960	1,405	674	21,198
West Virginia	9,807	1,315	111	24	149	11,405
Wisconsin	15,993	5,205	1,807	648	326	24,000
Wyoming	3,900	473	615	239	83	5,310
Total	610,771	298,382	201,063	41,686	16,903	1,171,392

Notes:

- a) Includes households in which the reference person identified only as being White Non-Hispanic; individuals of other race/ethnicity may be present in the household.
- b) Includes households where the reference person identified as being Black Non-Hispanic, including in combination with any other race; individuals of other race/ethnicity may be present in the household.
- c) Includes households where the reference person identified as being Hispanic and of any race.
- d) Includes households where the reference person identified as Asian or Pacific Islander, including in combination with White but not Black, American Indian, Alaskan Native, or Hispanic. Individuals of other race/ethnicity may be present in the household.
- e) Includes households where the reference person identified as American Indian or Alaskan Native, including in combination with Asian, Pacific Islander, or White but not Black or Hispanic. Individuals of other race/ethnicity may be present in the household.
- f) Total includes households whose reference person identified with racial groups not listed in this table.

Source: CBPP analysis of 2011 American Community Survey data. Analysis assumes renters' credits are allocated to states based on the Per Capita Formula in Appendix 3a, and within states to each race/ethnicity group based on its share of unmet need in the state.