

U.S. Poverty Policy Request

The logo for RESULTS, featuring the word "results" in white lowercase letters on a red speech bubble background.

Provide relief for renters with a refundable renter tax credit

RESULTS urges you and your staff to research renter tax credit policies that use the tax code to help lower-income renters, and meet directly with constituents struggling with rent costs to discuss policy solutions.

The federal tax code needs to prioritize renters too. Existing tax benefits are insufficient and not targeted toward renters. Skyrocketing rental costs have simply become so burdensome that even gainfully employed renters cannot keep up. The tax code has long given benefits to homeowners (e.g., residential mortgage interest and property tax deductions) and builders, developers, and landlords (e.g., Low-Income Housing Tax Credit). Meanwhile, renters receive nothing. The 44 million renters who have been left behind need rent relief from the tax code too.

A refundable renter tax credit would broadly benefit households that existing housing and homelessness programs are unable to serve. There is no one-size-fits-all solution to addressing the affordable housing and homelessness crises. Congress provides modest funding for conventional housing assistance and homelessness programs. But these programs are provided to a small segment of the population who meet certain eligibility requirements and are not enough to meet the needs of all those eligible. For example, when only 1 in 4 eligible renter households can get a Housing Choice Voucher, renters are essentially entering a lottery to get help. Likewise, several states use their existing tax codes to help renters, but their policies and existing patchwork of other related benefits are insufficient to broadly address the affordable housing crisis nationwide.

Refundable tax credits can be effective in lifting vulnerable individuals, especially low-and moderate-income households, out of poverty. A refundable tax credit that targets renters can be designed in different ways, but we already have effective models in the refundable Child Tax Credit (CTC) and the Earned Income Tax Credit (EITC) for comparison. The CTC and EITC boost household resources to pay for basic needs like housing, utilities, and food. Temporary enhancements to the EITC and CTC enacted in 2021 cut child poverty nearly in half in the United States. A refundable renter tax credit for lower-income individuals and families would cap out-of-pocket rent and utilities expenses, particularly at a time when rent increases have outpaced inflation and wage growth. By providing housing stability and making the tax code fairer, a renter tax credit would prevent many more Americans from experiencing homelessness. In turn, this relief will also provide renters with more flexibility about where they live and bolster the workforce, allowing individuals, families, and communities to prosper.