

U.S. Poverty Policy Request, Renter Tax Credit

Provide relief for renters with a refundable renter tax credit

RESULTS urges you and your staff to research renter tax credit policies that direct funds to renters so they can afford housing, and to meet directly with constituents struggling with rent costs.

The federal tax code needs to prioritize renters too. Existing tax benefits are not enough and not targeted toward renters. Skyrocketing rental costs have simply become so high that even employed renters cannot keep up. The tax code has long supported homeowners (e.g., residential mortgage interest and property tax deductions) and builders, developers, and landlords (e.g., with the Low-Income Housing Tax Credit). Meanwhile, renters receive nothing. There are 44 million renters in the U.S. today who need housing support from the tax code too.

A refundable renter tax credit would benefit many 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 housing assistance and homelessness programs that already exist. But these programs reach only a small segment of the people struggling with rent costs and have sometimes strict eligibility requirements. For example, the Housing Choice Voucher program can only serve one in four eligible households — three quarters of those who attempt to access the program are blocked from support due to the program's constraints. Many states have renter support programs in their tax code, but these programs are often small and targeted to only specific groups (e.g., seniors) and are not enough to address the nationwide affordable housing crisis.

Refundable tax credits are effective at equipping people with low incomes to lift themselves out of poverty. A refundable tax credit that targets cash support to 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). 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 helped cut child poverty nearly in half in the U.S. A refundable renter tax credit for individuals and families who are “rent burdened” (i.e., pay more than 30 percent of their income towards rent) would cap out-of-pocket rent and utilities expenses. This cap on housing expenses would come at a critical time as prices for basic necessities like food have outpaced wages. 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, opening up new options for employment and education so that individuals, families, and communities can prosper.