Provide relief for renters with a refundable renter’s tax credit

RESULTS asks members to prioritize renters in any tax reform with a refundable renter’s tax credit.

The federal tax code needs to prioritize renters too. Existing tax benefits are not passed down to renters, who are struggling to keep up with skyrocketing rents. 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’s 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. 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 those in households with very low or no income, 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). 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 2020 and 2021 cut child poverty nearly in half in the United States. A refundable renter’s 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 correcting inequities in the tax code, a renter’s 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.