

The FAIR Tax Credit

A proposal for a Federal Assistance In
Rental Credit to support low-income renters

A New Method to Address the Nation's Rental Affordability Crisis

This policy paper was produced by the Turner Center for Housing Innovation. The paper describes rising rental cost burdens, the benefits of using the tax code to address renters' needs, and introduces ideas for how a renter's tax credit could be structured.

The paper proposes a new tax credit to assist residents: the "Federal Assistance In Rental" or FAIR Credit. Three options for structuring the credit are described. The paper explains each option and estimates both the budgetary costs and the extent to which each option addresses rental cost burdens.

By putting forward an ambitious proposal to address the needs of low-income renters through the tax code, we hope to spark a serious discussion about how the federal government could and should address the rental affordability crisis.

Report authored by:



Carol Galante
Faculty Director

Carolina Reid
Faculty Research Advisor

Nathaniel Decker
Graduate Student Researcher

Additional analysis of costs and affordability impacts provided by the Center on Budget and Policy Priorities.

Report funded by:



Thanks to the J. Ronald Terwilliger Foundation for Housing America's Families for their support of this project. The Foundation seeks to recalibrate federal housing policy to address the nation's critical affordable housing challenges of today and to meet the housing needs of future generations of Americans. More information can be found at www.jrthousing.org.

The Turner Center

The Turner Center at the University of California, Berkeley is a collaboration between the College of Environmental Design and the Fisher Center for Real Estate and Urban Economics at the Haas School of Business.

The Turner Center formulates bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities.

Our focus is on generating constructive, practical strategies for public policy makers and innovative tools for private sector partners to achieve better results for families and communities. The Center's work cultivates inspired new thinking of students and guides the next generation of leaders to advance creative and powerful solutions in housing and the sustainable development of the built environment.

Table of Contents

Executive Summary	4
The Scale of the Rent Burden Problem	6
Using the Tax Code to Assist Renters	7
Options for Structuring the Tax Credit	9
Existing Tax Credit Proposals	11
The FAIR Credit: Three Structuring Options	13
The FAIR Credit: Rent Affordability Option	14
The FAIR Credit: Rent Reduction Option	16
The FAIR Credit: Composite Option	17
Potential Enhancements to the FAIR Credit	19
Initial Implementation Options	21
Questions for Further Study	23
Conclusion.....	25
Appendix A: Methodology for Estimates	26
Appendix B: Policy Round-Table Discussants	28
References	29

Executive Summary

Renters are a growing part of the population in the United States and are increasingly struggling to make ends meet. A tax credit that would help to alleviate rent burdens and provide a pathway to financial stability could be very beneficial for this growing demographic. Since the mid-2000s, the growth in the number of renter households has outpaced ownership growth, a trend that is projected to continue through 2030. Partially due to this surge in demand, rents have risen faster than incomes, leading to unprecedented rent burdens. In 2014 nearly half of all renters, 21.3 million households, paid more than 30 percent of their income for housing and 11.4 million paid more than 50 percent. Rising housing cost burdens have forced families to cut back on essential expenses, such as food, transportation, and healthcare.

These housing cost burdens can be efficiently and equitably addressed using the tax code, which has historically provided substantial federal housing subsidies to homeowners, particularly those with high-incomes and wealth. While supply-side affordability programs like the Low Income Housing Tax Credit are necessary to improve rental affordability in some markets, a tax expenditure to assist renters with housing costs would help balance federal housing spending to ensure sufficient resources are directed towards families who need it most, and would alleviate or eliminate rent burdens for many families.

The Federal Assistance In Rental (FAIR) Credit takes advantage of the tax code to provide housing assistance to low-income families. We present three options to structure the FAIR Credit:

- **The Rent Affordability option** is the most ambitious, providing a credit to all cost-burdened low-income renter families. At a cost of approximately \$76 billion, it would (i) provide profound financial relief to millions of rent-burdened low-income families, (ii) potentially bring an end to homelessness, and (iii) break the cycle of poverty that is often exacerbated by unstable housing. A number of savings in the federal budget could be anticipated from this expenditure, particularly in reduced healthcare costs.
- **The Rent Reduction option** would provide a more modest credit to low-income families at a substantially lower cost: approximately \$41 billion. While it wouldn't eliminate burdens for as many families, this option would ensure that all low-income renters who are struggling with paying their rent get a credit that can help them stabilize their finances and housing situation.

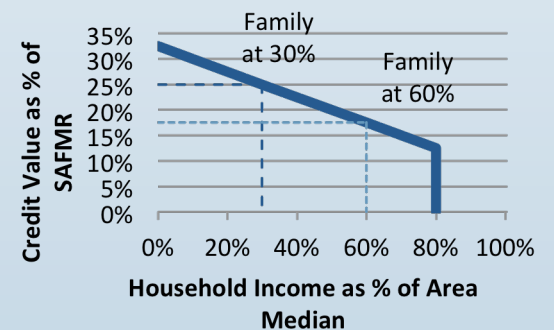
FAIR Credit Calculations

The FAIR Credit proposal presents both a rent affordability and a rent reduction option for calculating the credit:

A rent affordability calculation would provide low-income families with a credit equal to difference between 30 percent of the resident's income and the lesser of the gross rent or the Small Area Fair Market Rent (SAFMR).

A rent reduction calculation would provide a smaller credit to pay 12-33 percent of the family's rent or the SAFMR, adjusted to the family's income. For example, a family making 60 percent of the area median income would receive a credit equal to approximately 18 percent of their annual rent. A family making 30 percent of the area median income could receive a credit equal to approximately 25 percent of their rent.

Rent Reduction Calculation



- **The Composite option** would augment the Rent Reduction option with a targeted credit that provides deeper, and possibly more frequent, assistance to extremely low-income renters, at a cost of approximately \$43 billion. These three options are summarized in the chart below.

	Rent Affordability Option	Rent Reduction Option	Composite Option
Program Design	Eligibility	< 80% AMI & cost-burdened	≤ 80% AMI
	Capped?	Uncapped	Uncapped
	Delivery	Direct-to-family	Direct-to-family
	Credit Calculation	Difference between family income and rent or SAFMR	33% to 12% of rent or SAFMR, scaled to family income
Estimated Costs and Impacts	Families Receiving Credit	13.3 million	15.1 million*
	Families Relieved from Burden	5.8 million	2.3 million
	Families with Reduced Burden	7.5 million	10.8 million
	Average Monthly Credit per Family	\$457	\$227
	Total Annual Cost	\$76 Bn	\$41 Bn
			\$43 Bn

* Both the Rent Reduction and Composite options would not be limited to rent-burdened families.

This paper presents an initial proposal for the FAIR Credit to stimulate policy discussion of how to ensure that renters are not left behind in efforts to rebuild the middle class. The lack of rental affordability in the United States is pervasive and growing, with no signs of abatement. The tax code has proven to be an effective means of increasing the supply of affordable housing (through the Low Income Housing Tax Credit), as well as helping working families take home more of their pay (through the Earned Income Tax Credit). It is time to put these same principles to work in helping low-income families get out from under the burden of unsustainable housing costs. While there are many aspects of the program that could and should be debated and refined, the FAIR Credit presents a bold proposal to achieve this important, and urgent goal.

FAIR Tax Credit in Context

The chart below shows all three FAIR credit options in the context of other major anti-poverty and housing programs.

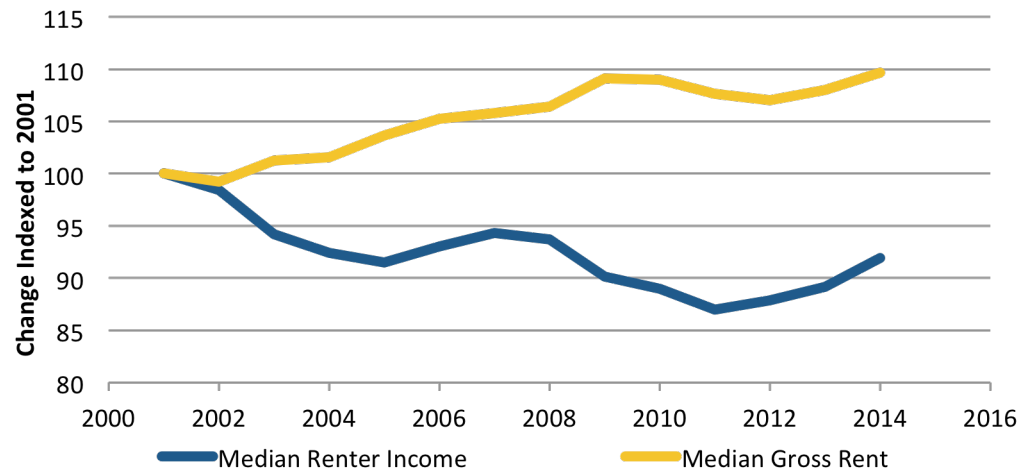
Federal Program	2015 Cost	Average Benefit per Month	Annual Magnitude
LIHTC	\$7 Bn	N/A	100,000 units funded
Housing Vouchers	\$20 Bn	\$640	2 million households
Rent Reduction Option	\$41 Bn	\$227	15.1 million families
Composite Option	\$43 Bn	\$237	15.1 million families
Mortgage Interest Deduction	\$70 Bn	\$440 for households making >\$200,000	33 million filers take deduction
EITC	\$73 Bn	\$256 for family with children	26 million households
Rent Affordability Option	\$76 Bn	\$457	13.3 million families
SNAP (Food Stamps)	\$76 Bn	\$459 for a family of 4	46.5 million people

The Scale of the Rent Burden Problem

The number of renter households has been increasing in the US and is projected to grow through 2030.

The US is currently experiencing the sharpest increase in the number of renter households in recent history.¹ Some of this increase is due to the lingering effects of the housing crisis and subsequent recession, including decreased consumer confidence, a tightened credit box, and lower household incomes. The shift to renting is also being driven by the nation’s changing demographics. The Urban Institute estimates that the growth of renter households will outpace the growth of ownership households by 4 million from 2010 to 2030 as millennials form households, the nonwhite population (which is also more likely to rent) increases, and as marriage and childbearing are increasingly delayed.²

Rents have Risen, Incomes Have Not



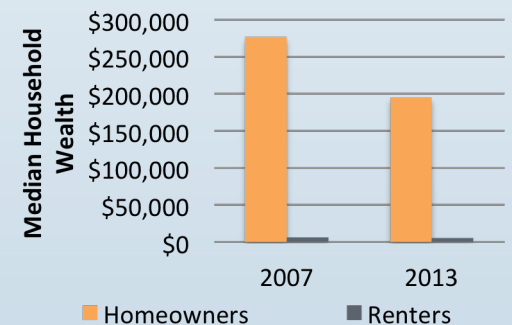
(Data: American Community Survey. Chart follows Joint Center for Housing Studies America’s Rental Housing 2015.)

Rent burdens have been rising and will likely continue to rise. Demand for rental housing has risen faster than supply, putting significant pressures on the rental housing stock. Since 2001, rents have increased dramatically, but incomes have been generally stagnant, as shown in the chart below.

This has resulted in cost burdens of an unprecedented scale. In 2014 nearly half of all renters, 21.3 million households, paid more than 30 percent of their income for housing and 11.4 million paid more than 50 percent. Given current trends in rental housing production, demographics, and income growth it is likely that rent burdens will remain high or even rise in the absence of major policy changes.³

The Harm of Rent Burdens

- Burdened residents have less to spend on other necessities.** The Joint Center for Housing Studies has found that low-income renters paying 50 percent of their income or more on housing spend about half as much on healthcare as similar renters who are not severely cost-burdened.
- High rent burdens contribute to employment instability, trapping low-income renters in a vicious cycle of housing instability and poverty.** In *Evicted*, sociologist Matthew Desmond argues that repeated evictions and housing instability limit renters’ ability to move out of poverty.
- Renters have few opportunities to save and build wealth.** Unlike homeowners, renters, particularly those with housing burdens, have little capacity to save, increasing their vulnerability to economic shocks and making it difficult to get ahead.

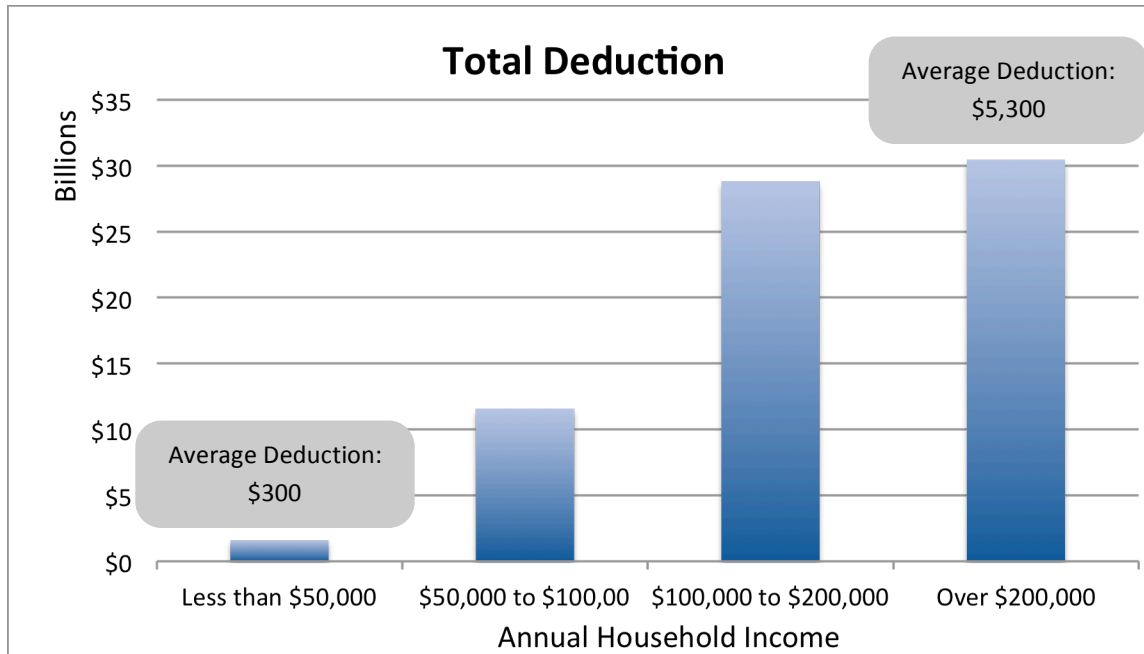


(Data from the 2013 Survey of Consumer Finances from the Fed Board of Governors)

Using the Tax Code to Assist Renters

Federal housing subsidies are heavily skewed to homeowners, particularly those with high-incomes and wealth. The federal government spends about \$200 billion on housing through a combination of tax expenditures and appropriations, with the majority of this housing subsidy — over \$140 billion — flowing to homeowners. Approximately half of homeownership subsidies come in the form of the mortgage interest deduction. A more detailed description of tax expenditures for homeowners is shown at right, and as shown below, the deepest subsidies go to higher income families.⁴

Mortgage Interest Deduction Disproportionately Benefits High-Income Families



(Data: The Joint Committee on Taxation Estimates of Federal Tax Expenditures For Fiscal Years 2015-2019)

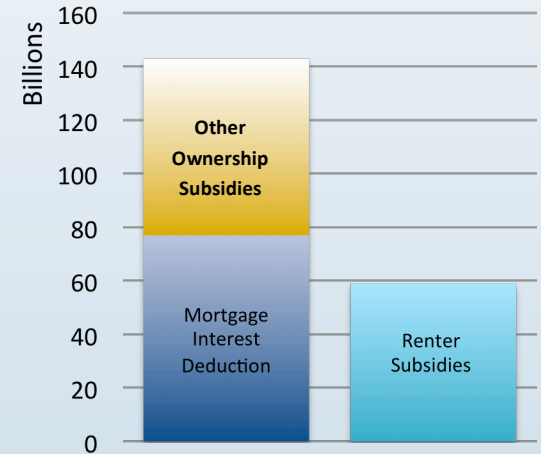
A tax expenditure to assist renters with housing costs would help balance federal housing spending towards those families who need it most. Currently, the average American family needs to earn nearly three times the federal minimum wage to afford a modest 2-bedroom apartment.⁵ Given the millions of families that do not meet this income threshold, a high proportion of renters are forced to pay over 30

Federal Tax Subsidies for Homeownership

Federal spending for rental housing is dwarfed by spending for homeownership. Most spending for homeownership comes in the form of tax expenditures, the largest of which are:

- Mortgage Interest Deduction: \$77 Bn
- Property Tax Exemption: \$34.7 Bn
- Capital Gains Exclusion: \$29 Bn

Estimated FY 2016 Expenditures



(Data: J. Ronald Terwilliger Foundation, "Money is Policy" forthcoming.)

percent or even over 50 percent of their income on rent and utilities, undermining their ability to get ahead and save for the future. Lack of housing affordability has been linked to poor education and health outcomes and forces families to make difficult decisions about which month-to-month expenses to pay for, and which to defer.⁶ A renter's tax credit could help bridge the gap between stagnant incomes and rising housing costs, promoting greater financial stability and savings.

Tax expenditures are an effective and efficient way of delivering federal funding. The Low Income Housing Tax Credit (LIHTC) funds approximately 100,000 affordable rental units annually, preserving affordability for approximately 60,000 units and generating 40,000 new affordable units.⁷ The credit remains popular and its administration is self-funded through its market-based price. While not a housing program, the Earned Income Tax Credit (EITC) lifts more working families out of poverty than any other federal program.⁸ Its effectiveness has led to a nine-fold expansion of the program since its introduction in 1975, and there are calls from both major political parties to increase it.⁹ The mortgage interest tax deduction, while regressive, also provides an example of how the tax code can be used to provide large housing subsidies with little administrative overhead or burdensome compliance requirements.

The determination of which American families get rental assistance shouldn't be a matter of chance.

While the mortgage interest deduction is available to all families who are eligible to claim it, federal housing programs funded by appropriations are provided to only a fraction of those who are eligible and need assistance. Because demand for these programs has risen while appropriations have held constant or dropped, only approximately one in four low-income families that are eligible for housing assistance currently receive it.¹⁰ Both the mortgage interest deduction and the EITC demonstrate how the tax code can provide an efficient delivery mechanism to provide assistance to all eligible families.¹¹

Demand & Supply Side Rental Assistance

Rental housing assistance in the United States began with government supply-side programs like public housing, which constructed low-cost housing. Since the 1970s, however, demand-side approaches like housing choice vouchers have become more popular, providing low-income families with the means to afford homes.

Both supply- and demand-side approaches are necessary to address the nation's affordability crisis. The tax code currently provides housing assistance both on the demand side (largely through tax breaks to homeowners) and the supply side (the largest federal subsidy for rental home construction is the Low Income Housing Tax Credit).

This paper argues for a new demand-side rental assistance program utilizing the tax code, which should be a part of a larger suite of programs that include supply-side interventions as well.

Options for Structuring the Tax Credit

The tax code is a very flexible instrument, allowing the FAIR Credit to be structured in many different ways. The optimal design of the FAIR Credit depends on the scale of the credit and the method by which it reaches the lowest end of the income spectrum. This section of the paper describes several design options for a tax credit. Later in the paper, we present three specific options at two scales, using different methods to address the needs of the extremely low-income population.

Rental assistance could be delivered through either a new credit or as a supplement to an existing credit. Though supplementing an existing credit may be more expedient than creating an entirely new section of the tax code, there is no existing tax credit that specifically addresses the housing cost burdens of low-income families. It would likely be just as onerous to revise existing systems as it would be to create a new credit. In addition, no existing tax credits, including the EITC, take into account geographic variation in housing costs, which would be critical to the efficiency and cost of the new credit.

The credit could be “capped” at a specified level of annual funding, or “uncapped.” LIHTC, for example, is capped at \$7 billion each year in funding through a state allocation process. While capping a credit would contain costs, it would also undermine the goal of providing assistance to all eligible families. Furthermore, a capped credit would have to be actively managed and allocated, increasing the administrative complexity of the credit and likely direct more dollars to administrative overhead than to households.

The credit could be refundable or non-refundable. A refundable credit can be claimed even if the credit exceeds total income tax liability. Refundable credits, particularly if they are uncapped, require budgetary forecasting and may vary in total cost each year. However, non-refundable credits won't reach low-income families who have little or no income tax liability.

Assistance could be calculated to fully alleviate rent burdens or provide assistance in the form of a smaller rent reduction. A credit could be designed to completely eliminate rent burdens for families by covering the difference between 30 percent of income and either gross rent or the fair market rent. Alternatively, a less expensive rent reduction could be provided that would reduce, but not fully alleviate, rent burdens for families. The three options we present for the FAIR Credit use both calculations to demonstrate the potential trade-offs of different approaches.

The credit could be adjusted to reflect local housing costs. Housing costs vary dramatically by geography. The median monthly rent for a 2-bedroom apartment in San Francisco, CA is \$3,300 but only \$550 in Flint, MI.¹² A credit that is designed to make housing more affordable to families should account for these regional differences to maximize the impact and efficiency of the credit. Established measures to assess housing costs exist in forms such as HUD’s Fair Market Rent and Small Area Fair Market Rent (SAFMR) tables. While accounting for local variation in housing costs would require the IRS to alter its systems, incorporating this geographic adjustment into the tax code could pave the way for other programs (such as EITC) to begin to recognize the vast differences in living costs across the nation.

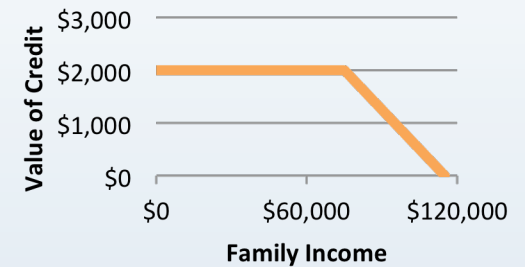
The credit could be adjusted by family income in a variety of ways. Adjustment by income could accomplish one of two separate goals. A progressive structure providing increased assistance as family income declines would direct the most funds to the neediest. Alternatively, the credit could be calculated based on income in a “camel-hump” structure similar to the EITC. This structure would provide a moderate credit for families with extremely low incomes, a larger credit for families with slightly higher incomes, and a diminishing credit for families with incomes approaching average. This credit would be less efficient at dealing with housing cost burdens, but could provide a work incentive similar to EITC. Additionally, the credit could consider only the dollar value of incomes, or be adjusted to account for the large regional differences in incomes. (The median family income in the Stamford-Norwalk, CT MSA is over \$131,000, but less than \$53,000 for the Mobile, AL MSA, for example.)¹³ The FAIR Credit options proposed will use a range of progressive structures to provide the most benefit to lower-income households.

Assistance could be delivered either directly to renters or through landlords. Providing assistance directly to renters would require no administrative actions on the part of landlords, which would limit the type-of-payment discrimination that is commonly seen in the housing voucher program. The tax code also provides a readymade delivery system to residents who already file income taxes. All three credit options outlined in this paper utilize a direct-to-resident model, building on the efficiency of the existing tax filing system. One option also delivers some credit to landlords, allowing for monthly delivery of subsidy (through an agreement to reduce rents). This option facilitates the delivery of assistance to families who are unlikely to file tax returns, such as families with no or nearly no earned income.¹⁴

Credit Calculation Options

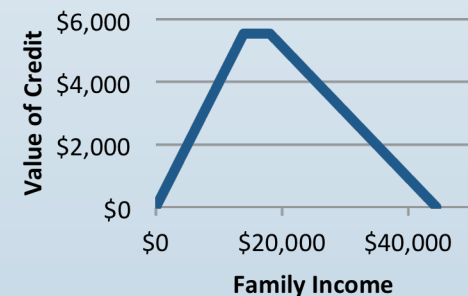
Structuring the credit to remain constant or decrease as income rises directs the most credit to the families most in need of it.

**Progressive Structure Example
(Child Tax Credit for 1-adult, 2-child family)**



Alternatively, structuring the credit to increase as income rises provides an additional incentive to earn more. The EITC uses this structure and has been shown to increase workforce participation.

**“Camel-Hump” Structure Example
(EITC for 1-adult, 2-child family)**



Existing Tax Credit Proposals

While there is no precedent for a tax credit to substantially ameliorate housing cost burdens in the United States, credits that are somewhat functionally similar exist and there have been a number of prior proposals for a renter's tax credit. While some states allow for some portion of rent to be deducted or provide very small tax credits, there is no precedent in the United States for a federal credit to make rental housing more affordable. The most similar programs are state and local property tax “circuit breaker” credits, but these are non-refundable and often fairly small. “Circuit breakers” are designed to provide relief to families for whom property taxes are unduly burdensome, particularly the elderly or a person with a disability on fixed incomes. Some states provide relief to renters as well as homeowners, acknowledging that rents are set to cover building expenses, including taxes. While some states provide fairly large credits, most states limit the credit to less than \$1,000 a year.¹⁵ These credits have, however, led to proposals for new tax credits to improve housing affordability.¹⁶

A number of advocates and scholars have suggested adding a housing supplement to the Earned Income Tax Credit (EITC). The first call for a supplement of this type came in 2001 from Cushing Dolbear.¹⁷ Since then, policy experts and scholars have refined this concept, the most recent of which is Peter Dreier’s proposal described at right.¹⁸ Proponents of this approach note that: (i) designing a housing assistance program that is a modification of an existing program might make political passage and administrative implementation easier, (ii) EITC benefits have been increased many times and (iii) the EITC is well-established and understood by policymakers.

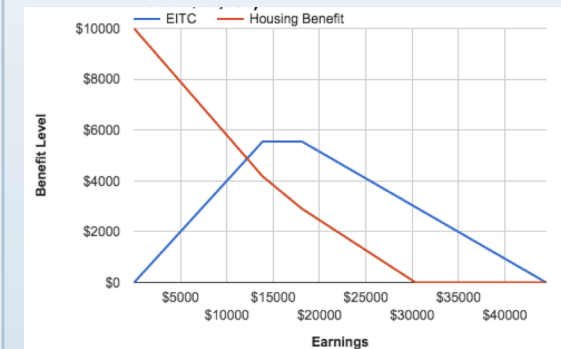
There are, however, some aspects of the EITC that don't align well with a housing supplement. The EITC only counts families’ earned income, ignoring other sources of income that should be accounted for if the supplement is scaled to families’ housing burdens. In addition, by focusing only on those families with earned income, the EITC is poorly equipped to assist families who aren’t working – especially those who are struggling to find or maintain employment due to housing instability. Lastly, the EITC is popular in large part because of its work-incentive “camel-hump” structure, which could conflict with a housing program that is designed to provide the most assistance to the neediest families.

The Center on Budget and Policy Priorities (CBPP) has advanced a detailed proposal for a renter's tax credit.¹⁹ In 2013, the CBPP proposed a capped, \$5 billion non-refundable credit available to families making up to the higher of 60 percent of the area median income (AMI) or 150 percent of the poverty line, but with 75 percent of the credit directed to families with incomes at or below the higher of 30

EITC Housing Supplement Proposal

In a recent article in the journal *Democracy*, the scholar Peter Dreier advanced a proposal for a housing supplement to the EITC. The supplement would add a credit to the EITC equal to the difference between 30 percent of the family’s income and the area’s FMR, similar to a Housing Choice Voucher. The graph below shows an example EITC (blue line) and the proposed housing supplement (red line).

EITC + Supplement for 1-Adult, 2-Child Family (FMR \$10,000)



(Chart: Bruenig 2016)

Any family that claimed the EITC could also claim the credit (not only renters). Dreier emphasizes that the credit is not designed to address the needs of the poorest families with the most severe rent burdens. Instead, he proposes an increase to the voucher program to assist these families.

percent of AMI or the poverty line. The credit would cover the gap between 30 percent of a family's income and the lower of the rent paid or the small area fair market rent in their area, similar to a Housing Choice Voucher. The federal government would allocate the credit to states, which would design their own programs to disburse the credit. The credit could be delivered directly to residents, or through landlords or lenders. The CBPP estimates that the credit would assist 1.2 million families. The proposal addresses the needs of extremely low-income families, and pairs well with the existing LIHTC program. However, the capped structure requires that programs be designed and implemented by each state, which is administratively complex. It is also unclear how many landlords would be willing to participate in the program. Landlords must assume a number of new responsibilities including submitting to building quality inspections and engaging in the routine paperwork and correspondence with the state and federal government. For compensation they receive a very modest additional credit.

The FAIR Credit: Three Structuring Options

We have developed three structuring options for the FAIR Credit at different total costs. All options more fairly allocate federal housing spending between renters and homeowners, and seek to improve financial and housing stability among low-income renters. The first option, the Rent Affordability option, is the most costly and ambitious, aiming to alleviate rent burdens for nearly six million U.S. families. The second option, the Rent Reduction option, is less costly, aiming to substantially reduce, but not completely eliminate, rent burdens for low-income families. A third option, the Composite option, provides deep subsidies to some extremely low-income families and shallower subsidies to all other low-income families, representing a blend of the first two options. The chart below summarizes the design, costs, and impacts of the three credit options.

	Rent Affordability Option	Rent Reduction Option	Composite Option	
Program Design	Eligibility	< 80% AMI & cost-burdened	≤ 80% AMI	≤ 80% AMI
	Capped?	Uncapped	Uncapped	Both capped and uncapped
	Delivery	Direct-to-family	Direct-to-family	Landlord and family
	Credit Calculation	Difference between family income and rent or SAFMR	33% to 12% of rent or SAFMR, scaled to family income	Voucher-like for extremely low-income families, rent reductions for other families
Estimated Costs and Impacts	Families Receiving Credit	13.3 million	15.1 million*	15.1 million*
	Families Lifted from Burden	5.8 million	2.3 million	3 million
	Families with Reduced Burden	7.5 million	10.8 million	10.1 million
	Average Monthly Credit	\$457	\$227	\$237
	Total Annual Cost	\$76 Bn	\$41 Bn	\$43 Bn

* Both the Rent Reduction and Composite options would not be limited to rent-burdened families.

The FAIR Credit: Rent Affordability Option

The Rent Affordability option is an ambitious proposal that has the potential to transform the housing market, ease the financial stress of millions of renter families, and directly address the crisis of homelessness. This option uses the tax code to provide a benefit similar to Matthew Desmond’s proposal for a universal housing voucher program.²⁰ This major investment in addressing rent burdens for all low-income renters could be expected to have a wide range of benefits. Importantly, this option would have a major impact on homelessness, providing stability, safety, and economic opportunity to the 550,000 homeless people in the United States, including over 100,000 homeless children.²¹ The potential cost savings from ending homelessness would be large, as shelters could be closed and as the dockets of overburdened housing courts could be cleared. Savings from healthcare costs could be substantial as well. Eliminating rent burdens for the housed working-class would also provide a wide range of longer-term benefits to families, neighborhoods, and the national economy.

Utilizing the tax code to administer the Rent Affordability option provides a number of advantages, including potentially no additional administrative actions on the part of landlords. While this option is costly, at approximately \$76 billion annually, the cost would not be out of proportion to either the needs of renters nor federal housing expenditures more generally. In fact, it would balance out existing federal expenditures on housing: \$76 billion is roughly equivalent to the anticipated 2016 cost of the mortgage interest tax deduction. While eliminating rent burdens would have major effects on the broader housing market, other countries that have instituted similar programs (such as the United Kingdom and the Netherlands) have shown that well-designed universal, large housing subsidies can be practically implemented and are economically feasible.²²

The Rent Affordability option has the potential to provide extensive assistance to extremely low-income families, though some of these families may need assistance accessing the credit. This option would provide a tax credit to all rent-burdened families making less than 80 percent of area median income. While all rent-burdened families would see a dramatic improvement in their financial health and housing stability, we expect that these effects would be most profound at the lowest end of the income spectrum. Extremely low-income families — those earning less than 30 percent of area median income or less than the federal poverty level — face different housing affordability problems than renters with even somewhat higher incomes. Today, over 70 percent of the families that pay more than half of their income on rent are extremely low-income.²³ Extremely low-income households also are much more likely to face

Rent Affordability Option in Context

The estimated cost of the Rent Affordability option – \$76 billion – would make it one of the largest low-income programs in the federal budget. Major federal anti-poverty programs, however, are of similar size, and the total cost is approximately equal to the largest ownership subsidy, the mortgage interest deduction, which was \$70 billion in 2015 and is anticipated to be \$77 billion in 2016.

Federal Program	2015 Cost	Average Benefit per Month	Annual Magnitude
LIHTC	\$7 Bn	N/A	100,000 units funded
Housing Vouchers	\$20 Bn	\$640	2 million households
Mortgage Interest Deduction	\$70 Bn	\$440 for households making >\$200,000	33 million filers take deduction
EITC	\$73 Bn	\$256 for family with children	26 million households
Rent Affordability Option	\$76 Bn	\$474	13.3 million families
SNAP (Food Stamps)	\$76 Bn	\$459 for a family of 4	46.6 million people

eviction and are at far greater risk of being or becoming homeless. The Rent Affordability option ensures that this population will receive the support necessary to afford a place to live. However, this segment of the population, particularly those who are homeless, is also much less likely to file income taxes; approximately 12 percent of the U.S. population does not file income taxes and this population is disproportionately low-income, elderly, or living with a disability.²⁴ This difficult-to-reach part of the population would be particularly well served by the benefits of the FAIR Credit, but it would require new outreach strategies, including to facilitate claiming the credit and ensuring that it is delivered monthly and by redirecting other housing benefits that the FAIR Credit could make available.

The Rent Affordability option will ensure that all families making less than 80 percent of area median income will be freed from having to pay more than 30 percent of their income on rent. All rent-burdened families making less than 80 percent of area median income would receive a credit equal to the difference between 30 percent of the family income and the lower of gross rent or the SAFMR. The credit would be uncapped, refundable, and provided directly to renters. Unlike vouchers, this housing benefit would not require any action on the part of landlords. This option would relieve approximately 5.8 million families from rent burdens. Additionally 7.5 million families, while still paying more than 30 percent of their income to rent, would have their rent burdens substantially reduced. (Not all families receiving subsidy will be lifted from rent burdens because many families live in units with rents above the SAFMR.)

- **Delivery:** All rent-burdened low-income families would receive a tax credit directly through their income tax refund.
- **Eligibility:** All families making less than 80 percent of area median income that pay more than 30 percent of their income for rent that do not already receive housing assistance from HUD or USDA.
- **Credit Calculation:** The difference between a family's income and 30 percent of the lower of the gross rent (including utilities) the family pays or the Small Area Fair Market Rent (SAFMR), or the Fair Market Rent (FMR) if there is no SAFMR calculated for the neighborhood.
- **Average Monthly Subsidy:** \$457
- **Anticipated Cost:** \$76 billion

The FAIR Credit: Rent Reduction Option

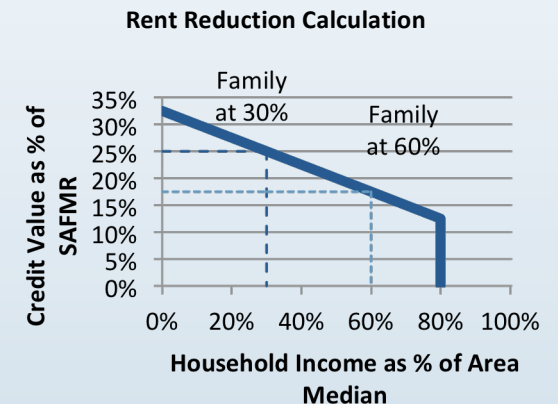
The Rent Reduction option reduces rent burdens, but strives to do so at a lower cost than the Rent Affordability option. This option provides a credit valued at between 12 and 33 percent of the rent or SAFMR to all renter families making less than 80 percent of area median income. This option will cost approximately \$41 billion and will provide assistance to approximately 15.1 million families, completely eliminating rent burdens for 2.3 million of these families. Cost burdens will be reduced for 10.8 million families, and the remaining 2 million families who were not cost-burdened to begin with may be able to move to better homes or neighborhoods or begin to save to buy a home. Furthermore, providing the credit to households that are not cost-burdened ensures that families still have an incentive to seek out housing with rents under the SAFMR. While the Rent Reduction option is not as extensive as the Rent Affordability option (3.5 million more families will remain cost-burdened under this option compared to the Rent Affordability option), the benefits to low-income families are still substantial, and its costs are significantly lower.

The Rent Reduction option will provide some support to nearly all residents making less than 80 percent of area median income. The credit will be uncapped, refundable, and be provided directly to residents, requiring no additional actions on the part of landlords. This credit would relieve 2.3 million of the 13.3 million eligible burdened families from rent burdens. Additionally, the credit would relieve about 2.3 million families from severe rent burden (paying 50 percent or more of income for housing). The credit structure is described below:

- **Delivery:** Directly to residents through their tax returns.
- **Eligibility:** All resident families making less than 80 percent of area median income that do not already receive housing assistance from HUD or USDA.
- **Credit Calculation:** Based on the family's income as a percentage of the area median income, and the lower of the Small Area Fair Market Rent (SAFMR) of the neighborhood where they live or their gross rent (see chart at right).
- **Average Monthly Credit:** \$227
- **Anticipated Cost:** \$41.2 billion

Rent Reduction Option Calculation

The rent reduction option would provide a smaller credit to pay for 12-33 percent of the family's rent or the SAFMR, adjusted to the family's income. For example a family making 60 percent of the area median income would receive a credit equal to approximately 18 percent of their annual rent. A family making 30 percent of the area median income could receive a credit equal to approximately 25 percent of their rent.



The average credit would be about \$2,725 annually or \$227 per month. Extremely low-income families would receive closer to \$300 per month, while families near 80 percent of area median income would receive approximately half that amount, \$150.

The FAIR Credit: Composite Option

The Composite option builds off the Rent Reduction option by directing additional assistance to extremely low-income families. As with the Rent Reduction option, all families earning less than 80 percent of area median income would receive a credit that ranges between 12 and 33 percent. However, because this option leaves extremely low-income populations still facing rent burdens due to the lower level of assistance, it also includes a Voucher-like Targeted Component that provides a larger amount of assistance to address severe cost burdens among extremely low-income families. The total credit will cost approximately \$43 billion and will provide assistance to approximately 15 million families, eliminating rent burdens for 3 million of these families.

The Targeted Component will provide larger, voucher-like assistance to some extremely low-income renters. Extremely low-income families would be better served with a larger, potentially more frequent benefit than the Rent Reduction option would provide. Thus the Targeted Component would be calculated to eliminate rent burdens for those with the greatest housing needs. This component is based on the CBPP’s proposal.²⁵

Recognizing that it is harder to reach extremely low-income families through the tax code, this credit would be provided to landlords, who would pass on the benefit of the credit to their tenants. Landlords would claim the credit in exchange for charging their tenants lower rents. Landlords would be required to income-certify their tenants and could be subject to regular property quality inspections. To be compensated for the additional administrative burden, landlords would be provided a modest credit premium in addition to the deduction in rent they provided their residents. While delivery through landlords is not ideal, matching the timing of benefits to the timing of rent is particularly important to the extremely low-income population, and delivering the credit to landlords is a ready means of providing monthly benefits to renters.

The Targeted Component would be capped to reduce the costs of this Component to \$5 billion. The allocations would be run through state housing finance agencies, in a way that is similar to state’s allocation of nine percent Low Income Housing Tax Credits (LIHTC).

- **Delivery:** To landlords, who claim a credit approximately equal to the rent reduction they provide their residents.

The Three Options in Context

The chart below shows all three FAIR credit options in the context of other major anti-poverty and housing programs.

Federal Program	2015 Cost	Average Benefit per Month	Annual Magnitude
LIHTC	\$7 Bn	N/A	100,000 units funded
Housing Vouchers	\$20 Bn	\$640	2 million households
Rent Reduction Option	\$41 Bn	\$227	15.1 million families
Composite Option	\$43 Bn	\$237	15.1 million families
EITC	\$73 Bn	\$256 for family with children	26 million households
Mortgage Interest Deduction	\$70 Bn	\$440 for households making >\$200,000	33 million filers take deduction
Rent Affordability Option	\$76 Bn	\$474	13.3 million families
SNAP (Food Stamps)	\$76 Bn	\$459 for a family of 4	46.6 million people

- **Eligibility:** Landlords providing housing to families making less than 30 percent of area median income or less than the federal poverty level that do not receive housing assistance from HUD or USDA.
- **Credit Calculation:** The difference between 30 percent of the resident's income and the lower of gross paid or the SAFMR.
- **Average Monthly Credit:** \$446
- **Cost:** \$5 billion

Families who do not receive assistance from the Targeted Component would still be eligible under the Rent Reduction option. However, the cost and impact of this component of the credit will be slightly less because some families will receive the Targeted Component instead. This component of the credit would relieve approximately two of the ten million eligible families from rent burdens. About 1.8 million families would be relieved from severe rent burden. The credit structure is described below:

- **Delivery:** Directly to residents through their tax returns.
- **Eligibility:** All resident families making less than 80 percent of area median income that do not already receive housing assistance from HUD or USDA or from the Targeted Component.
- **Credit Calculation:** Identical to the Rent Reduction credit calculation.
- **Average Monthly Credit:** \$220
- **Anticipated Cost:** \$38 billion

Potential Enhancements to the FAIR Credit

The FAIR Credit would be more effective if the IRS delivered the credit more frequently, ideally monthly, to residents. Rather than a one-time annual tax refund, more frequent payments of the FAIR Credit would better align with the monthly payments families must make on rent. This is particularly important for larger credits, such as with the Rent Affordability option. A number of pilot programs have shown that often, families prefer more frequent payments and are better able to use the credit to manage their expenses.²⁶ The IRS has delivered monthly EITC payments through the Advance EITC program and currently delivers semi-annual payments of the health premium tax credit to insurance companies under the Affordable Care Act.²⁷ However, more frequent credit payments would be a significant change for the IRS. The Advance EITC Program was fairly small-scale and there are few health insurance companies relative to the number of FAIR Credit recipients. We recommend, nevertheless, that more frequent FAIR Credit payments be pursued, as the benefits to residents would be substantial.²⁸

The FAIR Credit would be more effective if coupled with split-refund programs that facilitate and/or reward savings. One of the lessons from the EITC has been that when given the opportunity to do so, low-income families will save part of their tax refunds, allowing them to build assets that can help achieve economic stability and invest in education, homeownership, or a small business. The FAIR Credit could operate in a similar way, helping working families who can't get ahead because of their housing costs. Building on tax code infrastructure, renters who receive the FAIR Credit could split their refund, directing funds to more than one account.²⁹ This would allow them to allocate some of the credit for immediate use to defray urgent housing expenses (or non-housing expenses that have accumulated as the result of housing cost burdens), while saving the rest for their future. Directing the refund to a tax-advantaged savings account or an Individual Development Account (IDA), which provides matched savings for specific savings goals, could provide additional benefits. While some encouragement to enroll in these programs might be needed, there is proven demand for split EITC-refund programs.³⁰ Outreach efforts should be incorporated into the rollout of the FAIR Credit and will be critical to uptake rates, as has been the case for EITC split refunds.³¹

While split-refund programs and other financial products could make the FAIR Credit more effective, the Consumer Financial Protection Bureau (CFPB) should closely monitor all financial products involving the credit. A number of predatory financial products that take advantage of tax credits provided to low-income families have emerged since the rise of the EITC. One of the most prevalent types was the refund anticipation loan, which used upcoming EITC refunds as collateral for high-cost loans. Refund anticipation

loans were very common until the FDIC effectively banned banks from originating these loans in 2013.³² The FDIC's procedures for implementing the bans are under investigation by the FDIC Inspector General, however, and a number of other financial products have been developed that provide slightly earlier or slightly easier access to refunds in exchange for exorbitant fees and/or interest rates.³³ The CFPB has also taken actions to prevent the origination of refund anticipation loans and should be vigilant about the potential of the FAIR Credit to be exploited.³⁴

The FAIR Credit may need to work in tandem with the voucher program to reach extremely low-income families. It is challenging to provide housing assistance to extremely low-income families through the tax code because they are less likely to file income taxes and the need for month-to-month assistance is more pressing. Policymakers should explore the potential for complementing the FAIR Credit with the voucher program. For example, extremely low-income households (specifically those who do not file taxes) could be given a voucher, and then “graduate” to the tax credit subsidy as their incomes rise and finances stabilize. The capped, Targeted Component of the Composite option is delivered to landlords avoiding many of the problems of using the tax code to assist extremely low-income families. \$5 billion, however, still leaves many families with some housing cost burden. The Targeted Component provides assistance to only about 15 percent of the 8.1 million extremely low-income and severely cost-burdened families in the country.³⁵ The \$5 billion level of funding is taken from the CBPP's proposal, and we agree that this is an appropriate level of funding to begin with.

Initial Implementation Options

If the FAIR Credit proves to be too costly for immediate implementation there are a number of ways that the credit could be adjusted, though this would diminish its effectiveness. The roll-out of the FAIR Credit could follow a pattern set by the EITC of initially being (i) restricted to a limited population and/or (ii) providing a smaller per-family credit before growing to its full potential.

Initially limiting the FAIR Credit to families with children would dramatically reduce costs. There is some justification to limiting the credit to families with children, at least initially. Families with children tend to have less discretionary income and research has shown that young people benefit disproportionately from the improved housing stability that comes from reducing or eliminating rent burdens. Housing assistance like the FAIR Credit might allow for recipients to move to better neighborhoods, which has also been shown to improve children's long-term economic outcomes.³⁶ This limitation would dramatically reduce the eligible population for the credit and the cost of the credit. However, narrowing the scope of this credit to low-income families means it will likely be reaching those that are already the target of a number of other large federal assistance programs including the Child Tax Credit, Temporary Assistance for Needy Families (TANF), and a large portion of the EITC.

The FAIR Credit amount could be reduced to make it less costly, but less effective at reducing rent burdens. Research has shown that escalating rent burdens have a wide range of negative effects, with the severest effects felt by those with cost burdens of 50 percent or more.³⁷ While a threshold higher than 30 percent would have negative consequences to families relative to the options presented in this paper, a burden of 35 percent is better in many ways than a burden of 50 percent or more. The credit options could be reduced in a few ways:

- **The Rent Reduction option** could be scaled down across the income spectrum. A decrease by five percentage points, for example, would lessen the cost of the credit by approximately \$10 billion. The reduction would mean that the average benefit would be reduced by about \$50 per month. Families making 50 percent of area median income would receive about \$150 per month.
- The Targeted Component of **the Composite option** and **the Rent Affordability option** could be reduced by increasing the standard of affordability above 30 percent of family income.

Time-limiting the FAIR Credit might provide families with an incentive to increase earnings, but would complicate the credit and might limit its effectiveness. A few housing programs, such as Work Advantage in New York City, have used time-limited assistance as a means of encouraging families to aggressively increase their income. The effectiveness of time-limiting housing support is unclear. Advantage, an anti-homelessness program, was criticized as being ineffective and only lasted from 2007 to 2011.³⁸ Many time-limited housing programs have been anti-homelessness programs, and have been evaluated with criteria such as shelter re-entry rates. While the Targeted Component of the Composite option and a substantial portion of the Rent Affordability option could be expected to have a significant impact on homelessness, both options have a broader set of goals than just anti-homelessness. Furthermore, time limiting the credit would complicate the implementation of the program, as a record would need to be kept of who had already taken the credit, and rules would need to be established about the eligibility of changing family structures.

Questions for Further Study

This paper presents an initial proposal for a renter's tax credit to stimulate policy discussion of how to ensure that renters are not left behind in efforts to rebuild the middle class. We have outlined the scale of the problem of rental affordability, and the scale of needed solutions. The tax code is a promising mechanism to address rental affordability, with a proven track record as an effective delivery system for housing assistance and assistance to low-income families. This paper is meant to start a discussion of the best structure for a renter's tax credit. As such, there are a number of important questions that remain around the implementation and scale of the FAIR Credit. This section describes some particularly important questions that should be examined to ensure that the credit achieves its goals and does not have unintended consequences.

The FAIR Credit will need to be designed and administered in a way that prevents fraud. One of the benefits of using the tax code to deliver and calculate the FAIR Credit is that mechanisms already exist to ensure that the information that is used to calculate the credit, such as family income, is accurate. Nevertheless there is some information that the credit requires that is beyond what filers currently report, inviting the possibility of fraud (see bar at right). This is not a comprehensive list, however, and policymakers should consider other potential pathways by which fraud could occur.

How will the FAIR Credit affect market rents? It is possible that the credit will cause market rents to rise in some instances, particularly in markets where generating or rehabilitating housing is difficult. There have been a number of studies that have examined the ways in which housing vouchers have affected market rents, generally finding that there has been little or no rise in rents.³⁹ These studies deserve a closer look, however. The most thorough study was the Experimental Housing Allowance Program (EHAP) experiment, conducted from 1970 to 1981, examining 30,000 low-income households in 12 cities across the United States. This study was instrumental in the development of the modern Housing Choice Voucher program and provides the most detailed analysis on the impact of resident-based housing assistance on housing prices (examined in the "Supply Experiment" of EHAP). Much has changed in the United States since the early 1980s, however, and the credit, particularly the Rent Reduction Component of the Composite option, is structured very differently from a voucher. The effects of the Rent Affordability option are of particular importance, as it is far larger than the Rent Reduction option. Econometric models that estimate the impact of the credit on rents in different housing markets can

Preventing Fraud

Misinformation about residence location or rent paid. Residents could receive a larger credit if they reported living in an area with a higher SAFMR than their actual home or if they reported paying more than their actual rent. While the current tax system provides some information about the location of renter's residency, additional documentation may be required to prevent this type of fraud.

Unreported rent-sharing. Numerous recipients of the FAIR Credit will likely share their home with another family or tax-unit, and if this is unreported, families will receive credits that are too large. Detailed verification of residence could deter this type of fraud. USPS information may be useful in determining the separation of units within buildings.

Unreported other housing assistance. The FAIR Credit is limited to families that do not receive HUD or USDA assistance, but reporting this assistance is not currently required on income taxes. The FAIR Credit should require that families report these types of assistance on their taxes and work with HUD and USDA to deter this type of fraud.

assist in identifying potential unintended consequences and can inform how the credit should ultimately be structured.

The design of the FAIR Credit should also take into account the complexities of measuring and tracking income. IRS data could be used to examine the proper definition of “income” for the credit. This paper uses a definition of “income” that includes all cash income except for Supplemental Security income (SSI). Ideally the FAIR Credit would include all sources of income, but currently the IRS does not require reporting from a number of sources such as SSI and TANF. Further research should be performed to examine the feasibility of accounting for these other sources of income and whether the administrative burden of doing so is justified. Policymakers should also assess whether the credit should be adjusted to account for differences in family size. Many housing assistance programs are adjusted for household or family size to account for the increased housing needs of larger families. In addition, because tax refunds are provided to families or individual filers who often share homes with other filers, this could complicate compliance and credit calculations.⁴⁰ Lastly, it would be useful to examine the population that face rent burdens but who might have difficulty accessing the credit. A study produced in 1998 found that about 12 percent of the population does not file income taxes and most of these people earn less than \$10,000 per year.⁴¹ A more thorough understanding of this population could provide insight into how the credit should be marketed.

The interaction of the FAIR Credit with other large housing and anti-poverty programs should be examined. The FAIR Credit, particularly the Rent Affordability option, would be a major change in federal housing policy and could be expected to have an impact on the housing choice voucher program, project-based housing subsidies such as Section 8 and LIHTC, and anti-poverty programs such as EITC. The very large housing subsidies provided to extremely low-income families (particularly in high cost markets) might have an attenuating effect on the work-incentive effect of the EITC. The FAIR Credit may also limit the appeal of subsidized housing, particularly if it is of relatively lower quality than unsubsidized housing renting for less than the SAFMR. The extent of these and other interactions with large federal and state programs could be examined using currently available data and might justify adjustments to the credit.

Conclusion

If we hope to create opportunities for economic mobility and rebuild the middle class, we need to ensure that the more than 42 million renters in the United States have access to safe, stable, and affordable housing. While there are recent signs that incomes are rising and that poverty rates are starting to fall, rental housing affordability remains a crisis. Approximately half of all renters still spend 30% or more of their income for housing, and a quarter spend over 50 percent.⁴² Recent wage gains would need to be sustained for many years to seriously improve rental affordability. Meanwhile federal spending remains unfairly skewed to wealthy homeowners. Federal politicians from both major political parties have expressed their support for comprehensive tax reform, and we believe it's time for progressive rather than regressive tax policy.⁴³

The FAIR Credit is meant to advance the development of a large-scale means to address the needs of renters through the tax code. Piecemeal solutions to the crisis of rental affordability are inadequate and housing programs funded by appropriations will never be sufficient to address renters' housing needs. Today, we only provide rental assistance to one in four rent-burdened families who are eligible for assistance. The FAIR Credit represents one idea for a substantial improvement, and an equitable solution to the rental affordability crisis that we believe deserves serious consideration.

Appendix A: Methodology for Estimates

The Turner Center worked closely with the Center on Budget and Policy Priorities (CBPP) to develop the estimates of the credit’s costs and its effects on residents. The CBPP used 1 year 2014 American Community Survey (ACS) and 2014 HUD administrative microdata for their analysis. Estimates were adjusted to account for households with missing data and to remove households already receiving federal rental assistance. Cost estimates were based on 75 percent participation rate of households that are income-eligible.

Because of the practical complexity of using HUD’s definitions of area median income, we developed a similar but simpler way of accounting for regional variations in incomes. We divided all Census-designated Zip Code Tabulation Areas (ZCTAs) by median income quintiles, and then found the median income of the median zip code within each quintile. The results of this analysis are shown below:

Classifications of Zip Code Tabulation Areas (ZCTAs)			
	Income Range	Zip codes per category	Median income of category
0-20th percentile median income (1 st Quintile Income ZCTAs)	\$0 to \$36,250	6,442	\$30,625
20-40th percentile median income (2 nd Quintile Income ZCTAs)	\$36,250 to \$44,309	6,357	\$40,601
40-60th percentile median income (3 rd Quintile Income ZCTAs)	\$44,309 to \$52,454	6,397	\$48,302
60-80th percentile median income (4 th Quintile Income ZCTAs)	\$52,454 to \$65,452	6,399	\$57,796
80-100th percentile median income (5 th Quintile Income ZCTAs)	\$65,452 to \$247,768	6,399	\$69,055

This classification provides a means of quantifying any family’s income as a percentage of the median income of the quintile of ZCTA in which they lived. This is the calculation we refer to when we specify a family’s area median income. In practice we would recommend using HUD’s area median income metric for the calculation of the credit, as this provides a more accurate picture of regional variations in income. Initial comparisons between the two standards suggest that using HUD’s area median income standards will reduce the estimated costs of the credits in this paper by approximately 20 percent.

To calculate the credit we use the lesser of gross rent (including utility payments) or the Small Area Fair Market Rent (SAFMR). Gross rent is estimated using ACS data. SAFMR is provided by HUD at the ZIP code level for all metro areas in the US. For non-metro areas the larger-scale Fair Market Rent (FMR), also provided by HUD, was used as the upper bound for the credit calculation. SAFMRs are used when possible because they have a number of advantages to using the FMRs alone. FMRs represent the 50th or 40th percentile of rent for an entire metro area, which ignores the large variations in market rents within the metro. FMRs are used to calculate the payments for housing choice vouchers and the standard has effectively led to the federal government providing subsidies far above local market rates in the low-cost markets where low-income residents often reside. Furthermore, adjusting to within-metro variations in market rents allows for the recipients of subsidies to be able to afford to live in higher-amenity, higher-rent neighborhoods that might be prohibitively expensive if benefits were limited to the average of the entire metro. While HUD's proposed SAFMRs have been the subject of criticism by some high-cost, low-vacancy rate cities, we believe that these criticisms can be addressed and that some mutually-agreed-upon version of SAFMRs provide a good standard for the FAIR credit at a national level.

Appendix B: Policy Round-Table Discussants

On May 24th a round-table was held at the University of Southern California to discuss the FAIR Credit. The following individuals provided their thoughts on various tax credit options during the event.

Name	Organization
Raphael Bostic	University of Southern California
Orlando Cabrera	Squire Patton Boggs
Karen Chang	PennyMac and Sperling Economic Strategies
Caroline Danielson	Public Policy Institute of California
Peter Dreier	Occidental College
Richard Gentry	San Diego Housing Commission
John Griffith	Enterprise Community Partners
Mary Kaiser	California Community Reinvestment Corporation
John Moon	Federal Reserve Bank of San Francisco
Barbara Sard	Center on Budget and Policy Priorities
Michael Stegman	Bipartisan Policy Center
Barry Zigas	Zigas and Associates

References

- ¹ Joint Center for Housing Studies, Harvard University, “America’s Rental Housing: Expanding Options for Diverse and Growing Demand” (Cambridge, Mass.: Harvard University, 2015), <http://www.jchs.harvard.edu/americas-rental-housing>.
- ² Laurie Goodman, Rolf Pendall, and Jun Zhu, “Headship and Homeownership: What Does the Future Hold?” (Urban Institute, June 2015), <http://www.urban.org/research/publication/headship-and-homeownership-what-does-future-hold>.
- ³ Joint Center for Housing Studies, Harvard University, “America’s Rental Housing,” 2015.
- ⁴ J. Ronald Terwilliger Foundation for Housing America’s Families, “The Silent Housing Crisis: A Snapshot of Current and Future Conditions” (1922 Tysons Trace Drive Vienna, VA 22182, March 2015), <http://www.joomag.com/magazine/the-silent-housing-crisis/0290011001434491644>.
- ⁵ National Low Income Housing Coalition, “Out of Reach 2016” (Washington, D.C.: National Low Income Housing Coalition, June 2016), http://nlihc.org/sites/default/files/oor/OOR_2016.pdf.
- ⁶ For a particularly powerful description of these trade-offs see Matthew Desmond, *Evicted : Poverty and Profit in the American City* (New York : Crown Publishers, 2016).
- ⁷ Department of Housing and Urban Development, “LIHTC Database Access,” *LIHTC Database Access*, n.d., <http://lihtc.huduser.org/>.
- ⁸ Tax Policy Center, “What Is the Earned Income Tax Credit (EITC)?,” *Tax Policy Center*, accessed June 16, 2016, <http://www.taxpolicycenter.org/briefing-book/what-earned-income-tax-credit-eitc>.
- ⁹ Michael Stegman, Walter Davis, and Roberto Quercia, “The Earned Income Tax Credit as an Instrument of Housing Policy,” *Housing Policy Debate* 15, no. 2 (2004): 203–60. & Richard Rubin and Eric Morath, “Obama, Ryan See Potential for a Tax-Policy Compromise,” *Wall Street Journal*, February 2, 2016, sec. Politics, <http://www.wsj.com/articles/obama-ryan-see-potential-for-a-tax-policy-compromise-1454417318>.
- ¹⁰ Joint Center for Housing Studies, Harvard University, “America’s Rental Housing,” 2015.
- ¹¹ John M. Quigley, “Just Suppose: Housing Subsidies for Low Income Residents,” *Berkeley Program on Housing and Urban Policy, Working Paper Series*, 2007, <http://www.jchs.harvard.edu/research/publications/just-suppose-housing-subsidies-low-income-residents>.
- ¹² Zillow, “Metro Median Rental Price 2 Bedroom,” *Zillow Research*, accessed June 6, 2016, <http://www.zillow.com/research/data/>.
- ¹³ US Department of Housing and Urban Development, “FY 2016 Income Limits Documentation System,” accessed June 13, 2016, https://www.huduser.gov/portal/datasets/il/il2016/select_Geography.odn.
- ¹⁴ Jim Cilke, “A Profile of Non-Filers,” Office of Tax Analysis, WP-78 (Washington, D.C.: U.S. Department of the Treasury, July 1998), <https://www.treasury.gov/resource-center/tax-policy/tax->

analysis/Documents/WP-78.pdf; Jacob A. Mortenson et al., “Attaching the Left Tail: A New Profile of Income for Persons Who Do Not Appear on Federal Income Tax Returns,” *Proceedings of the Annual Conference on Taxation*, June 2009, 88–102.

¹⁵ Karen Lyons, Sarah Farkas, and Nicholas Johnson, “The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs” (Washington, D.C.: Center for Budget and Policy Priorities, March 21, 2007), <http://www.cbpp.org/archiveSite/3-21-07sfp.pdf>.

¹⁶ Victor Bach and Tom Waters, “Making the Rent: Who’s at Risk? Rent-Income Stresses and Housing Hardship among Low-Income New Yorkers” (Community Service Society, May 2008), http://www.cssny.org/page/-/images/uploads/pubs/Making_the_Rent_08_Summary.pdf.

¹⁷ Cushing N. Dolbeare, “Housing Affordability: Challenge and Context,” *Cityscape* 5, no. 2 (2001): 111–30.

¹⁸ Stegman, Davis, and Quercia, “The Earned Income Tax Credit as an Instrument of Housing Policy.” Peter Dreier, “Housing and the Working Poor,” *Democracy Journal*, March 29, 2016, <http://democracyjournal.org/arguments/housing-and-the-working-poor/>.

¹⁹ Center for Budget and Policy Priorities, Barbara Sard, and Will Fischer, “Residents’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy” (Washington, D.C., August 21, 2013), <http://www.cbpp.org/sites/default/files/atoms/files/7-13-12hou.pdf>.

²⁰ Desmond, *Evicted*.

²¹ US Department of Housing and Urban Development, “HUD 2015 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations” (Washington D.C: US Department of Housing and Urban Development, October 27, 2015), https://www.hudexchange.info/resource/reportmanagement/published/CoC_PopSub_NatITerrDC_2015.pdf.

²² Desmond, *Evicted*.

²³ Center on Budget and Policy Priorities, Barbara Sard, and Will Fischer, “Renters’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy.”

²⁴ Mortenson et al., “Attaching the Left Tail.”

²⁵ Center on Budget and Policy Priorities, Barbara Sard, and Will Fischer, “Renters’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy.”

²⁶ Dylan Bellisle and David Marzahl, “Restructuring the EITC: A Credit for the Modern Worker” (Chicago, IL: Center for Economic Progress, September 2015), http://www.economicprogress.org/sites/economicprogress.org/files/restructuring_the_eitc_a_credit_for_the_modern_worker_0.pdf.

²⁷ Center for Budget and Policy Priorities, Barbara Sard, and Will Fischer, “Residents’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy.”

²⁸ Steve Holt, “Periodic Payment of the Earned Income Tax Credit Revisited” (Washington, D.C.: Brookings Institution, December 2015), <http://www.brookings.edu/~media/research/files/reports/2015/12/17-holt/holtperiodicpaymenteitc121515.pdf>.

²⁹ This requires the filer filling out a Form 8888 as described in US Internal Revenue Service, “Divide and Prosper: Refund Splitting Creates Asset Building Opportunities for Direct Deposit Filers,” January 2008, <https://www.irs.gov/uac/divide-and-prosper-refund-splitting-creates-asset-building-opportunities-for-direct-deposit-filers>.

³⁰ Sondra Beverly, Daniel Schneider, and Peter Tufano, “Splitting Tax Refunds and Building Savings : An Empirical Test,” *NBER Tax Policy and the Economy* 20 (2006): 111–62.

³¹ CFPB Office of Financial Empowerment, “Increasing Saving at Tax Time and Promising Practices for the Field” (Washington, DC: Consumer Financial Protection Bureau, August 2015), http://files.consumerfinance.gov/f/201509_cfpb_increasing-saving-at-tax-time-and-promising-practices-for-the-field.pdf.

³² Chi Chi Wu and Chantal Hernandez, “Minefield of Risks: Taxpayers Face Perils from Unregulated Preparers, Lack of Fee Disclosure, and Tax-Time Financial Products” (Boston, MA: National Consumer Law Center, March 2016), <http://www.nclc.org/images/pdf/pr-reports/TaxTimeReport2016.pdf>.

³³ See, for example, refund anticipation checks described in Brett Theodos et al., “Characteristics Of Users Of Refund Anticipation Loans And Refund Anticipation Checks” (US Department of Treasury, 2010), <https://www.treasury.gov/resource-center/financial-education/Documents/Characteristics%20of%20Users%20of%20Refund%20Anticipation%20Loans%20and%20Refund%20Anticipation%20Checks.pdf>.

³⁴ Richard Cordray, “Prepared Remarks of CFPB Director Richard Cordray on the Illegal Tax-Refund Scheme Enforcement Press Call,” April 14, 2015, <http://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-cfpb-director-richard-cordray-on-the-illegal-tax-refund-scheme-enforcement-press-call/>.

³⁵ Center for Budget and Policy Priorities, Barbara Sard, and Will Fischer, “Residents’ Tax Credit Would Promote Equity and Advance Balanced Housing Policy”; Joint Center for Housing Studies, Harvard University, “America’s Rental Housing: Evolving Markets and Needs” (Cambridge, Mass.: Joint Center for Housing Studies of Harvard University, December 2013), http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf.

³⁶ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” Working Paper (National Bureau of Economic Research, May 2015), <http://www.nber.org/papers/w21156>.

³⁷ Joint Center for Housing Studies, Harvard University, “The State of the Nation’s Housing 2015” (Cambridge, Mass.: Joint Center for Housing Studies, Harvard University, 2015), <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-sonhr-2015-full.pdf>.

³⁸ Giselle Routhier, “Revolving Door: How the Bloomberg Administration Is Putting Thousands of Formerly-Homeless Families at Risk of Returning to Homelessness” (New York, NY: Coalition for the Homeless, July 20, 2010), <http://www.coalitionforthehomeless.org/wp-content/uploads/2014/06/BriefingPaper-RevolvingDoor-7-13-2010.pdf>. Mosi Secret, “Homeless Aid

Program Close to Ending in New York City,” *The New York Times*, May 31, 2011, <http://www.nytimes.com/2011/06/01/nyregion/new-york-city-close-to-ending-key-housing-program.html>.

³⁹ See in particular Larry J. Ozanne and James P. Zais, “Communitywide Effects of Housing Allowances,” in *Housing Vouchers for the Poor : Lessons from a National Experiment* (Washington, D.C.: Urban Institute Press, 1981). & examinations of UK’s Housing benefit such as H Priemus, Pa Kemp, and Dr Varady, “Housing Vouchers in the United States, Great Britain, and the Netherlands: Current Issues and Future Perspectives,” *Housing Policy Debate* 16, no. 3–4 (2005): 575–609.

Stegman, Davis, and Quercia, “The Earned Income Tax Credit as an Instrument of Housing Policy.” Report (Washington, DC, June 1 2003), www.brookings.edu/research/the-earned-income-tax-credit-as-an-instrument-of-housing-policy/.

⁴⁰ Stegman, Davis, and Quercia, “The Earned Income Tax Credit as an Instrument of Housing Policy.”

⁴¹ Cilke, “A Profile of Non-Filers.”

⁴² US Census Bureau, “New 2015 American Community Survey Statistics Available,” Press Release (Washington, DC, September 15, 2016), <https://www.census.gov/newsroom/press-releases/2016/cb16-159.html>.

⁴³ US Senate Committee on Finance, “Wyden, Hatch Outline Path Forward on Comprehensive Tax Reform The United States Senate Committee on Finance,” Press Release (Washington, DC: US Senate, June 5, 2014), <http://www.finance.senate.gov/chairmans-news/wyden-hatch-outline-path-forward-on-comprehensive-tax-reform>.