

FEBRUARY 19, 2014

Position Statement Supporting Senate Bill 354

Given before the Senate Budget and Taxation Committee

Expanding the Renter's Tax Credit is an important first step toward providing relief to residents as housing costs continue to increase.

Making the Renter's Tax Credit more generous is an important first step toward providing relief to Marylanders struggling to keep up with the cost of housing. For this reason, the Maryland Center on Economic Policy supports Senate Bill 354.

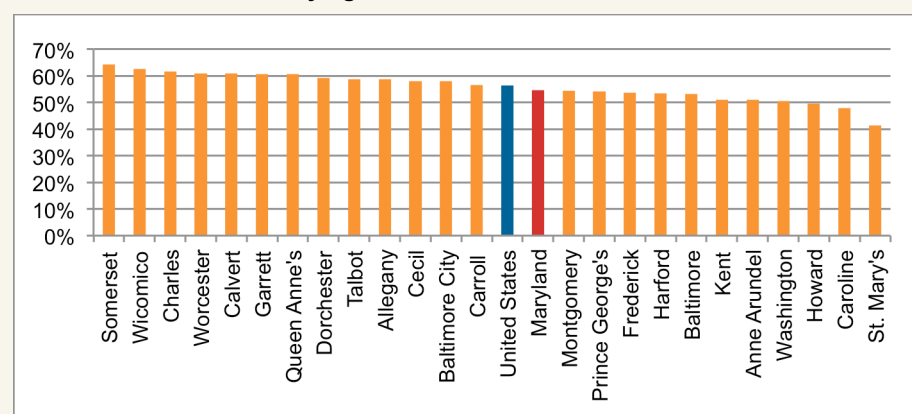
Maryland residents are paying a higher proportion of their income on rent as a result of increasing housing costs and stagnant wages. Monthly costs for Marylanders who rent have

increased from a median of \$1,000 per household in 2007 to \$1,170 in 2012.¹ Nearly one in four Maryland households spent over half of their income on rent.² Worse still, residents with low incomes face some of the highest housing costs as a proportion of their incomes.³

Maryland's Renter's Tax Credit helps provide some relief from these costs for those who qualify. Currently, eligible renters (the elderly, disabled, and parents in poverty) who apply receive a check from the state based on their income and 15 percent of their monthly rent. Senate Bill 354 would increase the portion of rent used to calculate the credit to 25 percent. It would also allow renters to earn more before their maximum credit is reduced, raising the maximum renter's tax relief from \$750 to \$1500.⁴

MARYLAND RENTAL COSTS REMAIN HIGH FOR RESIDENTS

Percent of Households Paying More Than 30% on Rent, 2010-2012



Source: United States Census Bureau

¹ United States Census Bureau, American Community Survey, Table B25064

² United States Census Bureau, American Community Survey, Table B25070

³ Fischer, Will, and Barbara Sard, "Chart Book: Federal Housing Spending Is Poorly Matched to Need Tilt Toward Well-Off Homeowners Leaves Struggling Low-Income Renters Without Help," Center on Budget and Policy Priorities, December 18, 2013, <http://www.cbpp.org/cms/index.cfm?fa=view&id=4067>

⁴ Maryland Department of Legislative Services, Fiscal and Policy Note for Senate Bill 354, Maryland General Assembly 2014 Session, http://mgaleg.maryland.gov/2014RS/fnotes/bil_0004/sbo354.pdf

While Senate Bill 354 would not expand eligibility, it would provide more relief for the renters that can receive it. Further, it would likely reach more renters than are currently eligible because the legislation requires the Department of Assessments and Taxation to establish a marketing campaign for the credit. By doing more to reach additional Maryland residents who are eligible but not currently receiving the Renter's Credit, Senate Bill 354 would ensure the existing policy better achieves its goals.

The Renter's Tax Credit is a small program with narrow eligibility. Non-elderly, non-disabled Maryland residents without children are not eligible for the renter's tax credit at all, regardless of how low their income may be. In 2013, 8,249 credits worth \$2.4 million were issued. Senate Bill 354 would add \$1.65 million to \$2.87 million to the yearly cost of the credit, bringing the total in Fiscal Year 2015 to 5.27 million, the Maryland Center on Economic Policy estimates.

Senate Bill 354 is an important first step in providing assistance to renters in Maryland as housing costs increase. Current housing assistance policies favor homeowners over renters. For example, in 2012, renters received less than one-fourth of federal housing subsidies despite making up more than a third of households.⁵ This pattern exists in Maryland as well. The average renters' credit is only \$294, compared to \$1,172 for homeowners.⁶ In the future, Maryland should go further and expand eligibility for the Renter's Tax Credit, but Senate Bill 354 provides an important first step.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Tax Committee give a favorable report to Senate Bill 354.

⁵ Fischer and Sard, 2013.

⁶ Maryland Department of Assessments and Taxation, Homeowner's and Renter's Tax Credit Statistics, <http://www.dat.state.md.us/sdatWeb/stats/index.html>