MARCH 7, 2017

Renter's Tax Credit Fix Would Help More Marylanders Afford Housing

Position Statement in Support of Senate Bill 769

Given before the Senate Budget and Taxation Committee

In 2015, more than half of renters in Maryland spent more than a third of their income on housing costs, meaning they were spending more than what housing experts consider to be affordable.[i] The Renter's Tax Credit was enacted to mitigate housing costs for Marylanders struggling to keep up with rising rent and provides some relief for those who qualify. However, strict eligibility rules exclude the vast majority of renters. One step towards reaching more renters in need would be to exclude the cash value of retirement savings plans or individual retirement accounts from the definition of "assets" when calculating whether someone qualifies for the tax credit.

The comparable tax credit for homeowners, the Homeowners' Property Tax Credit, already excludes qualified retirement savings in calculating net worth, but the Renters' Tax Credit does not. For these reasons the Maryland Center on Economic Policy supports Senate Bill 769.

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.[ii] This pattern exists in Maryland as well. The average renters' credit is only $315, compared to $1,219 for homeowners,[iii] and very few renters qualify for this modest benefit.

The Renter's Tax Credit is a small program with narrow eligibility. Currently, eligible renters who apply receive a check from the state based on their income and 15 percent of their monthly rent. Only seniors age 60 and older, people with disabilities, and some adults with children are able to claim the credit. Others are not eligible for the renter's tax credit at all, regardless of how low their income may be. Recipients are also not receiving any other type of housing assistance. In 2015, only 7,664 credits were issued.

We should not penalize renters who otherwise would qualify for a credit for saving for retirement. Even a modest investment in a renter's future can prevent them from qualifying under current restrictions. The benefits of expanding the renter's credit would be felt locally, because the individuals qualifying would still be low- and moderate-income, and therefore likely to be spend additional income on immediate necessities.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 769.

---

[i] U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates. Selected Housing Characteristics. https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_14_5YR_DP04&prodType=table

[ii] 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

[iii] Maryland Department of Assessment and Taxation, Annual Report Fiscal Year 2015. http://www.dat.state.md.us/Documents/statistics/Seventy-FirstAnnualReportFY2015Final.pdf