

# WHY CHILDREN NEED A NATIONAL RENTER TAX CREDIT



## Background

Children in households that receive housing vouchers or other forms of rental assistance benefit in a variety of ways. For example, vouchers reduce how often children have to move and experience disruption, improving educational stability and performance for some children.<sup>1</sup> Vouchers can help families prevent child welfare involvement since too often reports of child neglect are conflated with poverty and homelessness or housing instability. Yet current federal funding is not sufficient to assist all families with children who struggle to afford housing and families with children are a declining share of recipients of rental assistance.

One-third of children in the United States live in a household with a high housing cost burden, spending more than 30% of monthly income on housing-related costs.<sup>2</sup> The cost of rent has continued to rise while the federal minimum wage has stayed stagnant. After adjusting for inflation, the median rent payment rose 61% from 1960 to 2016 while the median renter income has only grown by 5%.<sup>3</sup> Yet federal rental assistance reaches just 1-in-4 families in need.<sup>4</sup> As of 2020, families with children faced an average wait time of two-and-a-half years to receive a housing choice voucher (commonly known as Section 8 vouchers), and waiting lists in some areas are so long that local officials have closed them to additional applicants.<sup>5</sup> In communities that set priorities for their waiting lists, families with children are often overlooked and are not included as a priority group,<sup>6</sup> despite ample research showing the importance of stable housing for healthy child development. In fact, families with children represent a decreasing share of subsidized housing residents, including for housing choice vouchers. In 2009, 52% of voucher recipients were households with children. By 2022, they made up just 39% of recipients.<sup>7</sup>

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1 Amy Schwartz et al., “Do Housing Vouchers Improve Academic Performance? Evidence from New York City.” *Journal of Policy Analysis and Management*. December 16, 2019. <https://doi.org/10.1002/pam.22183>.

2 “Children living in households with a high housing cost burden in the United States.” Annie E. Casey Foundation’s Kids Count Data Book Center. Last accessed May 8, 2023. <https://datacenter.aecf.org/data/tables/7244-children-living-in-households-with-a-high-housing-cost-burden#detailed/1/any/false/2048,1729,37,871,870,573,869,36,868,867/any/14287,14288>.

3 “The State of the Nation’s Housing 2018” Joint Center for Housing Studies of Harvard University. 2018. [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_State\\_of\\_the\\_Nations\\_Housing\\_2018.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_of_the_Nations_Housing_2018.pdf).

4 Gartland, Erik. “Chart Book: Funding Limitations Create Widespread Unmet Need for Rental Assistance.” Center on Budget and Policy Priorities. February 15, 2022. <https://www.cbpp.org/research/housing/funding-limitations-create-widespread-unmet-need-for-rental-assistance#:~:text=Only%205.3%20million%20>.

5 Acosta, Sonya and Gartland, Erik. “Families Wait Years for Housing Vouchers Due to Inadequate Funding.” Center on Budget and Policy Priorities. July 22, 2021. <https://www.cbpp.org/research/housing/families-wait-years-for-housing-vouchers-due-to-inadequate-funding>.

6 Zhang, Simone, and Johnson, Rebecca. “Hierarchies in the Decentralized Welfare State: Prioritization in the Housing Choice Voucher Program.” *American Sociological Review*. Volume 88, Issue 1. January 24, 2023. <https://journals.sagepub.com/doi/10.1177/00031224221147899>.

7 U.S. Department of Housing and Urban Development, Office of Policy Development and Research. “Dataset: Assisted Housing National and Local.” Last visited July 12, 2023. <https://www.huduser.gov/portal/datasets/assths.html>. Calculations by First Focus on Children by adding categories of percent of “2+ adults with children” with “1 adult with children” for each year analyzed.

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Some communities prioritize those experiencing chronic homelessness for assistance, but most homeless families with children are excluded from the narrow definition of chronic homelessness used by the U.S. Department of Housing and Urban Development (HUD).<sup>8</sup> An analysis of how communities distributed the Emergency Housing Vouchers funded during the COVID-19 pandemic found that the vast majority of vouchers went to people who meet HUD's narrow definition of homelessness, thereby excluding many homeless families with children.<sup>9</sup>

Even when families with children are able to obtain a voucher, they often struggle to find landlords who will accept them. A 2018 study by HUD found that landlords routinely discriminate against those wanting to use housing vouchers. The rate of discrimination is higher in areas with low poverty rates and higher performing schools.<sup>10</sup> A 2021 review of voucher utilization and reallocation found that voucher utilization has decreased and some public housing authorities face challenges in using all of their allocated vouchers.<sup>11</sup>

Racial discrimination compounds voucher discrimination.<sup>12</sup> As of 2022, 19 states, the District of Columbia, and over 100 cities had laws preventing discrimination against those attempting to use vouchers to obtain housing, but there is no federal protection for housing discrimination based on source of income.<sup>13</sup> The places with anti-discrimination laws in place require better enforcement because landlords often get around the regulations with actions such as purposefully failing the inspection tests required for a property to qualify for a housing choice voucher. Families with children also face discrimination in the private rental market.<sup>14</sup> Landlords often see children as

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8 Duffield, Barbara. "Are We Creating Chronic Homelessness? The Past, Present, and Future of Federal Homelessness Policy." Institute for Children, Poverty, and Homelessness. October 2016. [https://www.icphusa.org/wp-content/uploads/2016/10/Duffield\\_Creating-Chronic-Homelessness.pdf](https://www.icphusa.org/wp-content/uploads/2016/10/Duffield_Creating-Chronic-Homelessness.pdf).

9 Moses, Joy. "What Happened After Congress Invested in Emergency Housing Vouchers: A Survey of Homeless Services Providers." National Alliance to End Homelessness and the Homelessness Research Institute. December 2, 2021. <https://endhomelessness.org/wp-content/uploads/2021/12/EHVSurvey-December-2021.pdf>.

10 "A Pilot Study of Landlord Acceptance of Housing Choice Vouchers." Prepared for the U.S. Department of Housing and Urban Development by the Urban Institute. September 2018. <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Landlord-Acceptance-of-Housing-Choice-Vouchers.pdf>.

11 "HUD's Oversight of Voucher Utilization and Reallocation in the Housing Choice Voucher Program." U.S. Department of Housing and Urban Development's Office of Inspector General. September 15, 2021. [https://www.hudoig.gov/sites/default/files/2021-10/2021-CH-0001\\_0.pdf](https://www.hudoig.gov/sites/default/files/2021-10/2021-CH-0001_0.pdf).

12 Lindsay, Jay. "Discrimination, flawed search process hurting housing assistance recipients." Federal Reserve Bank of Boston. August 2019. <https://www.bostonfed.org/news-and-events/news/2019/08/housing-assistance-vouchers.aspx>.

13 "Expanding Choice: Practical Strategies for Building a Successful Housing Mobility." Poverty & Race Research Action Council. Updated May 2023. <https://www.prrac.org/pdf/AppendixB.pdf>.

14 "State of Fair Housing: Annual Report to Congress FY 2020." U.S. Department of Housing and Urban Development. <https://www.hud.gov/sites/dfiles/FHEO/documents/FHEO-Annual-Report-FY2020.pdf>. "HUD Announces Settlement in California Fair Housing Discrimination Case." FHANewsblog.com. March 2, 2020. <https://www.fhnewsblog.com/hud-announces-settlement-in-california-fair-housing-discrimination-case/>; "State of Fair Housing: Annual Report to Congress FY 2021." U.S. Department of Housing and Urban Development. Pp. 29-30. <https://www.hud.gov/sites/dfiles/FHEO/documents/FHEO%20Annual%20Report%20FY%202021.pdf>.

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risk factors and subject families to larger security deposits,<sup>15</sup> and increased risk of eviction<sup>16</sup> even though federal law prohibits housing discrimination based on familial status. Larger households with children may face even more difficulty in finding adequate and safe housing.

Vouchers, public housing, and other forms of subsidized housing provide critical support to millions of households and funding for these programs should not only be protected, but increased to reach more people in need. But greater and more flexible assistance is also needed to reach the millions of families with children and young people transitioning to adulthood who experience high levels of homelessness and housing instability, but who often fall through the gaps of both the rental and homeless assistance systems. Many families with children and young people on their own experiencing homelessness are not considered “homeless enough” for homeless assistance services.<sup>17</sup> Many parents and young people live paycheck to paycheck and their households experience homelessness because of the high cost of rent. Many times trauma is also involved, as both a symptom and a cause of homelessness. Many others live with a high rent cost burden, are behind on rent, or are just one paycheck from falling behind. A national renter tax credit would help families and individuals in all of these situations. Rental assistance must be paired with improved access to affordable child care, physical and mental health care, educational support for children, and other services to address all of the barriers to stability faced by families and youth experiencing homelessness and housing instability.

## Why is a National Renter Tax Credit important for children?

Children and youth are particularly vulnerable to the effects of housing instability and homelessness, which impact their physical and mental health and their education outcomes. Housing instability, which includes falling behind on rent and making multiple moves, is associated with an increased risk of poor child health, including hospitalizations, and of maternal

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<sup>15</sup> “State of Fair Housing: Annual Report to Congress FY 2020.” U.S. Department of Housing and Urban Development. <https://www.hud.gov/sites/dfiles/FHEO/documents/FHEO-Annual-Report-FY2020.pdf>. “HUD Announces Settlement in California Fair Housing Discrimination Case.” FHANewsblog.com. March 2, 2020. <https://www.fhanewsblog.com/hud-announces-settlement-in-california-fair-housing-discrimination-case/>; “State of Fair Housing: Annual Report to Congress FY 2021.” U.S. Department of Housing and Urban Development. Pp. 29-30. <https://www.hud.gov/sites/dfiles/FHEO/documents/FHEO%20Annual%20Report%20FY%202021.pdf>.

<sup>16</sup> Desmond, Matthew, Weihua, An, Winkler, Richelle, and Ferriss, Thomas. “Evicting Children.” *Social Forces* 92(1) 303–327. September 2013. [https://scholar.harvard.edu/files/mdesmond/files/social\\_forces-2013-desmond-303-27.pdf](https://scholar.harvard.edu/files/mdesmond/files/social_forces-2013-desmond-303-27.pdf)

<sup>17</sup> Baldari, Cara, “Child, Youth, and Family Homelessness: Undercounted and Misunderstood.” Fact Sheet. First Focus Campaign for Children. November 2021. [https://campaignforchildren.org/wp-content/uploads/sites/2/2021/11/PolicyBrief\\_ChildHomelessness.pdf](https://campaignforchildren.org/wp-content/uploads/sites/2/2021/11/PolicyBrief_ChildHomelessness.pdf); Beiner, Camila. “Homeless children and youth are wildly undercounted, advocates say.” NPR WAMU 88.5. February 15, 2022. <https://www.nbcnews.com/news/us-news/homeless-doubled-families-living-other-households-may-fall-aid-blind-n1251446>.

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depression.<sup>18</sup> Young children experiencing poverty who are forced to move frequently are more likely to experience behavioral problems.<sup>19</sup> Children who experience eviction often move frequently and land in unstable living environments that damage their education, physical health, mental health and interpersonal relationships.<sup>20</sup>

More than 1 million school-age children were identified as homeless in the 2020-2021 school year,<sup>21</sup> and 5% of all children under the age of 6 were experiencing homelessness even before the pandemic began.<sup>22</sup> Homelessness is even more prevalent among children of color — Black, Hispanic, Native American, Native Hawaiian, and Alaskan high school students disproportionately experience homelessness compared to their white or Asian peers.<sup>23</sup> Many homeless parents with children or youth experiencing homelessness on their own are working, but still cannot afford the cost of housing and are forced into situations such as staying temporarily with others, in hotels/motels, or living in their cars. The earlier and longer a child experiences homelessness, the more it threatens their healthy development.<sup>24</sup> Maladies such as chronic illness and higher blood lead levels<sup>25</sup> are more common among homeless children. Homeless students are more likely to change schools frequently, and a study out of California found that homeless students are twice as likely as their peers to be chronically absent from school, with the greatest absentee rates among Black, Alaskan, and Native American children.<sup>26</sup>

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18 Sandel, Megan, Richard Sheward, Stephanie Ettinger de Cuba, Sharon M. Coleman, Deborah A. Frank, Mariana Chilton, Maureen Black, Timothy Heeren, Justin Pasquariello, Patrick Casey, Eduardo Ochoa, and Diana Cutts. “Unstable Housing and Caregiver and Child Health in Renter Families.” *Pediatrics*. January 2018. <https://pediatrics.aappublications.org/content/141/2/e20172199>.

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20 Desmond, Matthew, Weihau, An, Winkler, Richelle and Ferriss, Thomas. *Evicting Children*. Social Forces. September 2013. [https://scholar.harvard.edu/files/mdesmond/files/social\\_forces-2013-desmond-303-27.pdf](https://scholar.harvard.edu/files/mdesmond/files/social_forces-2013-desmond-303-27.pdf).

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26 Burns, Dion, Espinoza, Danny, Ondrasek, Naomi, and Yang, Man. “Students Experiencing Homelessness: The Conditions and Outcomes of Homelessness Among California Students.” *Learning Policy Institute*. June 14 2021. <https://learningpolicyinstitute.org/product/students-experiencinghomelessness-report>.

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A national renter tax credit would give families with children more flexibility to move to neighborhoods of their choosing. Research shows that when families live in neighborhoods with less poverty, their children have “substantially higher college attendance rates and adult earnings than peers who grew up in neighborhoods with concentrated poverty.”<sup>27</sup>

## Designing a National Renter Credit

The federal government distributed \$80 billion in housing tax benefits in 2020, 80% of which went to homeowners.<sup>28</sup> The tax code must similarly accommodate renters. Creating a properly designed and implemented national renter tax credit, would help meet renters' needs by delivering resources directly to families and reaching many more families than are currently served by rental assistance.

To be effective, a national renter tax credit must:

- » **Be fully refundable, meaning families do not need tax liability to receive the full credit**
- » **Be large enough to relieve the housing cost burden of low-income families, and ensure that, at a minimum, they spend no more than 30% of their income on rent**
- » **Be delivered monthly when rent is due and include a safe harbor provision so families are not at risk of owing more at tax time**
- » **Support families with children by adjusting for family size, inflation, and geographic differences in rent costs**
- » **Reach families who lack a formal lease but are still paying rent or a motel bill**
- » **Be accompanied by a national emergency rental assistance program to help prevent evictions for families who experience a drop in income or resources**
- » **Be layered on top of already existing subsidies such as the Low Income Housing Tax Credit (LIHTC), so that it complements — not replaces — assistance they are already receiving**
- » **Be simple and user-friendly so it does not impose burdensome taxpayer compliance requirements**

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27 Sonya Acosta & Brianna Guerrero. “Long Waitlists for Housing Vouchers Show Pressing Unmet Need for Assistance.” Center on Budget and Policy Priorities. October 6, 2021. <https://www.cbpp.org/research/housing/long-waitlists-for-housing-vouchers-show-pressing-unmet-need-for-assistance>.

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## » Be available to households regardless of immigration status

Lawmakers should model this effort on the Internal Revenue Service's successful delivery of monthly Child Tax Credit payments in 2021.

The Rent Relief Act (H.R. 8357/S. 4728), led by Rep. Danny Davis (D-IL) and Sen. Raphael Warnock (D-GA) in the 117th Congress, provides one design approach. The HOME Act, from Sen. Cory Booker (D-NJ), provides another approach, pairing a renter tax credit that adjusts for family size with solutions to housing supply.

The majority of U.S. states offer some form of assistance for renters, ranging from tax credits and deductions to direct deposits. Many states, however, offer this assistance only to elderly residents. Vermont has a strong renter tax credit that not only accounts for income on a county-by-county basis, but also considers family size when determining income requirements. Individuals are eligible for this credit if their income is below 50% of their county's median income. The credit offers 10% of the fair market rent in their county for their family size. In 2021, more than 11,000 people received Vermont's tax credit in the form of subsidies, partial credits, or full credit, for a total of \$6,909,020. The average recipient had an annual income of \$15,237 and received a renter credit of \$608.<sup>29</sup>

## Conclusion

Every child deserves the right to safe, stable, and affordable housing. A national renter tax credit would go a long way toward achieving this goal. We urge lawmakers to work toward the establishment of a national renter tax credit that provides meaningful support for the millions of households with children and young people who are experiencing homelessness or struggling to afford rent.

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<sup>29</sup> "2021 Renter Credit: State & Counties." Vermont Department of Taxes. December 2021. [https://tax.vermont.gov/sites/tax/files/documents/renter\\_credit\\_2021.pdf](https://tax.vermont.gov/sites/tax/files/documents/renter_credit_2021.pdf).