

The Brookings Institution

Metropolitan Policy Program
Alan Berube, Fellow



Using the EITC to Make Housing More Affordable

National Council of La Raza Annual Conference
Philadelphia, PA
July 19, 2005



Overview

Housing affordability is about costs **AND** incomes

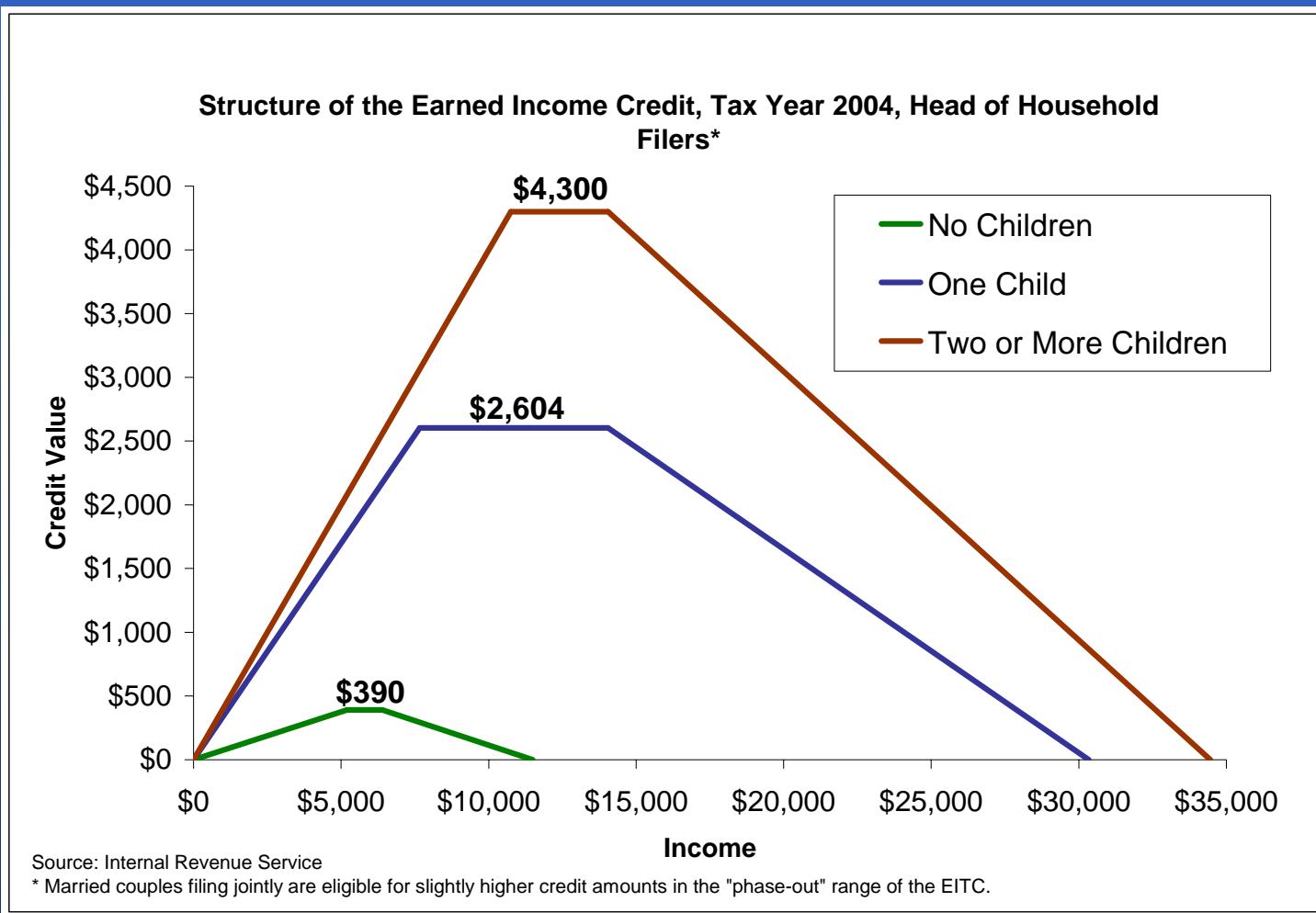
The EITC and other credits make housing more affordable

The EITC could help more Latino families

How EITC could be improved as affordable housing tool



The EITC is a refundable federal tax credit for people who work but earn low wages





For low-wage workers, the EITC and Child Tax Credit can boost wages by an effective \$1.50 to \$2.50 per hour

Wages, tax credits, and effective wage for worker with two children, 2004

Wage	Annual earnings	EITC	Child Tax Credit	Effective Wage
\$6.00	\$12,480	\$4,400	\$260	\$8.24
\$7.00	\$14,560	\$4,357	\$572	\$9.37
\$9.00	\$18,720	\$3,483	\$1,196	\$11.25
\$12.00	\$24,960	\$2,167	\$1,149	\$13.60



The most unaffordable markets for Latinos are NOT necessarily the most expensive markets

	Metropolitan Area	Latino renters	% paying > 35% income	Median rent
1	Rochester, NY	8,989	50.0%	\$559
2	Buffalo, NY	7,080	48.2	471
3	Miami, FL	195,591	43.2	640
4	New Haven, CT	11,061	42.8	640
5	Philadelphia, PA	36,270	42.0	572
6	Bridgeport, CT	10,579	41.4	673
7	Nassau-Suffolk, NY	27,656	40.9	937
8	Springfield, MA	17,147	40.5	463
9	Orlando, FL	37,775	40.1	689
102	Washington, DC-MD-VA	61,119	27.3	801

Source: Brookings analysis of Census 2000, metro areas with at least 10,000 Hispanic renter households

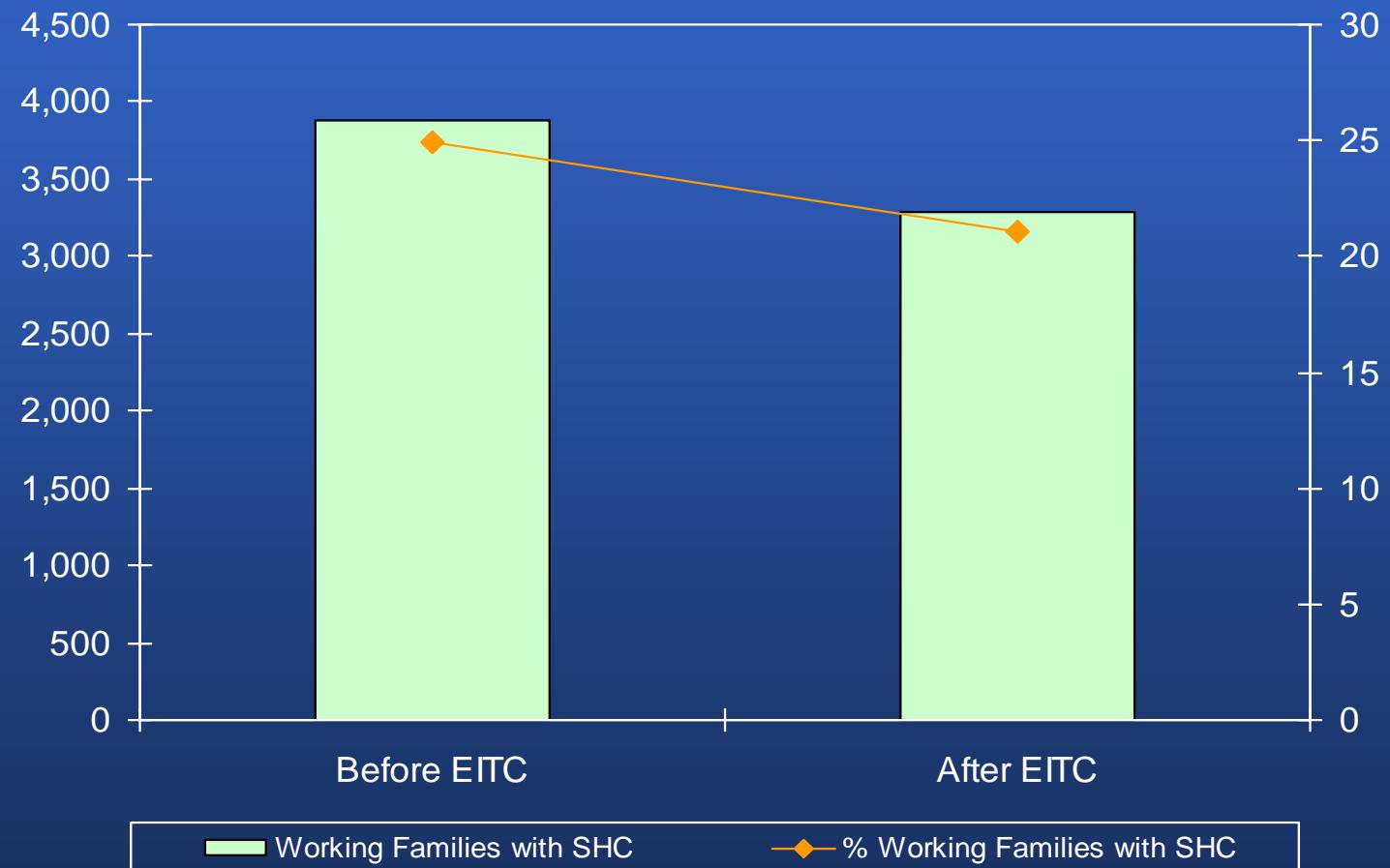


Income policy = Housing policy



The EITC already alleviates severe housing cost burdens for hundreds of thousands of families

Number (millions) of working families paying > 50% of income for housing, before and after EITC, 1999

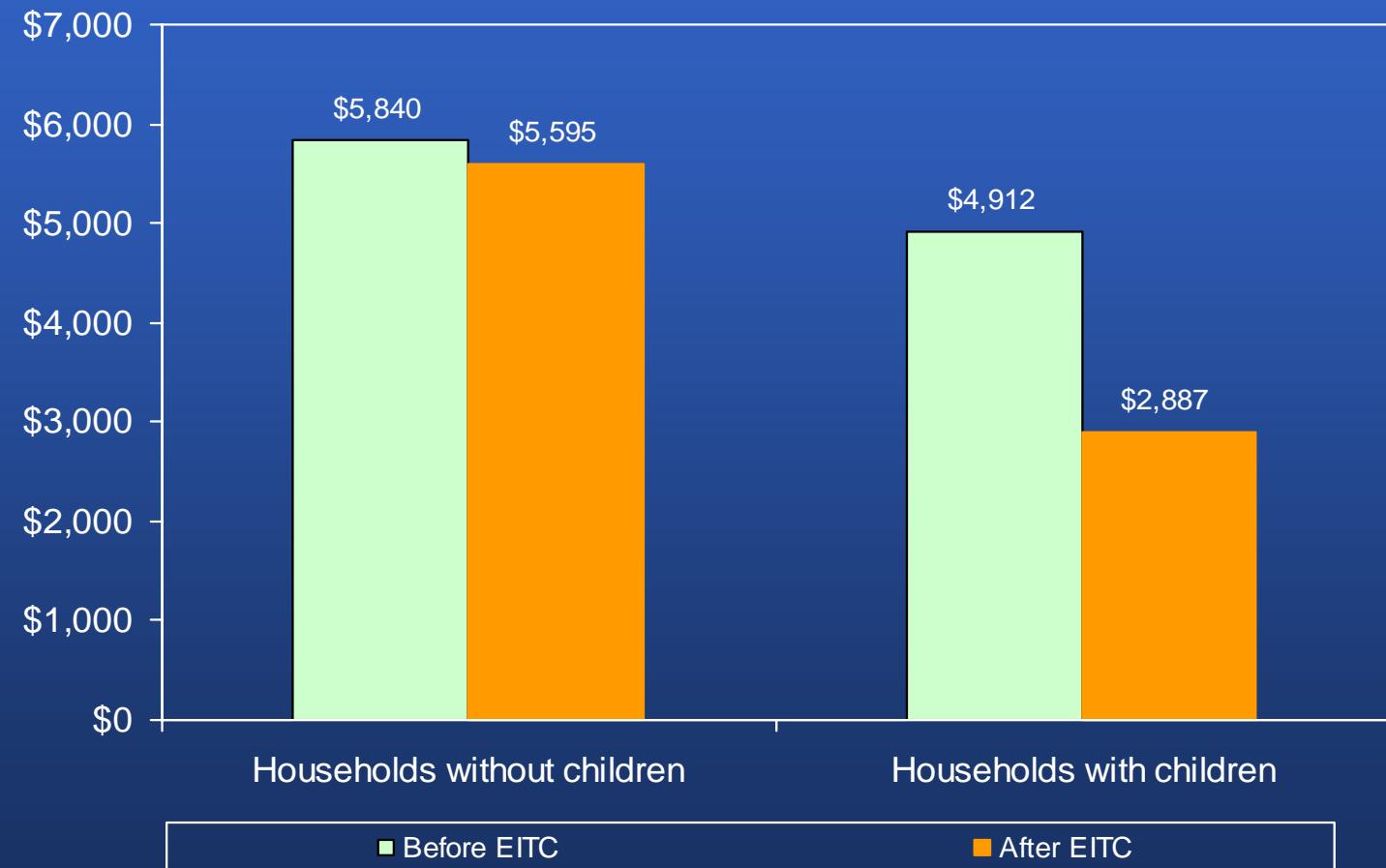


Source: Stegman, Davis, and Quercia (2004)



For cost-burdened households with children, it significantly reduces the gap between income and “affordable rent”

Median gap between income and severe housing cost threshold, before and after EITC, severely cost-burdened households, 1999

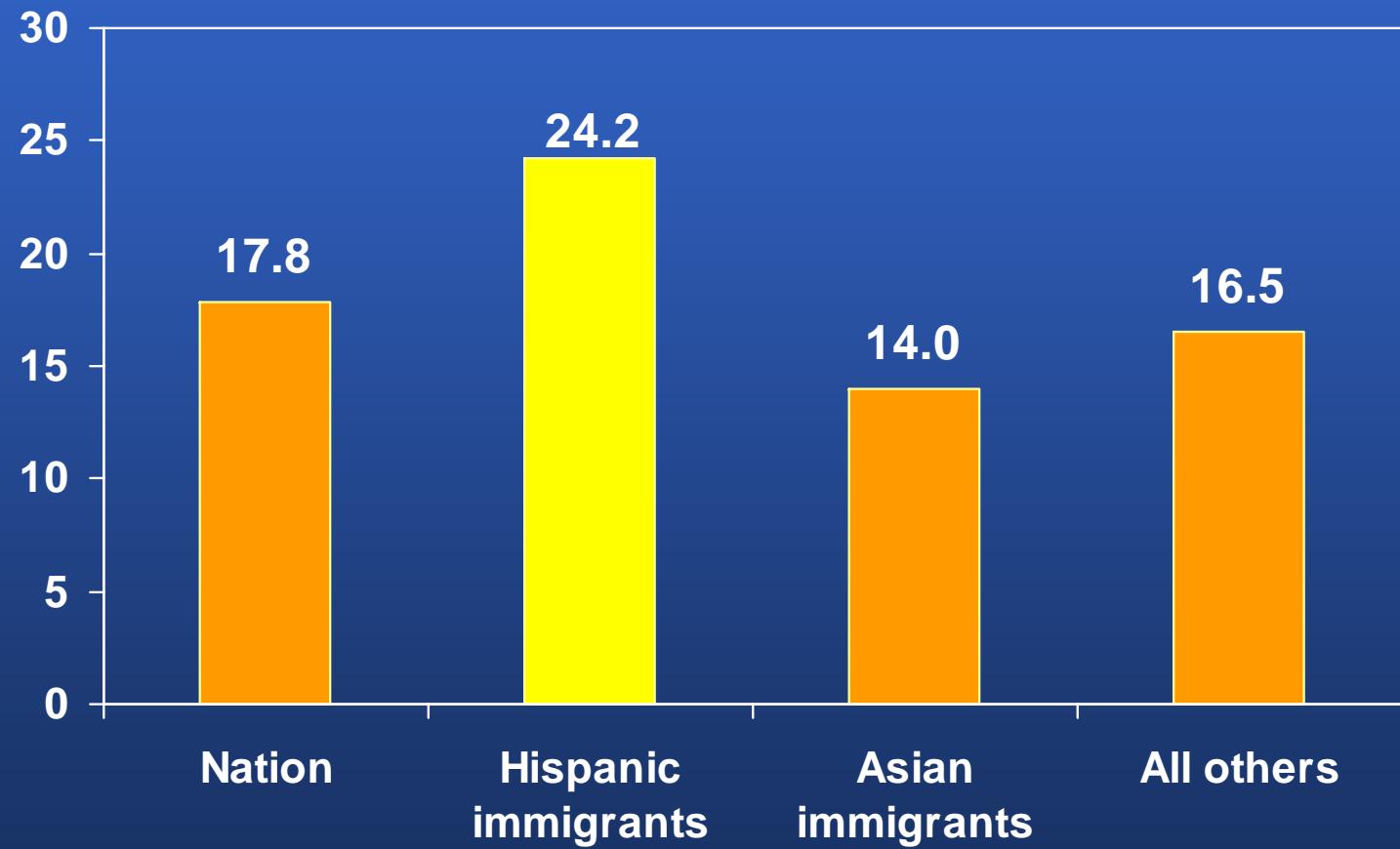


Source: Stegman, Davis, and Quercia (2004)



Though most eligible families claim the EITC, eligible Latino immigrants are more likely to miss out than other groups

Percentage of eligible EITC recipients failing to file taxes, 1997

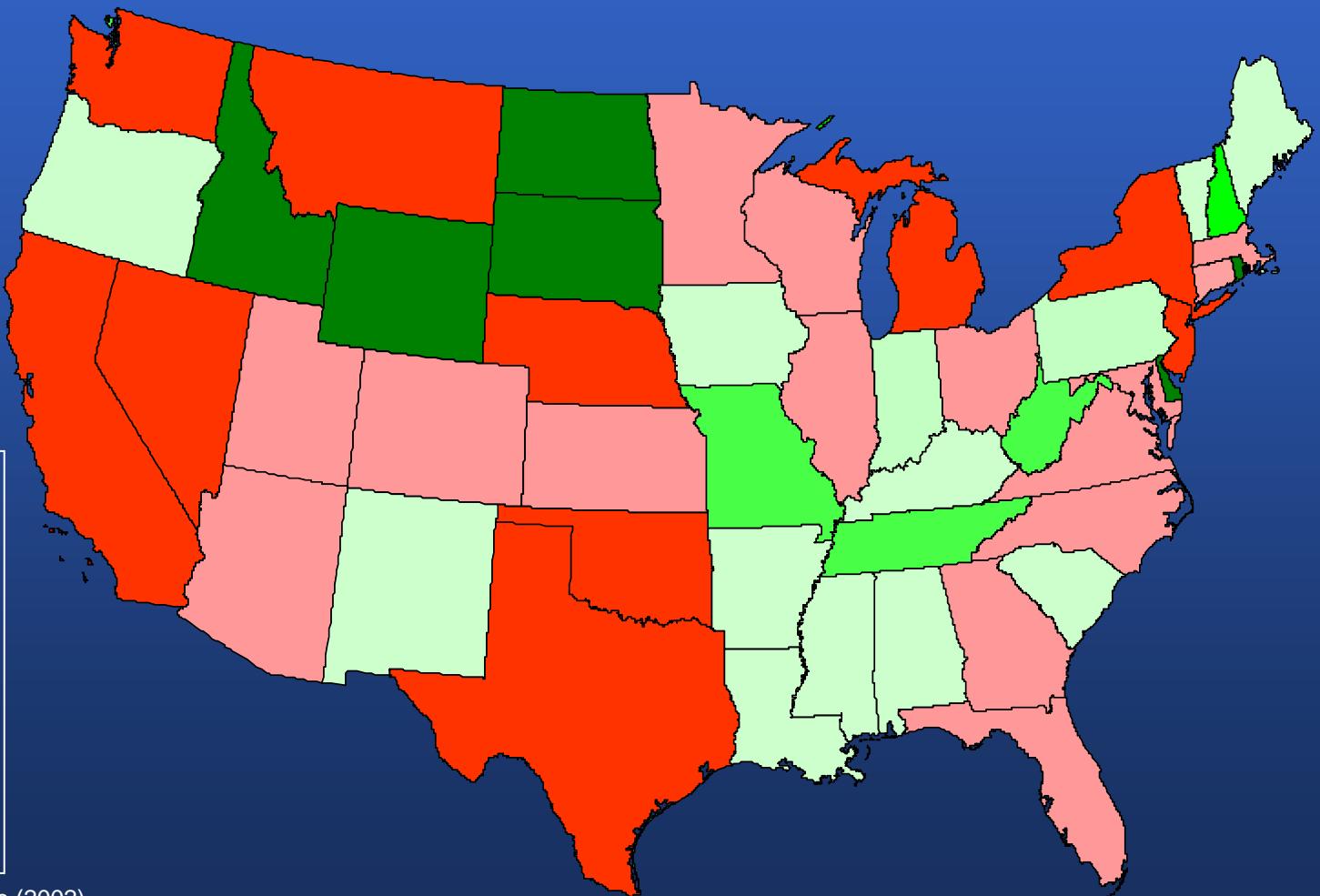


Source: Internal Revenue Service (2002)



The states in which Latinos are most concentrated also show lower EITC participation rates among eligible families

Percentage of eligible EITC recipients failing to file taxes, 1997



Source: Internal Revenue Service (2002)

THE BROOKINGS INSTITUTION

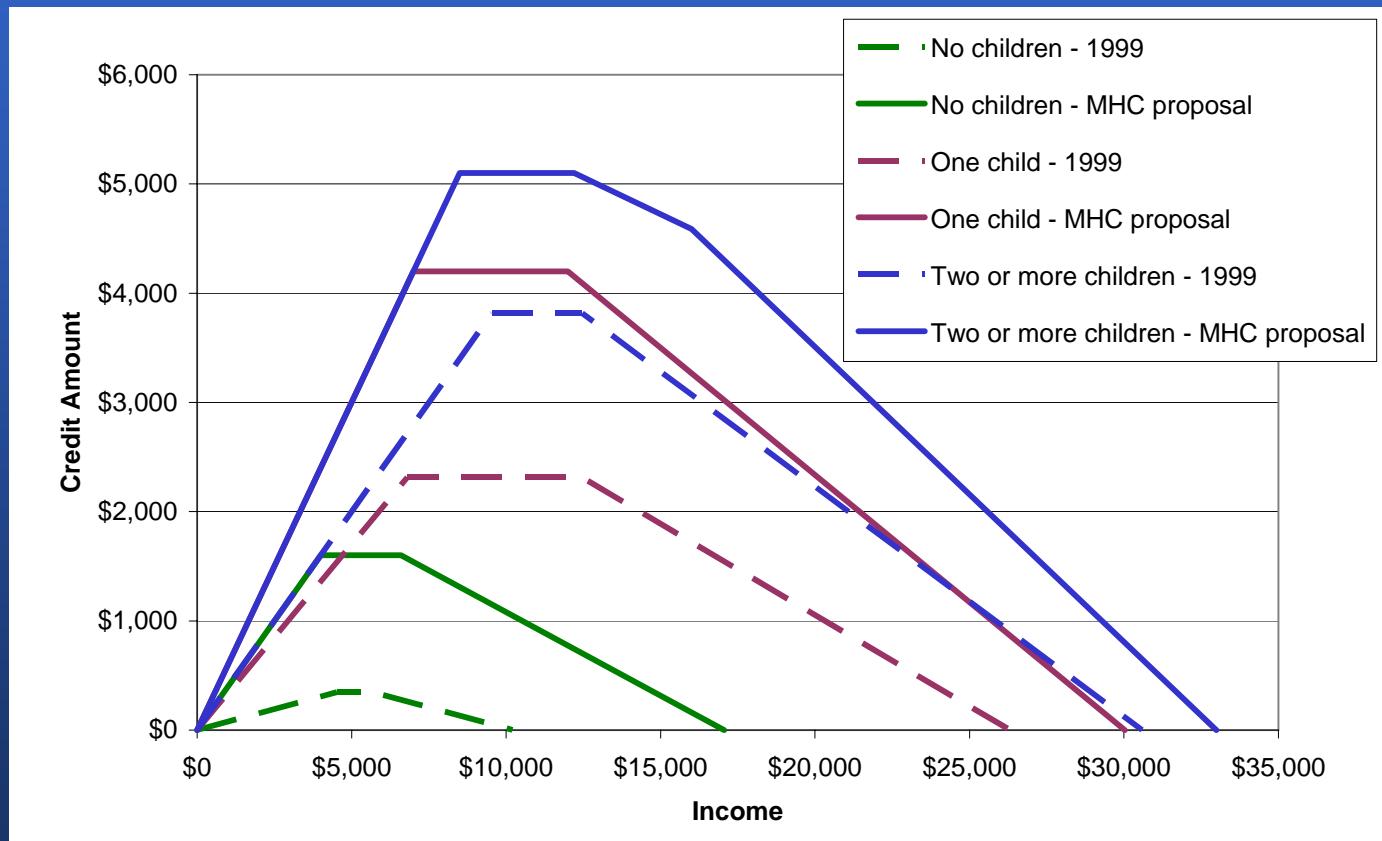
METROPOLITAN POLICY PROGRAM



#1—Restructure the federal credit to respond to working families' high housing costs

Structure of EITC under proposal to meet median housing costs for working families

Cost is approx. \$25B per year—probably a nonstarter in the near term

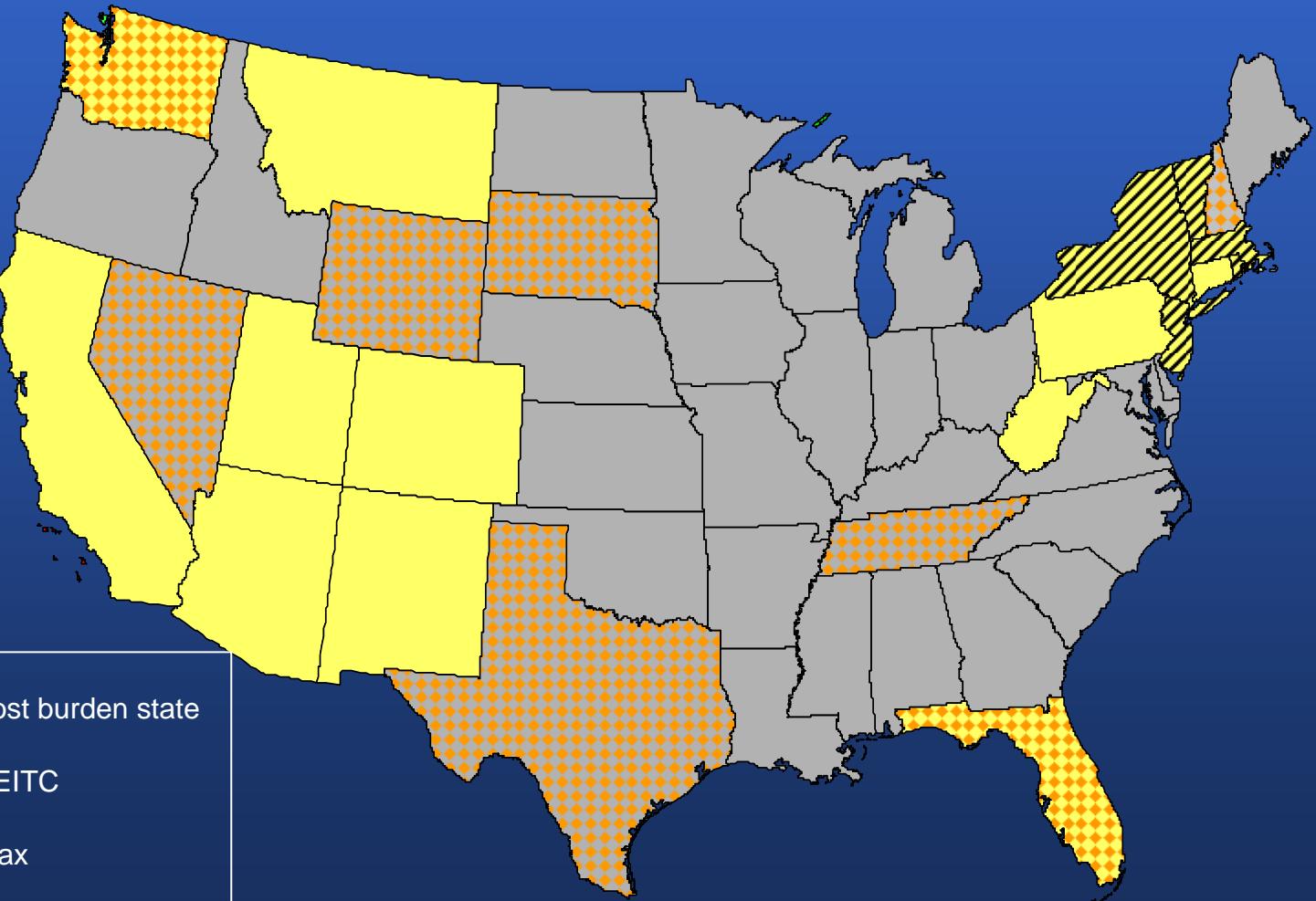


Source: Stegman, Davis, and Quercia (2004)



#2—Promote state-level EITCs to address housing affordability issues for Latino households

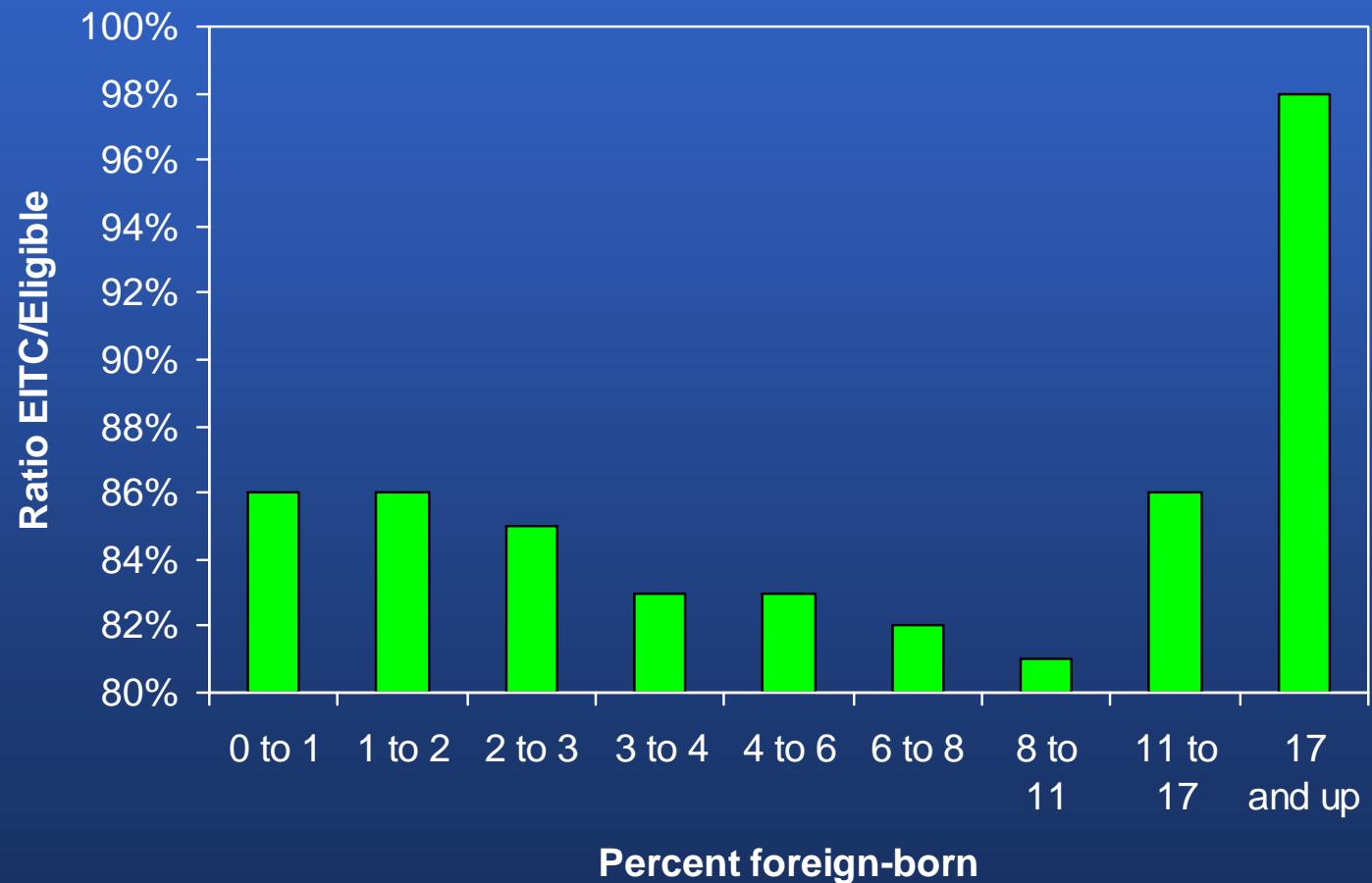
States where >
1/3 Latino renters
have housing cost
burdens, vs. those
with EITC





#3—Promote the availability of the EITC and other credits in Latino communities, especially suburbs and less-dense places

Ratio of potentially eligible households to returns claiming EITC, by % foreign-born, 2000



Source: Berube (2005)



Conclusion

1. Housing affordability problems result from high housing costs AND low incomes
2. The EITC and other credits are key tools for reducing housing cost burdens
3. A few strategies could improve the efficacy of the tax code in making housing more affordable
4. Tax strategies cannot supplant the role of supply-side subsidies to produce more affordable housing

www.brookings.edu/metro

The Brookings Institution

July 1, 2004

- Home
- News & Events
- Scholars
- Research Topics
- Programs
- Publications
- Bookstore
- Executive Education
- About Brookings

Brookings > Metropolitan Policy

METROPOLITAN POLICY PROGRAM

Redefining the challenges facing metropolitan America and promoting innovative solutions to help communities grow in more inclusive, competitive, and sustainable ways.

ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

- read an open letter from Brookings President Strobe Talbott

METROPOLITAN GROWTH

Mechanisms for Market-Based Land Use Control

Using case studies and a national survey, this paper examines transfers of development rights (TDRs) and other market-based land preservation techniques like mitigation banking and density transfer fees.

IMMIGRATION

Washington Goes Polyglot

Metro Washington's "limited English proficient" (LEP) population

SEARCH BROOKINGS

Advanced Search

Metro Program

- Research by Topic
- Publications
- MetroViews
- Presentations and Events
- About Us

Metropolitan Policy Program

Greater Washington Research Program

SUBSCRIBE TO:
Metro Program Listserv
Stay on top of the latest releases, events, and web features.

First name:

Last name:

Email address:

[Access all lists](#)