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Earned Income Tax Credit Plus: A New Way to House the Working Poor

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Abstract

The housing affordability crisis is one of the defining features of the US today. The demand for housing subsidies outstrips supply by a factor of at least 4 to 1. Moreover, housing affordability varies greatly between and within metropolitan areas. This article proposes a new federal policy—the Earned Income Tax Credit (EITC) Plus—to decrease housing cost burdens for working households by combining aspects of two major federal programs, the EITC, a tax-based subsidy for low-income working households, and the Housing Choice Voucher, a subsidy that pays the difference between 30% of household income and rent. We propose an EITC housing supplement via the tax code for markets where income and current EITC benefits are below 30% of rent levels. It will reduce the housing affordability crisis and reduce the geographic disparities of the Housing Choice Voucher. We simulate the cost at $101 billion nationally (based on 2021 figures). Varying program rules and parameters can significantly reduce costs. Piggybacking on the EITC simplifies the proposal's implementation and increases its political palatability.

Keywords

earned income tax credit; housing affordability; housing choice voucher; low-income families

1. Introduction

In 2013, Shaun Donovan, then secretary of the U.S. Department of Housing and Urban Development (HUD), warned, "we are in the midst of the worst rental affordability crisis that this country has known" (Lowrey, 2013). Since then, conditions have worsened for rental and ownership housing alike.

Media reports and policymaker assessments tell a familiar story: Rents are high and unaffordable and future projections are not promising (Airgood-Obrycki et al., 2022). It has become harder for low-income and even middle-class families to purchase a home (Joint Center for Housing Studies, 2024). More households are competing for a scarce supply of rental housing, which has not kept pace with demand. The result is higher rents and, for many low- and moderate-income renters, eviction and displacement, overcrowding, and/or living in substandard conditions (Desmond, 2016).

US rental affordability is a national issue. Of the 131.2 million households in the US in 2022, 44 million (34%) are renters. Over half (51%, or 22.4 million renters) pay over 30% of their income for rent; 28% (12.1 million households) pay over half of their income on rent. One-third (33%) of all renters (14.4 million households) make under $30,000. Most (83%) pay at least 30% of their income toward rent and 65% pay over half their income on rent (Figure 1). Moreover, the crisis for low-income renters has gotten worse (Whitney, 2024).

Despite these trends, only one-quarter of low-income renters eligible for housing assistance (5.1 million households) receive help (Joint Center for Housing Studies, 2024). That is because only 10% of all rental units are supported by federal subsidies (HUD, 2022). These units include 2.6 million households with Housing Choice Vouchers [HCV] and 2.5 million households living in public housing, project-based subsidized housing, or housing subsidized through the Low-Income Housing Tax Credit (Alvarez & Steffen, 2023; Center on Budget and Policy Priorities [CBPP], 2021b; HUD, 2022). Having a job doesn't guarantee respite from the housing crisis. In no state can a minimum-wage worker working full time afford an apartment at the fair market rent (FMR). Nationally, renters must earn a wage of $32.11 per hour to afford a modest, two-bedroom apartment in 2024, up from $19.35 an hour in 2015; this "housing wage" is much higher in some areas (National Low Income Housing Coalition, 2015, 2024).

Three major factors contribute to this housing affordability crisis. First, the US has not produced enough housing relative to demand. Estimates suggest a nationwide shortfall of 1.5 to 5.5 million units during 2020–2022 (Kingsella et al., 2023; McCue & Huang, 2024). Rental unit production especially has not kept up with increased demand (Freddie Mac, 2016; Joint Center for Housing Studies, 2022b). Additionally, most

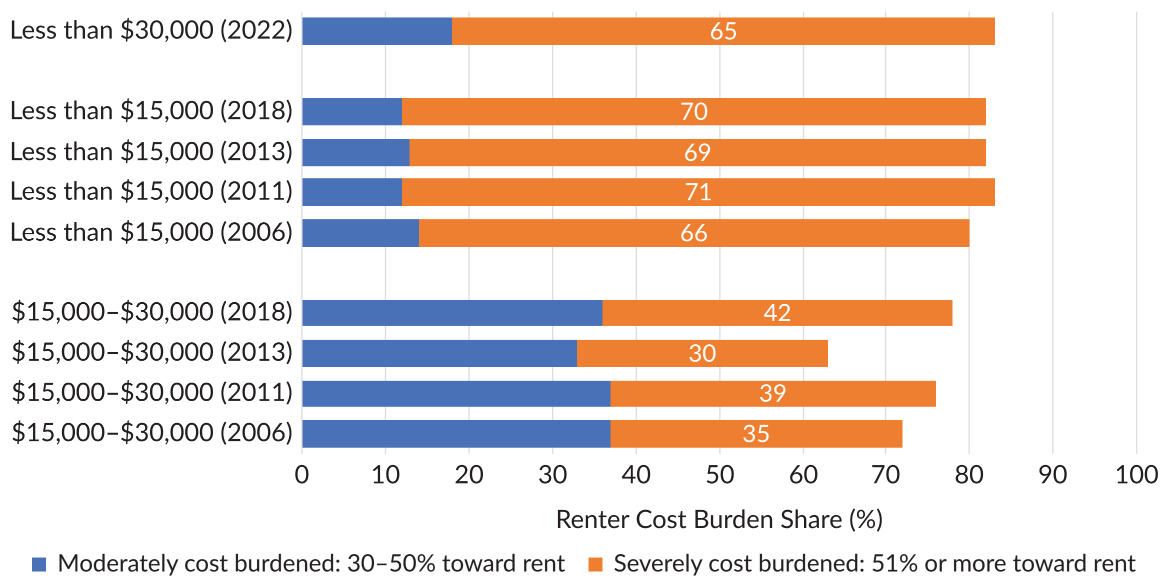

Figure 1. Share of low-income renters paying above 30% of their income on rent, 2006–2022. Sources: Joint Center for Housing Studies (2015, 2022a, 2024).

new rental units are targeted to affluent renters rather than low- or moderate-income renters (Veiga, 2023). Second, incomes have not kept up with housing price increases. Median rents increased 123% from 2000 to 2022 (Statista, 2024) while the consumer price index for US city average rents has increased 98% (U.S. Bureau of Labor Statistics, 2024). During that period, nominal income grew only 78% (U.S. Census Bureau, 2024a) and real income only increased 11% (U.S. Census Bureau, 2024b). Third, low-income renter households face the largest affordability challenges, given the paucity of both supply- and demand-based housing subsidies. For example, the number of households with "worst case" housing needs—very low-income families who don't receive rental assistance, pay more than half of their income for rent, and/or live in severely inadequate housing—stood at a near-record 8.53 million families in 2021, or 6.6% of all households (Alvarez & Steffen, 2023; R. Cox et al., 2019). Additionally, the foreclosure crisis following the Great Recession and its aftermath moved nearly 8 million homeowners into the rental market, forcing low- and moderate-income families to compete for increasingly scarce rental housing (Joint Center for Housing Studies, 2024).

The nation's housing crisis reflects a long-term trend that began in the early 2000s, exacerbated by the 2008 mortgage meltdown triggered by Wall Street's predatory and risky practices. From 2000 to 2016, the crisis worsened in 236 of 238 (99%) of the nation's metropolitan areas for the population with income in the bottom 40% (H. L. Schwartz et al., 2016). The crisis extends beyond just those with the lowest incomes.

The shortage of affordable housing forces families to choose between overcrowding, living in substandard housing, deciding which necessities to forgo, or potentially losing their housing. These renters suffer in the labor market because they have limited mobility, experience higher levels of stress and other health ailments, and, to the extent that they live in more distressed neighborhoods, have limited access to amenities (e.g., Breysse et al., 2004; Cutts et al., 2011; Rosenbaum, 1995; Steffen et al., 2015).

The housing crisis is not only a hardship for families but also a problem for business. Across the country, employers complain that high housing costs make it very difficult for them to attract and retain employees at all levels. Moreover, when families are paying so much of their incomes for housing, they have little income left to spend in local businesses (Chakrabarti & Zhang, n.d.; Dreier et al., 1988; Sisson, 2022).

1.1. Possible Solutions

There are three ways this problem could be solved. First, the nation could build substantially more affordable rental units. Second, wages, particularly for workers in the bottom half of the income distribution, could increase. Third, governments could provide more subsidies to reduce the gap between incomes and rents. In recent years, however, none of the three have occurred, except some wage improvements during and immediately after the Covid-19 pandemic because of a tight labor market and federal stimulus funding.

Reforms that increase the incentives to build housing, whether affordable or market rate, are particularly important to solve the lack of rental supply. This article does not directly address supply solutions; however, two stand out. First, Congress could strengthen the Low-Income Housing Tax Credit program, which provides tax breaks to high-income people and corporations to invest in low-income housing by increasing the volume of available credits and making the preservation of affordable housing, with an emphasis on social housing owned by nonprofit organizations, an acceptable use for credits (Dreier, 2018). Second, zoning, land use, and building code reforms can remove barriers to housing production in many communities, particularly affluent ones. Federal and state governments have tools to eradicate the "exclusionary zoning" rules which make it difficult or impossible for developers to construct rental housing.

Regarding wages, the federal government avoided taking direct action to affect levels of pay and household income until the pandemic hit. The federal minimum wage has remained at $7.25 an hour since 2009, despite widespread public support for its increase (Dunn, 2021). Instead, the federal government has adopted another approach to raise incomes: the Earned Income Tax Credit (EITC). An income supplement for the working poor, the EITC is popular with elected officials across the political spectrum. It has become, without much fanfare, the nation's most effective anti-poverty program (CBPP, 2023; Eissa & Hoynes, 2006; Hoynes, 2014). In 2022, 23 million working American families received about $57 billion in EITC benefits; the average annual benefit was $2,541 (U.S. Internal Revenue Service [IRS], 2023a). The Covid-19-era American Rescue Plan Act of 2021 increased EITC eligibility and benefits for childless workers (Crandall-Hollick, 2021; see Supplementary Material for details) and implemented the Child Tax Credit, which reduced the child poverty rate by one-third, from 12.4% to 8.4%, but Congress failed to reauthorize either after just one year (K. Cox et al., 2022; Parolin et al., 2022; Parrott, 2023).

The federal government's subsidized housing strategy has evolved over time. Initially in the 1930s, it funded public housing, run by local housing authorities, and later subsidized developments owned by for-profit and non-profit developers. In the 1980s, Congress introduced the Low-Income Housing Tax Credit program, which is now the largest program producing affordable units. Since the mid-1970s, however, the strategy has primarily shifted to a demand-side approach where the government provides vouchers, either to developers or to low-income families, to help low-income families pay rent (A. F. Schwartz, 2015). The HCV program is cheaper than building new apartment developments (Hetherington & Nugent, 2001; Olsen, 2014). Many countries are grappling with the optimal mix of supply- and demand-side subsidies, although most democracies devote significantly more resources than the US to provide affordable housing. In other democracies, affordable housing is primarily owned by government or nonprofit organizations, rather than for-profit businesses (Dreier, 2018; Pomeroy, 2016; Saiz, 2023; Salvi del Pero et al., 2016).

Through the EITC, HCV, and other housing and income subsidies (including food stamps, Medicaid, and public housing), the federal government—and thus taxpayers—are indirectly subsidizing employers who pay wages below the "housing wage," what some critics have called "corporate welfare" (Derysh, 2020). However it is defined, it is important to find the most effective and efficient way to help low-income families pay for housing.

Is there a way to combine the best features of the most popular wage program (EITC) and the main program for reducing the income–rent gap (HCV)? The answer is yes: by providing an EITC supplement to help cover the costs of housing. The US has long used the tax code to subsidize housing, especially for the most affluent, through tax breaks for homeowners. Revising the EITC provides another way to use the tax code to subsidize housing, except to target it to those who need it the most, based on both their incomes and the cost of housing where they live.

This article makes the case for our proposal, which we call EITC Plus. We focus on the EITC because of its wide reach, political popularity, and tractability. Government officials know how to implement both the EITC and HCV, which should reduce opposition and logistical breakdowns that could inhibit effective implementation.

We lay out the proposal, assess its feasibility, and provide a cost estimate. We close with a discussion of choices for policymakers who want to adopt some version of this program.

2. Program Basics

2.1. EITC Basics

First established in 1975, the EITC is a refundable tax credit that reduces tax burdens and supplements wages, especially for families with children. Workers who qualify for the EITC can get back some or all the federal income tax that was taken out of their pay during the year, and in some cases even get cash back. Even workers whose earnings are too small to owe income tax can get the EITC. EITC's goal was to create a long-term incentive to leave welfare for work and for low-wage workers to increase their work hours (Athreya et al., 2010). The EITC generates some $1.50 to $2 in economic activity for every $1 that goes to working families (Vallas et al., 2014) and is touted as one of the least expensive and most effective anti-poverty programs (Bastian & Jones, 2021).

Workers aged 25 to 65 with incomes up to $57,414 are eligible for the EITC and receive EITC benefits as soon as they report any income to the IRS. Benefits depend on the number of children, tax filing status, and household earnings. They are commensurate with reported earnings and increase up to a threshold, top out, and then decrease as incomes get above another threshold (CBPP, 2023). The maximum threshold varies depending on marital status and the number of dependent children (IRS, 2024b); $53,300 represents the highest maximum threshold the program permits (IRS, 2024b). Many households who receive EITC benefits have incomes above the official poverty threshold ($26,500 for family of four in 2021; U.S. Department of Health and Human Services, 2021) but still struggle to make ends meet. Under the EITC formula for 2021, a single parent with two children who earns $25,000 would receive $4,826; married couples with a combined $40,000 income would get $2,920. With the temporary increase from the American Rescue Plan Act, workers who have no children and have incomes below roughly $21,400 ($27,400 for a married couple) received a small EITC benefit (see Supplementary Materials for details). Workers eligible for other social assistance programs do not count EITC against eligibility, nor do social assistance programs count as earned income; but, disability and retirement payments are considered earned income for EITC until 65 years old (IRS, 2023b).

Workers claim the EITC credit when they file their annual income tax return and receive any refunds they are due as a lump sum after the IRS reviews and approves the filing. About 23% of workers who are eligible for the EITC, especially those whose income is below the minimum filing threshold (IRS, 2024a), don't participate. These workers cannot receive the credit unless they file a return.

Because the EITC rewards people who work, it is popular among Democrats and Republicans, and is not seen as a "welfare" program, subsidizing the so-called "undeserving poor" (Katz, 2013). EITC's operational ease is also popular politically. Funding happens "through the back door" as a tax break, not requiring annual appropriations, unlike food stamps, Medicaid, welfare, and housing vouchers, all of which are "front door" direct expenditures that often get caught in federal budget politics. Congress has expanded the EITC several times by raising benefit levels and expanding eligibility criteria. In 1986, Congress indexed the EITC for inflation, which it has refused to do for the minimum wage.

Despite less than full participation among the eligible population, the EITC is effective in reducing poverty and increasing labor supply and income (Bastian & Jones, 2021): "In 2018, the EITC lifted about 5.6 million people out of poverty, including about 3 million children. The credit reduced the severity of poverty for another 16.5 million people, including 6.1 million children" (CBPP, 2023).

2.2. HCV Basics

HCV, once known as the "Section 8" program, provides subsidies to low-income families so they don't pay more than 30% of their incomes for housing. HCV is administered by 2,170 state and local public housing authorities (CBPP, 2021b). Program eligibility is limited to families with incomes below 50% of the area median income, though local public housing authorities are required to give 75% of their vouchers to families earning less than 30% of the area median income. In 2021, HCV recipients had an average annual household income of $15,577; 74% had incomes below $20,000 (HUD, 2021a). However, few vouchers serve low-income workers. Roughly three-quarters of voucher recipients do not work, primarily because they are elderly and/or disabled (HUD, 2021a).

HCV recipients pay 30% of their income on rent and the government makes up the difference between this amount and the unit's rent. HUD sets a limit annually—the FMR—that landlords can charge, calculated at the 40th percentile of a metropolitan area's two-bedroom apartment rent. FMRs for units of other bedroom sizes are determined by adjusting the baseline FMR using a set rule (HUD, 2021b). In 2021, the average monthly rent for voucher recipients was $1,139. Households contribute, on average, $395 a month towards rent. HUD makes up the difference, which averages $885 (HUD, 2021b).

Landlords do not have to participate in the program, and many do not. This is in part to avoid the program's bureaucracy, which involves apartment inspections by public housing authorities to make sure they meet health and safety codes, reporting requirements to verify incomes, and other regulatory requirements.

One important difference between EITC and HCV is their reach into the population. EITC is an entitlement, available to all low-income households in which at least one person holds a job, benefiting about 25 million working families and individuals in 2020. By contrast, the level of funding available for federal housing assistance is sufficient for just one-quarter of those 19.3 million very low-income households eligible for assistance; only 13% receive a voucher (Alvarez & Steffen, 2023; CBPP, 2021b; HUD, 2022). In effect, the HCV program is a lottery, with only the lucky winners being able to enjoy its benefits.

Families with vouchers do not only save money on rent; they also live in better apartments in safer neighborhoods than comparable families without vouchers (Ellen et al., 2011a; Sard & Rice, 2016; H. L. Schwartz et al., 2016). However, the HCV program has not been a panacea. Some households with vouchers have trouble finding housing they can afford because of limited supply. Others face discrimination based on being a voucher holder. Also, while vouchers have enabled some families to move out of low-income neighborhoods, in practice many do not, because of such barriers as lack of transit access, and real estate agents who steer families, particularly Black and brown families, into low-income neighborhoods (Graves, 2016). Moreover, some don't use their voucher at all. In 2017, about 90% of vouchers handed out nationally were actually used, but use was as low as 75% in Hawaii, according to our calculations based on data from the CBPP (2019). Ellen et al. (2022) find that voucher holders fare better in jurisdictions with laws prohibiting source of income discrimination. This suggests that additional incentives and constraints are needed to deconcentrate poverty through HCV.

Federal housing policy has never provided enough funding to serve all eligible families in need. Federally subsidized housing for the poor represents only 3.6% of the nation's 143 million housing units (HUD, 2022). In contrast, the federal government via the IRS provided about $73 billion in tax breaks for homeowners in 2024 ($31 billion for mortgage interest deduction and $42 billion for exclusion of capital gains on sales of principal residences; Joint Committee on Taxation, 2022). These primarily benefit the wealthiest Americans with the most expensive homes (Fischer & Huang, 2013; Hanson et al., 2014), even with the reduced value of the mortgage interest deduction, via the Tax Cuts and Jobs Act of 2017, which itself expires in 2025 (Joint Committee on Taxation, 2022).

Arguments against more expansive funding levels for subsidized housing initially focused on concerns about the government crowding out private development (Husock, 2000), but later turned into concerns that low-income families were either undeserving of help or that they would introduce crime and other dangers to "stable," middle class, white neighborhoods (Badger, 2015; de Souza Briggs & Dreier, 2008; Ellen et al., 2011b; Sard & Rice, 2014). Though the evidence regarding these latter claims is weak, they have been central in ongoing policy debates and have been a major barrier to maintaining, let alone increasing, funding for rental assistance.

3. Proposal: An EITC Housing Supplement

Both the EITC and the HCV programs have shortcomings. HCV does not reach everyone who is eligible due to insufficient funding, while EITC is fully funded for all those eligible. Conversely, EITC's benefit levels are the same across the country, even though the cost of living—especially for housing—varies dramatically, leading to tremendous geographic inequity. EITC's impact is much lower in hot and high-cost markets, because of a large difference between incomes and rents. In contrast, HUD's HCV program varies the subsidy amount to households based on local rents. For example, the 2021 FMR for two-bedroom apartments was $827 in Memphis and $1,424 in Los Angeles (HUD, 2021b). The household income needed to afford a typical two-bedroom apartment, while spending exactly 30% towards rent, ranged from $33,080 in Memphis to $56,960 in Los Angeles (Table 1, row A).

We propose that Congress combine the best components of each program: Revise EITC's benefit levels by accounting for geographic differences in housing costs, as HCV does. This approach would reach many more families, thereby reducing the extent to which housing benefits are a lottery and provide a comparable level of support for families regardless of where they live, thus addressing the inequity associated with the EITC program.

Cushing Dolbeare, founder of the National Low Income Housing Coalition, first proposed this idea in 2001 (Dolbeare, 2001). Stegman et al. (2004) explored it further, but it gained no political traction at the time. As the housing crisis has worsened, and the EITC has gained in popularity, it is time to give the idea another look and make it simpler.

Under our proposal—which we call EITC Plus—a family's benefit would be the standard refundable tax credit plus a new housing supplement. The housing supplement would be set at the difference between 30% of the household's income (including the EITC benefit) and the appropriate local FMR.

The total benefit a household receives under EITC Plus would be tied to its earnings and estimated housing costs. This blended approach introduces a degree of means testing to the benefit: A household would only receive the housing supplement if 30% of its income, including EITC, was less than the appropriate local FMR. This plan has no significant variation across metropolitan areas in the degree to which households would access the EITC Plus housing supplement. Table 1 illustrates this by showing the EITC Plus benefits that would be received by retail sales clerks (as single parents with two children and as married couples with two children) in four cities where wages vary slightly but rental housing costs vary dramatically.

Though we couch our proposal as adding a housing subsidy, this proposal could easily be framed as a cost-of-living income subsidy. The cost-of-living varies across cities and metropolitan areas driven in large part by housing cost variation, so the same low income in Memphis buys much more than it does in Los Angeles. Moreover, EITC Plus is not limited by actual rent payments, but functions more as a cost-of-living-adjusted universal basic income program. This differs from renters' tax credits, which provide tax refunds based on a share of rent paid, and in a way replaces the HCV program but lacks work requirements (Kimberlin et al., 2018).

Framed this way, is EITC the best vehicle to deliver a cost-of-living subsidy? Indeed, the EITC, and this proposal, does not provide any assistance to non-earners unlike renters' tax credits, and many low-income

Table 1. EITC Plus housing supplement example, four cities in 2021.

Calculation Step	Memphis		Phoenix		Chicago		Los Angeles	
	Single	Couple	Single	Couple	Single	Couple	Single	Couple
Work income (A)	$23,350	$46,700	$29,820	$59,640	$27,870	$55,740	$31,910	$63,820
FMR for 2-br/month (B)	$827	$827	$1,251	$1,251	$1,143	$1,143	$2,195	$2,195
FMR for 2-br/year (C = B * 12)	$9,924	$9,924	$15,012	$15,012	$13,716	$13,716	$26,340	$26,340
% income for rent (C / A)	42.5%	21.3%	50.3%	25.2%	49.2%	24.6%	82.5%	41.3%
EITC benefit (D)	$5,176	$1,522	$4,818	$0	$4,227	$0	$3,378	$0
Combined work income and EITC benefit (E = A + D)	$28,526	$48,222	$33,637	$59,640	$32,097	$46,343	$35,288	$63,820
30% annual income with EITC benefit (F = 0.3 * F)	$9,509	$14,467	$11,212	$17,892	$10,699	$16,722	$11,763	$19,146
EITC Plus housing supplement (C – F)	$415	None	$3,800	None	$3,011	None	$14,571	$7,188

Notes: These estimates are for a single retail cashier with two children and a married couple (both retail cashiers) with two children; retail cashiers are a common low-income occupation that exists in all areas with retail stores; the same analysis can be done for any occupation; FMR is the local FMR; 2-br = two-bedroom apartment.

individuals are non-earners (30% of those in poverty did not work in 2021 or 2022; Shrider & Creamer, 2023). Alternatively, cost-of-living adjustments could be implemented through many other social assistance programs, including unemployment insurance, supplementary nutrition assistance program, supplemental security income, and others that could result in more complete benefits for low-income individuals and families. Yet, we rely on the EITC, rather than suggesting dramatic cost-of-living increases for food stamps, unemployment insurance, and other anti-poverty programs, because the EITC reaches more households, has not faced the political opposition and budget cuts of other anti-poverty programs, and in fact has been expanded by Congress (Desmond, 2023). The desire for stability and security argues forcefully for using the tax code whenever possible.

3.1. Proposal Cost Estimate

What would such a program cost? We simulate costs using EITC eligibility parameters and tax filer data at the metropolitan level (Brookings Institution, 2016). We estimate the number of filers eligible for EITC benefits within various income bands, which is essentially a measure of program participation, and the additional income each family type receives from the EITC. Wage increases would reduce the cost of EITC Plus by narrowing the gap between wages and rents.

From here, we calculate the highest affordable rent price payable by a household using 30% of its income (inclusive of EITC) for each income band and family type and compare that value to the metropolitan area's FMR. The difference in these figures (when non-zero or non-negative) represents the EITC Plus housing supplement each family would receive under our proposal. Summing these for all families eligible to receive the EITC benefit and then multiplying by the participation rate gives us an estimate of the total cost of implementing our housing supplement program for each metropolitan area. Summing across all of our metropolitan areas yields the total national cost of the EITC Plus housing supplement. We estimate that the housing supplement would have cost $100.75 billion in 2021. To compare, HCV cost $25.7 billion and served one quarter of eligible households in 2022 (HUD, 2022).

Because our proposal ties benefits to costs in each metropolitan area, the benefit should be less significant in areas with lower housing costs. Table 2 shows the metropolitan areas where program costs (and costs per recipient) are on the low and high ends of the scale. Perhaps not surprisingly, high-cost urban coastal markets dominate this list. EITC Plus for the top 20 metropolitan areas would cost $62.7 billion (in 2021), covering the country's largest, most diverse, and most productive urban regions. Low-cost areas top the list of metropolitan areas with the highest proportion of families that would not receive an EITC Plus housing supplement.

In addition, we note that a fraction of EITC recipient households would not qualify for the housing supplement because their income is sufficiently high that 30% of it exceeds the market's FMR. Our simulation indicates that 6.6% of all EITC-eligible families would not have needed the EITC Plus housing supplement in 2021.

Figure 2 provides an example of how the housing supplement varies over metropolitan areas, including areas where the housing supplement is zero. Figure 2 is based on the average wage of a single cashier with two children in each metropolitan area and the appropriate FMR. In areas with a smaller difference between wages and housing costs, the housing supplement is lower or even zero. The map suggests that smaller and more rural areas would have zero supplement.

Table 2. List of metropolitan areas that would receive the most (Panel A) and least (Panel B) housing supplement from the proposed EITC Plus program, total cost ($ millions), and cost per recipient, based on simulation with 2021 data.

Ranking (A)	Highest Cost Metropolitan Area	Total Cost ($ millions)	Cost Per Recipient ($)
1	New York-Newark-Jersey City, NY-NJ-PA Metro Area	12,029	9,713
2	Los Angeles-Long Beach-Anaheim, CA Metro Area	11,322	13,400
3	San Francisco-Oakland-Berkeley, CA Metro Area	4,571	18,090
4	Miami-Fort Lauderdale-Pompano Beach, FL Metro Area	3,566	8,072
5	Boston-Cambridge-Newton, MA-NH Metro Area	2,963	10,106
6	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	2,961	8,066
7	Chicago-Naperville-Elgin, IL-IN-WI Metro Area	2,604	4,294
8	San Diego-Chula Vista-Carlsbad, CA Metro Area	2,596	12,341
9	Dallas-Fort Worth-Arlington, TX Metro Area	2,550	5,400
10	Houston-The Woodlands-Sugar Land, TX Metro Area	2,049	4,818
11	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	1,981	5,164
12	Riverside-San Bernardino-Ontario, CA Metro Area	1,969	6,815
13	Seattle-Tacoma-Bellevue, WA Metro Area	1,948	8,431
14	Atlanta-Sandy Springs-Alpharetta, GA Metro Area	1,681	4,462
15	Phoenix-Mesa-Chandler, AZ Metro Area	1,630	5,397
16	Denver-Aurora-Lakewood, CO Metro Area	1,440	7,559
17	San Jose-Sunnyvale-Santa Clara, CA Metro Area	1,290	13,154
18	Tampa-St. Petersburg-Clearwater, FL Metro Area	1,208	5,531
19	Orlando-Kissimmee-Sanford, FL Metro Area	1,174	6,321
20	Portland-Vancouver-Hillsboro, OR-WA Metro Area	1,162	7,321
	Top 20 highest cost metropolitan areas	62,694	8,223
Ranking (B)	**Lowest Cost Metropolitan Area**	**Total Cost ($ millions)**	**Cost Per Recipient ($)**
1	Grand Island, NE Metro Area	9.5	1,777
2	Lewiston, ID-WA Metro Area	9.8	2,362
3	Pine Bluff, AR Metro Area	10.0	1,855
4	Cumberland, MD-WV Metro Area	10.7	1,773
5	Danville, IL Metro Area	10.7	2,203
6	Kokomo, IN Metro Area	11.0	1,889
7	Gadsden, AL Metro Area	11.1	1,738
8	Parkersburg-Vienna, WV Metro Area	11.5	1,951
9	Anniston-Oxford, AL Metro Area	12.1	1,666
10	Beckley, WV Metro Area	12.3	1,756
11	Midland, MI Metro Area	12.5	2,378
12	Great Falls, MT Metro Area	12.6	2,178
13	Dubuque, IA Metro Area	12.7	1,930
14	Hinesville, GA Metro Area	12.7	2,375
15	Casper, WY Metro Area	12.8	2,469
16	Pocatello, ID Metro Area	12.9	2,189
17	Carson City, NV Metro Area	12.9	3,102
18	Lima, OH Metro Area	13.0	1,839
19	Rome, GA Metro Area	13.2	2,188
20	Bloomsburg-Berwick, PA Metro Area	13.3	2,434
	Top 20 lowest cost metropolitan areas	237	2,103

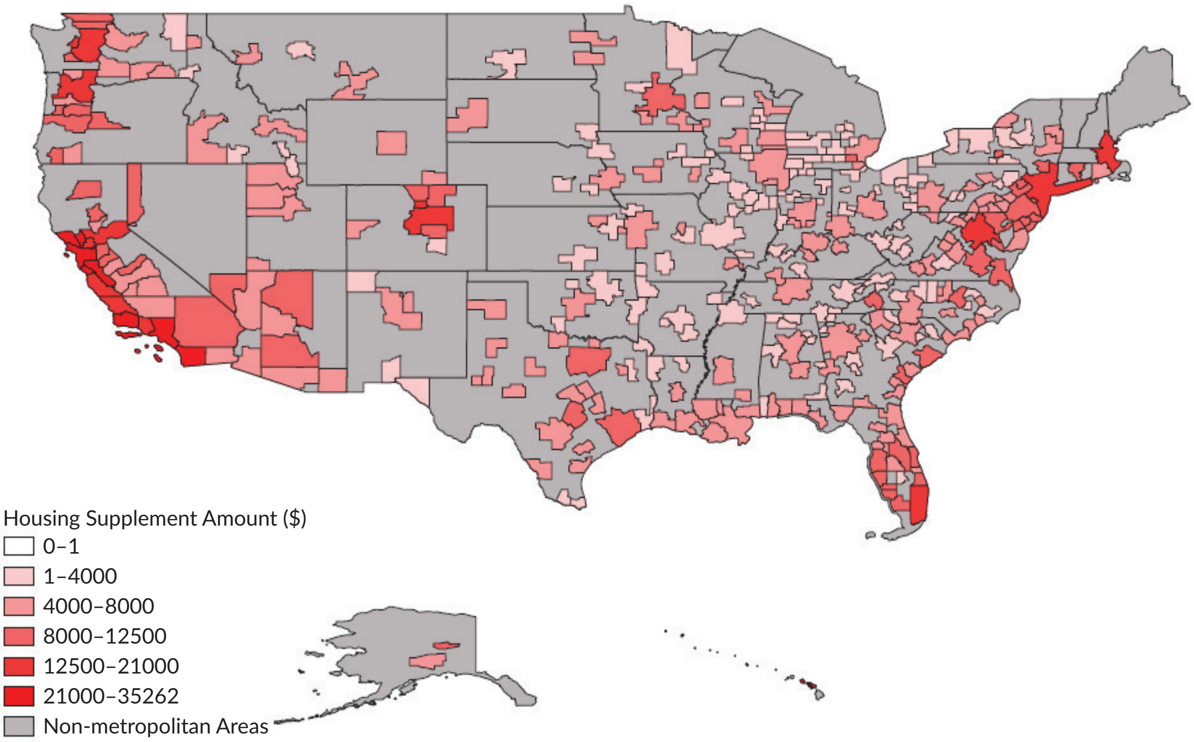

Figure 2. Housing Supplement Amount in Metropolitan Areas. Note: Calculated for a cashier making the mean annual wage in each metropolitan area, filing single with two children (two bedrooms) in 2021. Sources: Mean annual wages for cashiers (U.S. Bureau of Labor Statistics, 2021), Fair Market Rent (HUD, 2021b), EITC parameters 2021 (Urban Institute & Brookings Institution, 2021).

3.2. Implementation Choices

For some perspective on our proposal's cost ($101 billion in 2021), recall that federal programs provided $73 billion in homeowner support in 2022, with benefits highly concentrated among the well-off. Thus, this additional benefit is relatively large compared to what is already spent to support housing and targets those who need it most. We would hope that the proposal would be fully funded to match the need but have calculated alternative approaches to limit the total cost, each of which reduces the benefits of the program. We consider the cost implications of pursuing several approaches:

- Tying benefits to a rent lower than the FMR (we look at 80% and 90% of FMR);
- Assuming families will pay more than 30% of income for housing (we look at 40% of income);
- Basing the housing supplement on a studio FMR instead of one-bedroom housing for singles with no children;
- Using the marriage rates by income bins from the US American Community Survey family type data, instead of the same rate across all income bins;
- Capping the housing supplement amount at the median amount for each metropolitan area.

Applying these approaches to our simulation shows that program costs can be reduced, depending on the levels of support offered by each policy. The largest reductions are associated with supporting rents below FMR or assuming families will pay up to 40% of their income for housing (Table 3).

Table 3. Sensitivity analysis of the EITC Plus proposal's cost.

EITC Plus Proposal Variation	Total Cost ($ billions)
Baseline program cost	100.75
Adjust marriage rate in calculation to reflect metro-level variation instead of national average	101.00
Assume single-person households with no children are allocated to a studio-priced rental unit (lower price than 2-bedroom)	98.99
Cap housing supplement at the local median benefit	94.58
Set housing support at 90% of FMR (instead of 100%)	83.31
Set housing share at 40% of income (instead of 30%)	78.83
Set support at 80%of FMR (instead of 100%)	66.88
Set support at 90% and housing share at 40% (instead of 100% and 30%)	64.05

EITC Plus would increase incomes for lower-income households in high-cost places. Increased housing supply would certainly boost EITC Plus effectiveness, but even at current supply levels, the supplement makes lower-income households more competitive in the rental market.

The benefits of this proposal will skew heavily towards the urban, high-cost portions of the country, which could generate some resistance from members of Congress who do not represent such areas. The political calculation here is whether the benefits provide relief to enough households in relatively low-cost areas that members of Congress, local officials, and various interest groups can see its impact—for example, an increase in consumer dollars flowing to local businesses by EITC Plus recipients who now have more money to spend. Moreover, the highest-cost areas are distributed throughout the country (West Coast, Texas, Florida, Northeast, etc.).

Aside from these political risks, there are other potential issues to consider. A major concern is that the housing supplement would swamp the benefits associated with the current EITC program. Indeed, under a simple "all or nothing" rule for the supplement, workers earning $10 in a year would be entitled to receive effectively the entire relevant FMR as a tax refund. Some members of Congress and others might view this level of subsidy as too generous or as weakening a major argument on behalf of the EITC, that being its work incentive.

Some might balk at a program that does not directly help unemployed Americans, who are not eligible for the EITC. Also excluded would be low-income older (above 65 years of age) families without dependent children. Some version of the existing HCV program, and/or a renters' tax credit, will still be needed, targeted to those who do not work or qualify for the EITC (Fischer et al., 2017). A small share of EITC Plus recipients may choose to strategically double up to reduce housing expenditures, which they would be free to do provided they don't violate local occupancy standards.

There are three operational issues associated with the proposal that deserve comment. First, our proposal is easier to implement than the HCV program. Unlike the HCV program, the housing supplement of the EITC Plus program would require little bureaucracy to implement. To receive the EITC, families simply fill out an income tax form. Depending on their income, they either pay less in taxes or receive a reimbursement check in the mail that would mechanically incorporate any benefits that come from the EITC Plus housing supplement. Local housing agencies would not be required to inspect and approve any apartments. We view this as a major advantage to the program.

A second operational issue is logistical. Families receive EITC as an annual lump sum when they get their income tax refund. However, lump sum payments tend not to be used exclusively to smooth consumption (Barrow & McGranahan, 2000), and qualitative evidence suggests recipients' desire for advanced payments to relieve real and perceived financial stressors (Greenlee et al., 2021). EITC had an advanced payment option until 2010, when it was eliminated due to underuse (3% takeup) and frequent noncompliance with requirements (U.S. Government Accountability Office, 2007). Because housing expenses recur monthly, advanced payment of the housing supplement would make EITC Plus more effective. Holt (2009) proposed using estimated earnings, prior year earnings, and current family composition to implement advanced payments, based on comparable international examples. Any periodic payments feature would need to consider the needs of the many lower-income workers who are employed irregularly or who have fluctuating income which may complicate advanced payments execution.

The third logistical/regulatory consideration is whether the housing subsidy would count as income when determining eligibility for other programs. Our view is that, like the current EITC, the housing subsidy should *not* count as additional income that would reduce other safety net payments. Such an approach would undermine the purpose of the supplement. Indeed, it has been shown that program designs where additional income results in a (dollar-for-dollar) reduction in benefits acts as a disincentive for program participants, such that they are less inclined to work and approach self-sufficiency (Riccio & Babcock, 2014). Further, 30 states, the District of Columbia, and Puerto Rico offer a supplemental EITC program (CBPP, 2021a). We would encourage federal rules to be established such that program participants are not penalized if their states decide to be generous and offer complementary supplemental benefits.

4. Conclusion

More than seven decades after the Housing Act of 1949 established as a national objective the achievement of "a decent home and a suitable living environment for every American family," we are far from reaching that goal. In fact, US federal housing policy is currently skewed toward the affluent, who receive far more (overall and per capita) in government housing subsidies than the working and low-income families who need help the most. Adding a housing supplement to the popular EITC can get us closer to that goal by helping the working poor pay the rent.

Our proposed EITC Plus program accomplishes that goal by revising the EITC's benefit levels through incorporating the HCV program's approach of accounting for geographic differences in the cost of living, particularly housing costs. Such benefit adjustments would mean the program would now provide a comparable level of support for families regardless of where they live, thereby increasing program equity. Though it is not cheap—we estimate a fully-implemented program would cost $101 billion in 2021—we offer ways to reduce costs to make the program more fiscally palatable.

Our proposal has important advantages, including the benefit of political tractability. While virtually every anti-poverty program that is funded through annual appropriations has come under threat of reduction at some point over the past 15 to 20 years, the EITC has received consistent support and even been expanded.

In addition, there is a long and successful history of experience implementing the elements of this program, so operational feasibility is quite high. Moreover, we have presented potential program modifications that can address various concerns that may be raised about the program's design and implementation.

Despite increasing the purchasing power of low-income families and giving them a wider range of choices regarding housing and other goods, our proposal has limitations. Notably, it does not address the undersupply of housing generally, or for low-income households specifically. Also, it does not serve those who are not working, which includes older adults and individuals with disabilities. Other policies will be needed to supplement this to ensure that all families with low incomes can make ends meet in ways that promote well-being, health, and safety.

Decisions about specific program design, its interaction with the existing HCV program, identifying funding, and operationalizing advance payments are important considerations beyond the scope of the article. Updated data on detailed income bins and by number of children would strengthen the cost simulation. Future work can focus on how program design could prevent perverse incentives for recipients and landlords.

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Conflict of Interests

The authors declare no conflict of interests.

Data Availability

Data for replication is available from authors on request.

Supplementary Material

Supplementary material for this article is available online in the format provided by the authors (unedited).

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