

# Rental Housing Continues to Get Little Respect

**Federal Tax Code Provides Over \$12 in Subsidies for Homeownership For Every \$1 for Rentals**

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Every year, as part of the budget, the president releases his estimates of the loss in federal tax revenue that results from tax benefits built into the federal tax code. This lost revenue is labeled a "Federal Tax Expenditure." An examination of the recently released budget estimates for fiscal years 2005-2009 reveal a more than 12 to 1

advantage that homeownership has over rentals. In an era when one in seven American families is paying more than 50 percent of its income for housing, or is living in substandard conditions, government support for housing is critical to making sure every American, owner and renter alike, has a safe, decent and affordable roof overhead. The recently released report reflects the substantial bias toward home ownership, and away from rental housing.

	President's Budget 2005-2009	Joint Committee on Tax 2004-2008
<b>Homeownership</b>		
Homeowner Interest Deduction	303.0	372.7
Gain Exclusion on Home Residences	114.1	91.4
Property Taxes Deductibility	76.8	77.8
Interest Exclusion on Homeowner Bonds	6.0	6.0
<b>Total</b>	<b>500.8</b>	<b>547.9</b>
<b>Rentals</b>		
Low-Income Housing Tax Credits	37.6	23.8
Passive Loss Rules	20.1	(1)
Rental housing over 27.5 years	-12.0	21.3
Interest Exclusion on Rental Housing Bonds	1.9	1.3
<b>Total</b>	<b>47.6</b>	<b>46.4</b>

(1) Not included in JCT estimates.

Source: Novogradac & Company LLP; Joint Committee on Taxation

For the five-year period 2005-2009, federal tax expenditures (in billions of dollars) that subsidize home ownership include homeowner interest deductions (\$393.9), capital gains exclusion (\$114.1), property tax deductibility (\$76.8), and interest exclusion on home owner bonds (\$6.0). The whopping total for home ownership is \$590.8 billion.

By comparison, for the five-year period 2005-2009, federal tax expenditures (in billions of dollars) that subsidize rental housing include credits for low-income housing (\$37.6), passive loss exceptions (\$ 20.1), and interest exclusion on rental housing bonds (\$1.9), generating a total of \$59.6 billion. However, the revenue loss resulting from more rapid rental housing depreciation deductions appears to be reversing, generating additional revenues of \$12.0 billion over the 2005-2009 period, generating a net subsidy for rental housing of a mere \$47.6 billion.

The Joint Committee on Taxation (JCT) estimates projected a similar substantial bias for the five-year period 2004-2008. Under the JCT's estimates released in December 2003, total homeowner subsidies were approximately \$548 billion, and rental subsidies were \$46 billion.

It is true that 70 percent of Americans are homeowners, however a more balanced apportionment of subsidies would generate a 2.33 to 1 bias for homeowners. To reach such a level playing field, the additional subsidies for renters would need to rise more than \$50 billion a year for a total of \$250 billion over the five-year time frame.

It is also true that the budget contains direct expenditures for rental housing through the Department of Housing and Urban Development (HUD). If you assumed that \$25 billion of HUD's budget was for rental housing, which would be a high percentage of their budget, you still have a \$25 billion annual shortfall.

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# Rental Housing

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Narrowing the gap in the amount of government support given to encourage homeownership and the tax dollars Washington provides for rental housing will help speed the process through which those one-in-seven families mentioned earlier can reduce the amount of income it takes to provide them shelter.

The bottom line is rental housing gets little respect in the eyes of the federal budget and the federal tax code. ❖

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