Housing Initiative Partnership, Inc.

30+ YEARS of Housing Security | Financial Stability | Community Success

SB 342: Tax Credits – Homeowners and Renters – Income Calculation: SUPPORT

Testimony of Mary Hunter, Director of Housing Counseling & Services, Housing Initiative Partnership
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Senate Budget & Taxation Committee, January 24, 2024

About HIP

Housing Initiative Partnership, Inc. (HIP) develops innovative affordable housing, revitalizes neighborhoods, and equips people to achieve their housing and financial goals. Our vision is that every person lives in high-quality affordable housing in a thriving community. We maintain offices in Hyattsville in Prince George's County, and in Germantown and Gaithersburg in Montgomery County.

Support for SB 342

Over the past 20 years, HIP's Housing Counseling staff have helped over forty thousand renters and homeowners struggling with housing costs. Many of our clients are among the 20% of renters in our region who are severely housing cost burdened, paying more than half of their household income toward rent.

The Renters and Homeowners Tax Credits are important programs that help households experiencing severe housing cost burden. HIP's Housing Counseling staff always assess our clients for eligibility for these programs and have helped submit thousands of applications. The income limits for both credits are very strict. For example, in 2023, a renter under 60 years of age with a household of 4 could have a household income of no more than $27,750 per year. This is approximately 20% of Area Median Income in Montgomery and Prince George's County.

SB 342 corrects a problematic eligibility criterion in the Renters Tax Credit and brings it into alignment with the Homeowners Tax Credit. Along with specific household income limits, both programs require that applicant's households net worth not exceed $200,000. The Homeowners Tax Credit excludes the household's retirement account savings from the net worth calculation; The Renters Tax Credit does not. This legislation corrects this inconsistency by revising the Renters Tax Credit eligibility criteria to **exclude the value of the applicants' retirements savings plans** from the net worth calculation.

In the rare circumstance where a very low-income rental household has significant retirements savings, it would be counterproductive to require that they withdraw those savings before becoming eligible for the Renters Tax Credit. Such a policy would force a low-income family to pay high early withdrawal penalties, it would jeopardize their ability to achieve financial security in their retirement years, and it serve as a disincentive for households to make contributions to their retirement savings.

The Renters Tax Credit is a crucial benefit that helps low-income households remain stably housed in this difficult and expensive housing market. We strongly encourage Maryland to work to reduce barriers to this assistance by passing SB 342.