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Proposed Homeowner Tax Cut Would Worsen DC's Racial, Economic and Geographic Inequities

A proposed property tax cut—increasing the homestead deduction—would be costly and benefit DC's wealthiest residents. With several tools to reduce tax bills for lower-income and senior homeowners, the best approach is to improve these targeted benefits, rather than enacting a broad tax break that disproportionately benefits DC's highest-income homeowners.

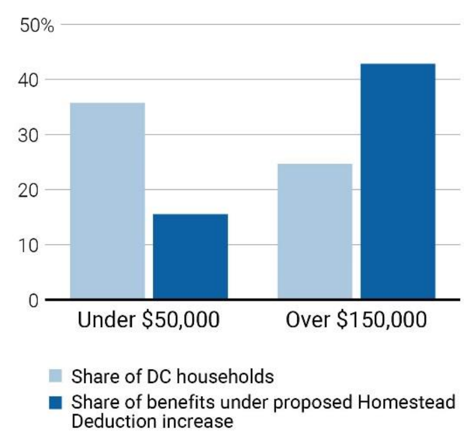
When everyone pays their fair share, we're able to invest in the things that strengthen our communities. This proposed tax cut for homeowners would worsen DC's racial and economic inequities, because most DC homeowners are white and on average have much higher incomes than renters. The $38 million annual cost would suck up valuable resources that could otherwise be used to address the serious housing and homelessness challenges faced by lower-income renters.

The Proposed Tax Cut Would Disproportionately Benefit Higher-Income and White Residents

- The median household income of DC homeowners is $128,000, more than double the $56,000 median renter household income. Nearly half of the proposed tax cut would go to households with incomes above $150,000, and less than one-sixth would go to those with incomes below $50,000 (*Figure 1*).
- The homestead deduction, which only helps homeowners, amplifies DC's racial inequities, because historic discrimination has denied residents of color the same access to homeownership as white residents. Some 56 percent of DC homeowners are white, while 36 percent are Black and 7 percent are Latinx.
- Barriers to homeownership also fall along geographic lines in DC. Just 29 percent of DC households living east of the Anacostia River own their homes, while 56 percent of residents in upper Northwest DC do (*Figure 2*, pg. 2).

FIGURE 1.

DC's Highest-Income Homeowners Would Benefit Most from Proposed Property Tax Cut



Source: American Community Survey, 2017

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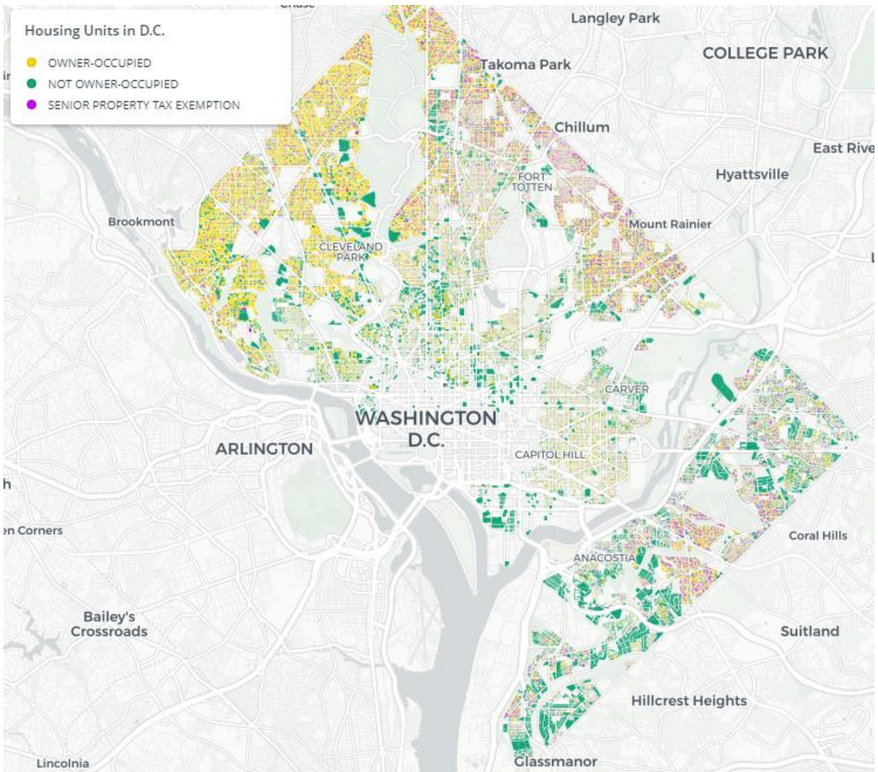
The Homestead Deduction Tax Cut Would Limit Our Ability to Meet DC's Pressing Needs

- The $38 million cost of the tax cut would be enough to provide housing to over 1,300 residents facing homelessness or provide rental assistance to 2,000 extremely low-income households.
- The tax cut would also make it hard to fund important legislation adopted by the DC Council last year, including providing comprehensive support for children from birth to age 3, fighting climate change through clean energy, and replacing punitive and discriminatory school discipline practices with more mental health services and positive behavioral supports.

Strengthening Schedule H is the Best Way to Assist Lower-Income Homeowners

- DC has effective tools to help homeowners with lower incomes, including a 50 percent reduction for most seniors, a 5 percent cap on annual tax increases for lower-income seniors, and a $1,000 tax credit (Schedule H) for homeowners with incomes below $50,000.
- Rather than cutting taxes for all homeowners, DC can assist homeowners with lower incomes by increasing the Schedule H credit amount or increasing the income eligibility level.

FIGURE 2.



Source: DC Policy Center