



### **Tax Credit for Cost Burden**

**The Problem:** A household that is spending more than 30 percent of their gross, pre-tax income on housing is considered cost-burdened by Housing and Urban Development (HUD) standards. A household that spends 50 percent of their income on housing is considered to be severely cost-burdened. A cost-burdened household not only has trouble paying their rent, they also have trouble paying other bills. While the cost burden measure has many issues, it is the standard measurement used to quantify the number of households in need for affordable housing.

**The Solution:** Rather than spending resources on buying land, building, and then operating subsidized housing, a tax credit for cost burdened households housing would offset any amount above 30 percent of household income spent on housing. This program would be an efficient way to supplement incomes to help keep people in their homes and stabilize families without having to invest in large capital projects. At the beginning of the year, after filing taxes, cost burdened families would feel the immediate benefits of extra cash to pay for housing or other costs that make paying rent a challenge. This could be a source of basic income for many families.

**Legislative Proposal:** Create Article 7-9-K-1 in the New Mexico tax code to establish a new tax credit to subsidize the cost burden of households for any amount over 30% of their income that year. Rental receipts and/or a lease would need to be provided, and the cost burden would be determined by geography, HUD standards, and income.

**Potential Partners:** Support for this would likely come from tenant advocates, landlords, housing developers for both non-profit and market-rate, and neighborhood associations. Family advocate groups would support this as well.

**Potential Opposition:** Some legislators and other groups would see this as a giveaway, paying other people's rent with tax dollars.

**How will we pay for it?** With big increases in oil and gas prices because of the war with Iran, there should be additional severance tax revenue that could be set aside for this purpose.