



Ben Carson wrong about effectiveness of housing tax credits

November 28, 2017

Vanessa Brown Calder for Cato at Liberty: Department of Housing and Urban Development Secretary Ben Carson tweeted that “the Low-Income Housing Tax Credit [LIHTC] is one of the most effective tools we have to create affordable housing.”...

That is high praise for a program known for expense, complexity, lack of oversight and abuse. The low-income housing tax credit is arguably one of the most inefficient housing subsidy programs that the federal government administers. ...

One of the tax credit's problems is that it doesn't successfully accomplish its own objectives to redistribute to low-income tenants and create new housing.

First, most of the subsidy goes to developers, lawyers, accountants and financiers rather than low-income tenants. A 2011 study found that low-income tenants capture one-third of the subsidy. That leaves two-thirds of the benefit for corporations, banks, accountants, and lawyers involved in the process.

Second, the low-income tax credit displaces similar market-rate housing. A recent study estimated that “nearly 100 percent of LIHTC development is offset by a reduction in the number of newly built unsubsidized rental units.” That means the tax credit requires taxpayers to fund housing that would be built on the private market.

A test of liberals' willingness to pay for fairness

Alaina Harkness and Richard Reeves for the Brookings Institution: We have a real-time test of the “willingness to pay” for fairness underway in Cook County, Ill.

A recent investigation by the Chicago Tribune revealed an unusually regressive pattern in the county property tax assessment system: Homes in low-income (and predominantly minority) areas of the city tend to be overvalued by 10 percent or more, while homes in more affluent areas tend to be undervalued by 10 percent or more. An analysis by University of Chicago professor Chris Berry found that from 2011-2015, the average home that sold for \$100,000 paid an effective tax rate of 1.6 percent, while the average million-dollar home paid 1.1 percent. This might feel like a rounding error, but it actually means the tax rate on the \$100,000 home is a

whopping 45 percent higher than the tax rate on the million-dollar home. The cumulative result? A disproportionate share of Cook County's total \$14 billion in annual property tax collections are paid by the people who are least able to absorb the extra cost.

Inequality is a complex, multidimensional problem. But in this instance, there is a relatively simple, straightforward, and technocratic fix. A new property tax assessment system that would result in more accurate, efficient, transparent assessments – and a less regressive system overall – has already been designed, tested, and delivered to the assessor's office. ...

Some of the less affluent Chicagoans who are losing out under the current assessment system are beginning to organize for reform. The question is whether they find enemies or allies among the affluent who stand to lose just a little in return for the chance to live under a fairer taxation regime.

Farm subsidies go to the top

Kevin Weil for the R Street Institute: With the farm bill up for reauthorization in 2018, policymakers soon will have a chance to reassess farm subsidies and target the rampant waste and cronyism in our farm-support system.

The Environmental Working Group recently published the most recent update to its Farm Subsidy Database, which serves as a useful guide to illustrate who is and who is not benefiting from the current system. It confirms the trend seen over decades of aggregated data on farming subsidies: The most successful agribusinesses receiving the largest portion of federal farm subsidies.

The Environmental Working Group estimates that, between 1995 and 2016, farms that ranked among the top 10 percent of income received about 77 percent of "covered commodity" subsidies, or subsidies that cover corn and soybeans. To put that into perspective, these large-scale farms have an average household income of \$1.1 million. ...

The current system represents outright cronyism. Congress has neglected proposals for pragmatic reform, with the ultimate effect of disadvantaging smaller and beginning farmers, who must cope with rising land prices and farm consolidation as the mega-farms get richer.