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**Government of the District of Columbia**



**D.C. Office of the Tenant Advocate**

Testimony of

**Johanna Shreve**  
Chief Tenant Advocate

Public Hearing:

**Bill 19-164, the “Schedule H Property Tax Relief Act of 2011”**

Committee on Finance and Revenue  
The Honorable Jack Evans, Chairperson  
Council of the District of Columbia

Wednesday, November 16, 2011  
11:00 a.m.

Room 412  
John A. Wilson Building  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004

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Thank you, Chairperson Evans, for this opportunity to testify about Bill 19-164, the “Schedule H Property Tax Relief Act of 2011,” and thank you for co-introducing legislation that will ease housing cost hardships for many renters as well as homeowners in the District.

One of the duties of the DC Office of the Tenant Advocate is to “[r]epresent the interests of tenants and tenant organizations in legislative, executive, and judicial issues, including advocating changes in laws.” (D.C. Official Code § 42-3531.07(2)). As the District’s Chief Tenant Advocate, I am here today to represent the interests of a growing number of District renters for whom housing costs, and indeed their long-term residences in the District, are becoming increasingly tenuous. The affordable housing trends in the District, particularly for renters, are sobering. According to a 2010 report issued by the DC Fiscal Policy Institute (DC FPI):

1. Between 2000 and 2007, rents in the District have grown faster than in other major cities, and now consume more than half of household income for many more renters;
2. The number of apartments with monthly rent and utility costs below \$750 -- whether private-market or government

subsidized -- fell from 69,400 to 45,700, which means that our low-cost rental housing stock shrunk by one-third;

3. Rents have outpaced the incomes of most renter households, so that an incredible forty-eight percent of renter households -- almost half -- now experience unmanageable housing costs (as do 31 percent of homeowners);

We see living examples of this data every day at the OTA.

Many of our clients are lower-income individuals, and an increasing number are fixed-income elderly tenants. Too often they literally are forced to choose between paying the rent or eating or buying prescription medications. And too often in such instances all our case managers or attorneys can do is direct the client to resources such as the Emergency Rental Assistance Program (ERAP) or a charitable organization, and hope that the client qualifies for benefits and that program funds haven't run out.

These individuals are precisely those who the DC Council had in mind when the "Schedule H" tax credit was established back in 1977. The purpose of the credit is to serve as a "circuit breaker" by providing tax relief when housing costs coupled with tax burdens place too much pressure on household incomes. But a circuit

breaker is only as good as its capacity to detect “overload,” and when it becomes obsolete it must be replaced.

Clearly that is the case with Schedule H program parameters which have not changed in 35 years. The data, anecdotal evidence from stakeholders and others, and our own caseload, tell us plainly, for example, that the income ceiling of \$20,000 helps too few and renders the program far less relevant and purposeful than it should be. Similarly, DC FPI and others inform us that far too many renters in shared housing situations are arbitrarily precluded from claiming the credit, simply because under current program parameters only one “rent contributor” among them may do so.

We believe that expanding Schedule H benefits, *but particularly expanding Schedule H eligibility*, could have a significant salutary impact in terms of the District’s affordable housing crisis, especially for those renters who are barely making ends meet. Bill 19-164 would do just that by:

1. Increasing the income ceiling from \$20,000 to \$50,000;
2. Increasing the maximum benefit from \$750 to \$1,000;

3. Increasing the existing “tax equivalent” for renters from fifteen (15) percent to twenty (20) percent of rent paid during the tax year;
4. Allowing multiple individuals who contribute to a household’s rental payments to proportionately share the tax credit; and
5. Adding a cost of living adjustment to the Schedule H.

I endorse each of these provisions, but I am also keenly aware that budget constraints may necessitate a phased approach to Schedule H reform. If indeed that is the case, I would urge the Committee to give priority consideration to expanding program eligibility, specifically by (a) increasing the income ceiling, and (b) allowing multiple “rent contributing” individuals in shared housing situations to claim the tax credit.

I would also urge that we all work together -- the Committee, the OTA and other relevant agencies, and groups like DC FPI -- to help get the word out about the Schedule H tax credit. Others have noted the low participation rate among eligible residents, and I believe this is underscored by data we received yesterday from the Office of Revenue Analysis (ORA). In Tax Year 2009, according to ORA:

1. 7,248 tax filers claimed Schedule H;
2. The average benefit per filer was approximately \$555.00;
3. 86 percent of Schedule H claimants were renters, compared to only 14 percent that were homeowners.
4. 72 percent of claimants were under 62 years of age.

These numbers are striking in several respects. First, the number of tax filers who claim Schedule H tax relief continues to decline – from 14,500 in 1996, to 8,600 in 2005 (as reported by DC FPI) to 7,248 in 2009 (as reported by ORA). I also note that, despite the large percentage of claimants who were renters, still only 6,233 renters (86% of 7,248) claimed the credit in 2009. We would estimate that this number represents approximately 4 percent of all renter households in the District. While the relevant comparison is to the number of *eligible* renter households, a statistic we do not have, the 4 percent figure is an indicator of very low participation among eligible renters, given the high percentage of renter households that experience housing hardships. Finally, I note that only 28 percent of claimants in 2009 were age 62 or over. That figure is likely an indicator of a low participation rate among elderly renters, given the

aging of the population, and given the relatively high percentage of fixed-income households in this age-group demographic.

The point I wish to make is that community education and outreach is also critical to making Schedule H a more effective and a more relevant affordable housing tool. Another OTA statutory duty is to “[p]rovide education and outreach to tenants and the community about laws, rules, and other policy matters involving rental housing” (D.C. Official Code § 42-3531.07(1)). Accordingly, we largely devoted our most recent stakeholder meeting to Schedule H, and again I thank DC FPI for its excellent presentation. At that meeting, one stakeholder suggested using the tenant disclosure requirement in the Rental Housing Act of 1985 (D.C. Official Code § 42-3502.22) to inform prospective tenants about the availability of the Schedule H tax credit. Certainly that is an intriguing reform idea. I also plan to include more discussions about Schedule H at the OTA’s regular meetings in the community, particularly meetings that we organize in conjunction with senior service centers.

I look forward to working with the Committee, the Mayor’s office, sister agencies, DC FPI and others towards not only updating and improving the Schedule H law, but also towards helping DC

renters living on the margins of housing affordability to take advantage of the program.

Thank you again, Chairperson Evans, for considering my testimony and I am happy to answer any questions you may have.