

Biden Tax Credit to Rehab Homes Is Finally Unveiled

Policy announced ahead of trip to mark 100th year since Tulsa Race Massacre

By Georgia Kromrei, HousingWire, June 1, 2021

The Biden administration announced proposals to combat the [racial wealth gap](#), including a tax credit to rehab homes for low and moderate-income homebuyers as part of the trillion dollar infrastructure package.

The White House announced the measures ahead of a trip President Joe Biden made to Tulsa, Oklahoma to honor survivors of the Tulsa Race Massacre. **Housing and Urban Development** Secretary Marcia Fudge [joined](#) Biden to mark the 100th year since a white mob killed hundreds of Black residents of the Greenwood District.

The provisions are the Biden administration's latest effort to combat the racial wealth gap, which Fudge [called attention to](#) during recent remarks to the **Mortgage Bankers Association**.

Three survivors of the Tulsa massacre [testified](#) two weeks ago at a House subcommittee hearing on the need to financially compensate the descendants of the massacre victims.

The Biden administration's plans to narrow the wealth gap are becoming clearer, although the [American Jobs Plan](#) must still be hammered out in Congress. HUD plans to launch a "first-of-its-kind interagency effort" to combat [inequity in appraisals](#), according to a White House press release. HUD has also taken steps to craft a rule on the legal duty to Affirmatively Further Fair Housing.

The agency has already sent both the proposed rules to Congress for review. President Biden also announced the Neighborhood Homes Tax Credit, which would incentivize the rehabbing of outdated homes. Investors who acquire and renovate older homes could claim the credit on their federal tax returns, as long as the home is sold to and occupied by an eligible buyer. In order for investors to qualify for the credit, buyers must make no more than 140% of area median income.

The tax credit would cover the difference between total development costs — including acquisition, rehabilitation, demolition and construction — and the sales price. The renovations would be on a budget, however. The final sales price could not exceed four times the area median family income.

Only homes in census tracts with poverty rates of at least 130% of the area poverty rate, median family income below 80% of area median income, and median home values lower than the area median value would be eligible for the credit. According to the White House, that would apply to about one in four census tracts.

Each state's [housing finance agency](#) would administer the tax credits, which would be allocated by population. Developers, lenders or local governments could compete for the funds through an application process.