



ROOT CAUSES OF HOUSING AND LAND JUSTICE: **SUBSIDIZING WHITE WEALTH**

The tax systems and public subsidies at all levels of government have long been criticized for disproportionately benefiting white homeowners and hindering homeowners of color from owning a home and building wealth. These systems have contributed to a significant racialized wealth gap; as of 2022 white households have a median wealth more than 6 times that of Black households' wealth (\$285,000 vs. \$44,900).¹

One federal example is the Mortgage Interest Deduction (MID), a 1913 tax law that allows homeowners to deduct the interest paid on their mortgage from their taxable income. The MID disproportionately benefits higher income and white homeowners, as they are more likely to itemize their deductions and have higher valued homes with larger mortgage balances.² In contrast, homeowners of color and those with lower incomes are more likely to take the standard deduction and therefore do not benefit from the MID. The MID has long been one of the federal government's largest tax expenditures. In 2017, MID cost the government \$70 billion in lost revenue with 80% of the benefits going to households with incomes of \$100,000 or higher.³ 2017 tax reforms cut that cost in half but skewed benefits even further so taxpayers with incomes over \$100,000 receive 92% of MID's benefits.⁴

There are further examples of local property tax systems disproportionately harming Black and Latino homeowners. Property assessments overestimate property values in neighborhoods with large populations of color by not considering the market's racial bias against those neighborhoods. These overestimated assessments result in property tax bills for households of color that are significantly higher (10-13% for Black and Latino households) than in predominantly white neighborhoods with similar market values.⁵

The bias in assessments is in stark contrast to the practice of appraising the market value of homes being sold by people of color at half the value of similar homes owned by white people.⁶



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The accumulated effect of these two biases together results in people of color paying higher taxes while owning their homes, but profiting less when they sell or refinance.

The U.S. tax system and many government subsidies are designed to disproportionately benefit white homeowners while burdening homeowners of color, making it more difficult to generate financial equity. Additionally, higher property tax rates also present a barrier to the next generation of homeowners of color purchasing a home and staying in the area. This further exacerbates the wealth gap between white households and households of color. It is crucial to recognize and address these systemic inequalities to redesign the tax system and public subsidies for a more equitable and fair housing market.

1 Aladangady, Aditya, Chang, Andrew, and Krimmel, Jacob. "Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, 2023.

2 Sullivan, L., Meschede, T., Shapiro, T., and Escobar, M.F. [*"Misdirected Investments: How the Mortgage Interest Deduction Drives Inequality and the Racial Wealth Gap"*](#). Institute on Assets and Social Policy and National Low Income Housing Coalition, 2017.

3 Congressional Research Service. [*"An Economic Analysis of the Mortgage Interest Deduction"*](#) 2020.

4 Tax Policy Center. [*Individual Income Tax Expenditures*](#), Table T18-0170, 2018.

5 Carlos Avenancio-León and Troup Howard, [*"The Assessment Gap: Racial Inequalities in Property Taxation"*](#), Washington Center for Equitable Growth, 2020.

6 Howell, Junia and Elizabeth Korver-Glenn.. [*"Appraised: The Persistent Evaluation of White Neighborhoods as More Valuable Than Communities of Color"*](#), 2022.

ROOT CAUSES AND SYMPTOMS OF HOUSING AND LAND INJUSTICE

