Learning from France's Employer Payroll Tax to Support Affordable Housing

Amanda Gold, Elizabeth Champion, and Corianne Payton Scally

Many individuals and families with low incomes struggle to afford their rental housing because of limited housing supply, skyrocketing costs, and stagnating wages. The COVID-19 pandemic only exacerbated these issues, as millions of Americans lost their jobs and incomes. Renters, employers, and communities need urgent relief. Innovative policy solutions, including ones sourced from abroad, can provide lessons for policymakers on how to improve housing stability for renters and address affordability challenges.

Policy Innovation

In France, an employer payroll tax imposed on medium-sized and large businesses assists with the development of new or improved social housing, which includes affordable housing managed by local government authorities, nonprofit organizations, or public-private partnerships. Most commonly, eligible businesses pay a tax rate of 0.45 percent on the total compensation they pay their staff. In exchange for their contributions, employers can engage in the local housing allocation process, and their employees are sometimes prioritized for housing. This policy has helped increase the supply of affordable rental housing by providing a reliable funding stream from a large tax base.

Key Takeaways for US Policymakers

1. Layer resources to increase the supply of housing by **aligning allowable uses and tenant eligibility** with existing federal, state, and local funding streams.
2. Establish equity planning requirements to **address historical and present disparities in housing stability**, and transparently report how much funding is raised and how it is spent.
3. Protect workers earning low wages from potential unintended consequences of the policy by **exempting the first portion of earnings from the tax,** but limit other exemptions.
4. **Include a diverse range of stakeholders** in the policy development process: employers (of all sizes), unions, local governments, cities, and counties.
5. Evaluate program outcomes and changing housing and economic conditions regularly, **adjusting the program if needed**.

Bottom Line

France's experience shows that an employer payroll tax can provide significant, reliable funding to increase the supply of affordable units. The US already uses payroll taxes, and in the absence of federal legislation, states could implement a tax themselves. Policymakers interested in adapting France's policy should emphasize equity, inclusive design and implementation processes, and aligned efforts to address other drivers of housing unaffordability.

This fact sheet draws from the Urban Institute brief "Funding Affordable Rental Housing through an Employer Payroll Tax," available at https://www.urban.org/research/publication/funding-affordable-rental-housing-through-employer-payroll-tax.

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