

## PUBLIC POLICY PROPOSAL · JUNE 2026

# Employer-Sponsored Down Payment Assistance

The Tax Incentive Structure Needed to Mobilize Private Employers Against the First-Time Homebuyer Crisis

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*This brief makes the case for a federal tax incentive that activates private employers as a delivery mechanism for first-time homebuyer down payment assistance. The federal government has tried for two generations to solve entry-level housing access through direct subsidy and rate policy. Both have run their course. The lever Congress has visited only once, in 2007, before the entry-level market broke, is the American employer. The missing piece is the tax structure that makes employer participation rational at the CFO level.*

## 01 THE PROBLEM

### Entry-Level Homeownership Is No Longer Reachable Through Existing Federal Tools

Working Americans cannot reach homeownership the way they once did. The first-time buyer share of the market has fallen to 21 percent, the lowest level recorded since the National Association of REALTORS® began tracking in 1981, and the median first-time buyer is now 40 years old, an all-time high. The first-time share has contracted by half since 2007. The gap between wages and home prices has broken the path that produced first-time owners for two generations. FHA's share of purchase originations is climbing because conventional financing has priced the entry buyer out, and inside that FHA flow, down payment assistance is now a structural pillar rather than a fringe product.

Federal policy has not closed this gap. The credit expansion of the early 2000s ended in a housing crash that did damage to the entry-level market that has not been repaired, and the monetary policy of the recovery years compounded the affordability problem rather than solving it. Taxpayer-funded DPA programs never scale and fight annually for their survival. The conclusion is not that DPA does not work. The conclusion is that taxpayer-funded DPA cannot scale to the size of the problem. A different funding source is needed.

## 02 WHY A TAX INCENTIVE ACTIVATES THE EMPLOYER

### Private Employers Have the Capital and the Incentive. They Lack the Tax Structure.

Voluntary turnover costs U.S. businesses an estimated one trillion dollars per year. Replacing a worker costs 50 to 200 percent of annual salary depending on role, per SHRM and Gallup estimates. Housing instability, including cost burden, forced moves, and untenable commutes, is a significant and structurally under-addressed driver of that turnover in working-age households. The cost the employer is already paying, in lost workers and lost productivity, is structurally larger than the cost of funding down payment assistance for tenured employees.

Employer-sponsored DPA exists today in small pockets, primarily at large healthcare systems and a handful of mid-market companies that have built it from scratch. It has not spread. The reason is not that the math fails. The reason is that without a tax incentive, the employer decision sits inside the benefits budget, where it competes for share against dental coverage and 401(k) match. A targeted tax credit moves the decision to a different line item and a different conversation.

This is the policy opportunity. The Treasury does not need to fund DPA at the scale the problem requires. It needs to make it rational for private employers to fund DPA themselves. A federal tax credit for employer-funded DPA does three things that no other policy lever does at the same cost:

- **It changes the CFO conversation.** A dollar of DPA that returns a partial tax credit is not competing with a dollar of dental coverage. It is competing with deferred capital expense, which is a calculation employers make differently and more aggressively.
- **It reaches mid-market employers, not just the largest ones.** The first-time homebuyer crisis is concentrated in the working population that mid-market and regional employers employ. Without a tax incentive, only the largest employers can absorb the program cost. With one, it scales to the employer base that actually employs the affected workforce.
- **It signals federal direction** in a way that allows lenders, builders, and benefits administrators to invest in the infrastructure required to support employer-sponsored DPA at scale. Today, that infrastructure is fragmented because the demand signal is fragmented.

### 03 LEGISLATIVE PRECEDENT AND CURRENT CONTEXT

## Congress Saw This Concept Once, Before the Market Broke

This concept has one direct ancestor. The Housing America's Workforce Act, introduced in 2007 by Senator Clinton, Representative Velázquez, and Representative Ramstad, proposed a bipartisan employer tax credit equal to 50 percent of the cost of housing assistance provided to low- and moderate-income employees, including down payment subsidies. It did not advance. It was introduced before the first-time buyer collapse it anticipated, and it lacked the design element that makes the employer math work: conditioning the credit on a verified retention outcome. The framework below revives the concept the 110th Congress saw early, rebuilt for the market that now exists and structured so the credit pays only for the outcome, a tenured employee at a closing table, rather than for the promise of one.

The concept is also re-entering the institutional conversation. A March 2026 Congressional Research Service report on workforce and middle-income housing (R48886) identifies employer-assisted housing incentives as an option Congress could consider alongside existing supply-side tools. The analysis exists. What is missing is a bill.

One clarification to prevent confusion: this proposal is distinct from the Workforce Housing Tax Credit Act, sponsored by Senators Wyden and Sullivan and Representatives Panetta and Carey, a supply-side credit modeled on LIHTC that finances construction of middle-income rental housing through state allocation. That bill builds rental units. This proposal converts tenured workers into entry-level owners. The two are complementary, since sustained, forecastable first-time buyer demand is precisely what gives supply-side incentives a market to build into, and nothing in this framework competes with or displaces it.

#### 04 CORE DESIGN PRINCIPLES

### What the Credit Should Look Like

A workable employer-funded DPA tax credit should include the following elements:

- **Tenure-conditioned, triggered at closing.** The credit is earned only when the DPA contribution is actually paid at the employee's closing, after a minimum tenure period. The closing is a hard, third-party-documented event. This aligns the credit with a verified retention outcome and eliminates the windfall problem: because employer-funded DPA barely exists today, virtually every credited dollar represents new behavior, not a subsidy for programs employers already run.
- **First-time homebuyer restricted, on the existing IRS standard.** The DPA contribution must support a first-time purchase as already defined in the tax code and FHA practice: no ownership of a principal residence in the prior three years. This existing mechanic already reaches Americans rebuilding after divorce, foreclosure, medical bankruptcy, or the loss of a spouse, populations that are functionally first-time buyers. Whether a longer rebuild window is warranted is a question for committee consideration; the base framework uses the standard definition to keep scoring and administration on known ground.
- **Capped per employee and per employer.** A per-employee dollar cap and a per-employer annual aggregate cap control fiscal exposure and target the credit toward working-class and middle-income households. The credit operates as a general business credit claimed on the employer's return, with no allocation agency, no application queue, and no new administrative apparatus.
- **Usable by every employer type.** The credit should flow through to owners of pass-through businesses under the general business credit rules, and tax-exempt employers, including the hospital systems that pioneered employer-assisted housing, should access an equivalent benefit as an offset against employer payroll taxes, following the precedent WOTC established for tax-exempt employers hiring veterans.

- **No double benefit.** Consistent with the treatment of WOTC wages, DPA dollars generating the credit would not also be deductible as compensation expense. The credit replaces the deduction; it does not stack on top of it.
- **Non-taxable to the employee.** The DPA contribution should be excluded from the employee's income and from employment tax wages, following the established model of Section 127 educational assistance. Treating the contribution as taxable would undermine the program by shrinking the net benefit at the point of closing, the exact moment it must be whole.
- **Non-displacing and stackable.** The employer credit should sit alongside, not in place of, existing federal and state DPA. Stacking should be permitted to extend reach further down the income scale.
- **Reportable, with a light touch.** Employers claiming the credit should report basic, anonymized data on enrollments and closings, giving Congress visibility to evaluate and adjust the program. Certification should be designed deliberately lighter than WOTC's pre-screening process, which is that program's most criticized feature. The closing documentation itself does most of the verification work.

## 05 ANTICIPATED OBJECTIONS

### Three Critiques This Framework Is Built to Survive

**"Demand subsidies just raise prices."** In a supply-constrained market, a broad, immediate demand stimulus capitalizes into prices. This credit is neither broad nor immediate. Tenure conditioning meters the demand flow over 18-to-24-month employment horizons, making it slow, forecastable, and concentrated in the entry-level price band where inducing a builder supply response is the explicit objective. Sustained, visible demand at the starter-home price point is the signal builders have lacked for fifteen years. This framework is designed to pass alongside supply-side measures, not instead of them.

**"This ties housing to a job."** The tenure condition governs the employer's tax credit, not the employee's ownership. Once the closing funds, the home belongs to the employee outright. There is no clawback against the worker, no lien, and no employment string attached to the deed. An employee who separates before the tenure period simply has not yet received a benefit; a worker who receives it owns their home as freely as any other buyer. Committee drafting should address involuntary separation explicitly so that the tenure clock cannot be gamed against workers approaching eligibility.

**"WOTC pays employers for hires they would have made anyway."** The windfall critique of WOTC is real and well documented, and it does not transfer. WOTC credits a hiring event that frequently would have occurred without it. This credit funds a behavior that almost no employer engages in today. When the baseline is near zero, additionality is near total. The structural borrowing from WOTC is procedural, meaning a known scoring model at the Joint Committee on Taxation and decades of bipartisan reauthorization practice, not a claim that the two credits face the same incentive problems.

## 06 THE STAKES AND THE PATH FORWARD

### Rebuilding the Entry-Level Market From the Workplace Outward

Scaled across the working population, an employer-funded DPA tax credit rebuilds the entry-level homeownership market from the workplace outward. Working Americans become first-time buyers. First-time buyers become owners of starter homes in the sub-\$300,000 segment, the most underbuilt price band in the country. Sustained, forecastable demand at that price point gives builders the signal they need to deploy capital into entry-level inventory the market has been unable to justify building for fifteen years.

Without correction, the consequences over the next ten to fifteen years are severe. The entire housing market pyramid rests on the foundation of first-time buyer formation. As that foundation erodes, the move-up buyer seven years out never forms, the trade-up market that follows never forms, and the financial exposure carried by communities and by the broader economy compounds at every level above it. Family formation slows alongside it. Household formation, marriage rates, and birth rates have historically tracked the accessibility of entry-level homeownership, and there is no reason to expect the relationship to break in our favor over the next decade. The cost of waiting is not a flat cost. It accelerates.

Moving this policy from concept to statute requires three things:

- **A legislative sponsor.** Members on the tax-writing committees, House Ways and Means and Senate Finance, are the natural home for a credit structured on the WOTC framework, and the 2007 Housing America's Workforce Act provides bipartisan sponsorship precedent and a drafting head start.
- **A Joint Committee on Taxation score.** A representative version of the credit, sized to reach mid-market employers in the working-class and middle-income employment bands, should be scored so the fiscal conversation can proceed on real numbers rather than assumptions.
- **A coalition.** Lenders, builders, benefits administrators, housing trade organizations, and employers themselves all carry a piece of the cost of suppressed first-time buyer formation. Each has standing to ask Congress for this structure, and the policy moves faster the more of them ask.

The federal government has been unable to solve the first-time homebuyer crisis through direct subsidy or through monetary policy. Private employers carry the cost of the same problem on the other side of the ledger. A targeted tax credit bridges the two. It costs the Treasury less than the equivalent volume of direct subsidy, scales through private decision-making rather than agency capacity, and produces a measurable retention outcome alongside the housing outcome. Congress saw this lever once, in 2007, before the entry-level market broke. The market it anticipated is now here.

## SOURCES

National Association of REALTORS®, 2025 Profile of Home Buyers and Sellers (Nov. 2025): first-time buyer share 21%, lowest since tracking began in 1981; median first-time buyer age 40; first-time share down 50% since 2007.

Gallup; Society for Human Resource Management: voluntary turnover cost to U.S. businesses estimated at \$1 trillion annually; replacement cost 50 to 200 percent of annual salary by role.

Housing America's Workforce Act, 110th Congress (2007), Clinton, Velázquez, and Ramstad: 50% employer credit for housing assistance to low- and moderate-income employees, including down payment assistance.

Congressional Research Service, R48886, Workforce or Middle-Income Housing: Analysis and Policy Considerations (Mar. 2026).

Workforce Housing Tax Credit Act (Wyden, Sullivan, Panetta, Carey): supply-side middle-income rental credit, referenced for disambiguation.

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