HB 2006 Home Mortgage Interest & Housing

House Committee on Human Services and Housing – Jody Wiser – 3.9.2017

It has long been public policy in this country to encourage home ownership by subsidizing the cost through tax deductions from both Federal and State taxes.

In Oregon, if taxpayers itemize their deductions, they can deduct both their **mortgage interest** and **property taxes**. In addition, when they sell their home, up to $250k/$500k of **capital gains** are exempt from taxes. **These three subsidies of home ownership and asset accumulation will cost the public approximately$1.7 billion in the coming biennium,[1] far more than our meager investment in low income housing.**

HB 2006 continues our policy of supporting home ownership. But it creates some limits, making one of the three subsidies less generous, and transfers those savings to the Oregon Housing Fund for support of low income housing, the kinds of worth programs you've heard about today.

We see this bill as a way to pay for needed changes, turning more resources to the homeless and beginning homeowners, by removing some of the subsidy for those who already have a home, or two.

- **It places an income cap on the mortgage interest deduction,** so that it is available to those with modest incomes, under $100,000 for an individual or $200,000 for a couple. This change could make homeownership more expensive for our better off citizens, by under $1000 a year, for the average homeowner, but by up to $3600 for homes with loans of $1 million or more.

- **It puts a cap of $15,000 on the interest any homeowner can deduct. Homeowners will still get a taxpayer subsidy of as much as $1,050 to $1,350** (depending on whether they pay taxes at the 7% or 9% tax rate). Homeowners just won't get more than that. $15,000 in interest would typically cover a mortgage balance of $350,000.

  Currently the cap is much more generous to those with big mortgages. If you're wealthy enough to be buying it, we provide mortgage interest subsidies for interest on up to one million of mortgage value. A public subsidy that can reach as high as $3600 a year.

- **It would subsidize only one home—not a second or vacation home**. If their income is less than $200,000 for a couple or $100,000 for an individual, this change could increase the cost of owning a second home by probably $200 to $2,500 a year.

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[1] Mortgage Interest Deduction	962,400,000
Property Tax Deduction	424,900,000
Capital Gains on first $250/500k	336,100,000
	1,723,400,000

The need for funding for low income housing is urgent today. This bill offers a fair and sensible way to help to meet it, reducing subsidies for current homeowners only marginally, while bring new revenue to address housing needs for those who aren't homeowners.

This bill does not change our property tax deduction or the capital gains exemption for homeowner, and it in only reduces the mortgage interest deduction for some**. Subsidies for home owners are not going away.** LRO hasn't scored this yet, but we have reason to think it might result in reducing the benefits by \$100-\$200 m out of the \$1.7 b in homeownership subsidies.

Nor does it affect the benefits that owners of rental property get in deducting not only the interest and property taxes they pay, but also maintenance, improvements, mileage and all expenses related to the property. When they sell one property and purchase another, they also can avoid paying capital gains tax by buying other like-kind property within 180 days, rolling the capital gains into the new property. In addition, they depreciate the property. Thus rental ownership and/or rent price subsidies remain ample.

We urge your support of HB 2006