OREGON ASSOCIATION OF REALTORS®

March 11, 2019

House Human Services and Housing Committee, Members
900 Court St. S
Salem, OR 97301

RE: HB 3349

Committee Members:

Thank you for the opportunity to express the Oregon Association of REALTORS® opposition to HB 3349.

Since its inception, over a century ago, the U.S. income tax system has recognized the positive effects of homeownership for families and communities by incentivizing home buyers with tax benefits. The societal benefits of homeownership are well documented.

Reducing or eliminating the ability of Oregonians to deduct the interest for their homes is simply a bad idea at the worst possible time. In many communities across the state, the median home price is in excess of $400,000. The income levels necessary to purchase a home in Oregon have exponentially increased over the last couple of decades as well.

While we appreciate the proposed funding priorities listed in the bill, we all know funding priorities listed in policy bills have little to no impact on the Ways and Means process, particularly in future sessions.

The Oregon Association of REALTORS® is not averse to supporting legislation designed to improve our communities through additional tax revenue. As you know, we have actively worked with Chairwoman Kenny-Geyer on multiple bills since 2015, including but not limited to:

- A 60 million increase in affordable housing programs though an increase in the document recording fee;
- Local options to implement construction excise taxes dedicated to affordable housing;
- First Time Homebuyers Savings Accounts; and
- Expansion of the Earned Income Tax Credit this legislative session.

Over 565,000 Oregonians utilized the mortgage interest deduction in the last taxable year, and more than 70% of homeowners will utilize the mortgage interest deduction at some point in the ownership of their home. This bill unfairly targets Oregonian homeowners with artificial income limitations when they have relied on the availability of a critical tax incentive over a century old in calculating their monthly expenses.

Changing the rules on Oregonians' home payments will have long lasting impacts. Based on 2016 research the average savings though the Mortgage Interest Deduction is $8,350. While affordability is relative to income, a sudden $700 monthly payment increase to mortgage payments will be damaging to many. Furthermore, eliminating the mortgage interest deduction will disincentive current homeowners from moving up to more expensive housing and opening existing housing stock to Oregonians with lower incomes.

HB 3349 will have ripple effects on the overall housing market, drastically impacting filtering (filtering: new home starts filter down toward a lower price tier as they age). Please oppose HB 3349.

The Oregon Association of REALTORS® also objects to the elimination of the second home provision in the bill. Based on 2017 estimates in the Senate Revenue Committee, only five percent of those who utilize the deduction do so though the ownership of a second home. And, of that five percent, somewhere between 25% and 50% of are transitional purchasers – those often moving due to employment opportunities or changing family dynamics.

Respectfully,

Shawn Cleave
Oregon Association of REALTORS®
Government Affairs Director

As one of Oregon's largest trade associations, with over 17,000 members, The Oregon Association of REALTORS® is committed to strengthening our economy, protecting private property rights, and preserving the dream of homeownership for all Oregonians.