

HB 3349 - Limiting Mortgage Interest Deduction & Directing Resulting Revenue

Description of Existing Mortgage Interest Deduction (MID)

- Federal itemized deduction codified in federal tax statutes and applicable to Oregon through Oregon's connection to federal taxable income
- Mortgage interest paid on loan to secure your home (main home or second home)
 - Limits
 - Debt originating prior to 12/15/2017 and after 12/31/2025
 - Deductible mortgage debt limited to \$1 million
 - Home equity loan limited to \$100,000 but may not exceed (fair market value - mortgage amount)
 - Debt originating 12/15/2017 - 12/31/2025 (Tax Cuts and Jobs Act Changes)
 - Deductible mortgage debt limited to \$750,000
 - Home equity loan must now be used to buy, build, or substantially improve taxpayer's home
 - Main and second home
 - Main home: Only one main home at any one time. Where taxpayer ordinarily lives most of time.
 - Second home: Home taxpayer chooses to treat as second home. May be rented out part of year but must be used as second home minimum 14 days in year. Rental property mortgage interest can be claimed as business expenses.
- Business property not affected by MID limitations in HB 3349

HB 3349 - Changes to MID (Effective Tax Year 2019 and after)

- Disallows MID for taxpayers with AGI > 250,000
- Linearly phases-out MID for taxpayers with 200,000 < AGI ≤ 250,000
- Disallows MID for taxpayer's second home
 - Allows MID for second home if was principal residence, was sold or actively marketed for sale, applicable for tax year and 3 months prior to start of tax year (E.G. Oct. 2019 - Dec. 2020)

Directing of Resulting Revenue (Begins 12/31/2020)

- Beginning 12/31/2020, and subsequently on or before 12/31, Department of Revenue (DOR) required to estimate increase in personal income tax revenue attributable to MID limitations
- Estimated increase then directed to:
 - Promote affordable home ownership
 - Prevent homelessness