



HOUSE OF REPRESENTATIVES
900 COURT ST NE
SALEM, OR 97301

April 15 (Tax Day!), 2019

Chair Nathanson, Vice Chairs Findley and Marsh, Representatives Hernandez, Smith and Smith Warner,

Thank you for the opportunity to testify in support of HB 3349A, and, as chair of the House Committee on Human Services and Housing, to set the context for this bill.

Oregon has a severe housing crisis, resulting in such statistics as being 1st or 2nd in child homelessness (depending on which study) and 5th lowest homeownership rate in the US, where we've slipped from 69% in 2004 to 61% in 2018.

There are multiple factors for this, including a lack of adequate ongoing funding for affordable housing. We are one of just a few states, for instance, that bans the Real Estate Transfer Tax, a source many states use to fund affordable housing.

While we have gradually been increasing our investments over the past two biennia, most of these investments were one-time funding, and little has gone towards home ownership.

Homeownership:

In 2017, the House Human Services and Housing Committee passed several homeownership bills with bipartisan sponsorship and unanimous support.

HB 5012: Foreclosure Prevention – continued from previous two biennia. *\$3.29 million*

HB 3192: Down Payment Assistance – to low-income households. *\$5 million*

HB 2570: Homeownership Grants – to nonprofits for revolving loan funds and homeownership assistance to low-income households, including manufactured homes. *\$25 million*

HB 2961: Homeownership Repair/Rehab Grants – to nonprofits to repair and rehabilitate low income residences. *\$10 million*

The Foreclosure Program was reduced from the previous biennia, and the other three bills were not funded due to lack of resources. Out of the roughly \$45 million requested, just over \$1 million was allocated.

We made progress in 2018 in partnership with the Oregon Realtors Association and many housing groups when we passed HB 4007, which launched a means-tested First Time Home Buyers Tax Deferral Program, and tripled the Document Recording Fee. The Doc Fee increase is bringing roughly \$60 million more per biennium, of which about \$8 million goes to OHSC home ownership programs.

But this is a drop in the bucket compared to the need.



This brings us to the 2019 session:

While have been providing one-time emergency funding for Emergency Housing Assistance (EHA) and State Homeless Assistance Program (SHAP) over the last two biennia, the Governor has proposed raising the CSL from \$10 million to \$45 million to provide adequacy and stability to this fund. She has several other initiatives that require new funding, including for permanent supportive housing, workforce housing in rural areas, technical assistance for tenants and landlords, and \$20 million for homeless children.

Legislators are also working hard to address the affordable housing crisis. We passed several bills on to Ways and Means, such as Rep. Marsh's bills:

HB 2894: Energy efficient loans for manufactured homes. *\$2 million*

HB 2895: Grants to decommission old manufactured homes. *\$.5 million*

HB 2896: Loans for manufactured park preservation. *\$3 million*

HB 2802: Homeownership Repair, Rehabilitation and Weatherization. *\$15 million*

Other housing bills have gone from my committee to your Revenue Committee, such as tax credits for manufactured home parks and the property tax deferral for seniors and people with disabilities.

Some housing bills have gone directly to your committee, such as the Capital Gains Tax Exemption for properties sold to housing authorities or nonprofit CDCs for the purpose of affordable housing, and a tax credit to help homeowners convert large homes into duplex, triplex and quadraplexes.

But there is little General Fund for any new housing bills. A common theme for this session is that *new initiatives must have a funding source.*

Mortgage Interest Deduction (MID): \$1 billion per biennium

Here's where the MID comes into play. While we put \$10 million Continuing Service Level (CSL) into EHA/SHAP and we scramble for tens of millions of dollars for various housing programs, we devote \$1 billion/biennium to the *state's largest housing subsidy*, most of which goes to upper income Oregonians; 60% - \$600 million - goes to the top 20% income bracket (\$91,000 and above).

In 2017, we proposed HB 2006 to reform the MID to pare back or eliminate the MID for roughly the top 10%, resulting in a favorable editorial from the Oregonian (see appendix with links).

HB 3349 is an even more modest proposal. It will eliminate vacation homes, means test the MID by gradually phasing it out between \$200-\$250K AGI per household (individual or joint filer), and redirect those funds to a new **Oregon Housing Opportunity Fund** at OHSC for programs that build affordable home ownership and prevent homelessness.

Note that while the MID will be eliminated for vacation homes, it will still be allowed under business expenses if the second home is used for short or long-term rentals, so this will not impede the rental market. (In fact it may convince owners of second homes, if they feel any pinch, to start sharing their vacation home as a rental!)

While our Human Services and Housing Committee passed the bill 5-3, our committee unanimously passed three amendments:

- to change the date of when DOR estimates the revenue savings, as suggested by Deanna Mack from Oregon Department of Revenue;
- to allow home owners under the income threshold to receive the MID on a second home when they are trying to sell their previous one;
- to change where the funding would go.

While the original HB 3349 directed funds to current Oregon Housing and Community Services (OHCS) programs, the amended bill includes new programs that have surfaced over and over again in the Legislature, only to fail due to lack of funding:

1. Affordable homeownership to fund programs that may include but not be limited to:
 - o revolving loan fund to build new affordable homeownership option;
 - o down payment assistance;
 - o land acquisition fund to help nonprofits and housing authorities acquire land for future development of affordable homeownership;
 - o critical health and safety home repairs, weatherization, and seismic upgrades for existing homeowners with low and moderate incomes, particularly for veterans, people with disabilities or seniors aging in place, living in site built and manufactured homes;
 - o grants or loans to replace aging and unhealthy manufactured homes and manufactured home park infrastructure;
 - o loans to low and moderate-income homeowners to build accessible dwelling units (ADU's) for affordable long-term rentals in communities with rental vacancy under 3 percent;
 - o foreclosure counseling for families facing foreclosure;
 - o capacity building, technical assistance, and training, particularly to address needs in rural communities and racial disparities in homeownership.
2. Homeless prevention to fund programs that may include but not be limited to:
 - o long term rental assistance vouchers, including some level of case management;
 - o long term services or supports for permanent supportive housing for families;
 - o mobile housing team pilot programs;
 - o Single Room Occupancy (SRO) housing and services for youth aging out of the foster care system;
 - o help families seeking safety from violence with rent assistance, case management, and flexible funds;
 - o support families to achieve family reunification after involvement of child welfare, including short term rental assistance and case management.

Colleagues, please see the attached:

-- **web links** to show the array of left, right and libertarian leaning groups who all question the effectiveness, fairness and cost of the MID, particularly where it subsidizes the highest income Oregonians.

-- **The 2016 Tax Year number and percent of households** below \$200K AGI, between \$200-250K AGI, and above \$250K AGI in Oregon, as well as county by county. Note that only 2.6% of Oregon households make more than \$250K AGI and will lose the benefit; approximately 96% of Oregonian households make less than \$200K and thus won't be negatively affected by this bill unless they own a vacation home.

In fact, many Oregonians in the bottom 80% income level will be positively impacted from this bill: current low and moderate income home owners will be able to protect their home from foreclosure, make needed repairs and/or build an ADU. Prospective home owners may finally get a chance to purchase a home in our expensive market. Families on the verge of homelessness and foster youth aging out of the system will find the stability they so badly need to thrive.

I urge your support of HB 3349.



Alissa Keny-Guyer

Links to Mortgage Interest Deduction (MID) reform

From Rep. Alissa Keny-Guyer, Chair, House Committee on Human Services and Housing

1) About HB 3349 in 2019, the MID reform bill that would redirect \$160 million/biennium from the wealthiest home owners to lower income Oregonians:

<https://www.ocpp.org/2019/03/05/homeownership-and-housing-opportunity-bill/>

<https://news.streetroots.org/2019/03/08/sr-editorial-time-oregon-quit-subsidizing-second-homes>

<https://housingoregon.org/%EF%BB%BFhb-3349-the-homeownership-and-housing-opportunity-bill-gets-public-hearing/>

2) About HB 2006 in 2017, the MID reform bill that would have redirected \$300 million/biennium from the wealthiest home owners to lower income Oregonians::

https://www.oregonlive.com/opinion/2017/03/oregons_massive_housing_subsid.html

<https://news.streetroots.org/2017/01/12/housing-advocates-seek-cap-oregons-mortgage-interest-deduction>

3) National articles about the ineffectiveness and regressivity of the MID:

<https://www.theatlantic.com/business/archive/2017/05/shame-mortgage-interest-deduction/526635/>

<https://www.usnews.com/opinion/articles/2016-05-26/the-mortgage-interest-deduction-is-bad-for-schools-and-education>

<https://www.brookings.edu/blog/up-front/2017/11/06/its-time-to-gut-the-mortgage-interest-deduction/>

<https://www.stlouisfed.org/open-vault/2018/may/why-economists-dont-like-mortgage-interest-deduction>

<https://nlihc.org/resource/minority-households-do-not-receive-fair-share-mortgage-interest-deduction>

<https://www.housingwire.com/articles/41478-does-the-mortgage-interest-deduction-help-or-hurt-homeownership>

<https://www.newyorker.com/magazine/2015/01/12/mortgage-mistake>

<https://web.archive.org/web/20180831150334/https://www.nar.realtor/sites/default/files/documents/2018-home-buyers-and-sellers-generational-trends-03-14-2018.pdf> Exhibit 1-12 has a list of why people purchase homes, with tax benefits as only 14th out of 16 reasons why.

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Totals for All Filers						
AGI Category	Single		Joint		All Filers	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	997,696	99.1%	964,128	93.3%	1,961,824	96.1%
\$200K - \$250K	3,279	0.3%	25,719	2.5%	28,998	1.4%
\$250K+	5,910	0.6%	44,006	4.3%	49,916	2.4%
Total	1,006,885		1,033,853		2,040,738	

Baker						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	6,472	98.5%
\$200K - \$250K	NA	#VALUE!	NA	#VALUE!	50	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	50	0.8%
Total	2,920		3,652		6,572	

Benton						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	19,853	99.3%	15,722	90.3%	35,575	95.1%
\$200K - \$250K	58	0.3%	662	3.8%	720	1.9%
\$250K+	87	0.4%	1,026	5.9%	1,113	3.0%
Total	19,998		17,410		37,408	

Clackamas						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	87,627	98.8%	87,533	88.6%	175,160	93.4%
\$200K - \$250K	347	0.4%	3,923	4.0%	4,270	2.3%
\$250K+	737	0.8%	7,339	7.4%	8,076	4.3%
Total	88,711		98,795		187,506	

Clatsop						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	8,471	99.3%	8,096	95.8%	16,567	97.5%
\$200K - \$250K	22	0.3%	147	1.7%	169	1.0%
\$250K+	42	0.5%	211	2.5%	253	1.5%
Total	8,535		8,454		16,989	

Columbia						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	9,624	99.5%	11,898	96.4%	21,522	97.7%
\$200K - \$250K	16	0.2%	226	1.8%	242	1.1%
\$250K+	33	0.3%	223	1.8%	256	1.2%
Total	9,673		12,347		22,020	

Coos						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	11,758	99.4%	13,067	96.8%	24,825	98.0%
\$200K - \$250K	21	0.2%	145	1.1%	166	0.7%
\$250K+	53	0.4%	287	2.1%	340	1.3%
Total	11,832		13,499		25,331	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Crook						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,445	98.0%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	80	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	116	1.2%
Total	3,994		5,647		9,641	

Curry						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	4,517	99.4%	4,915	97.0%	9,432	98.1%
\$200K-\$250K	17	0.4%	60	1.2%	77	0.8%
\$250K+	12	0.3%	91	1.8%	103	1.1%
Total	4,546		5,066		9,612	

Deschutes						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	40,137	98.9%	41,228	92.3%	81,365	95.4%
\$200K-\$250K	136	0.3%	1,196	2.7%	1,332	1.6%
\$250K+	309	0.8%	2,254	5.0%	2,563	3.0%
Total	40,582		44,678		85,260	

Douglas						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	18,700	99.5%	23,541	97.3%	42,241	98.3%
\$200K-\$250K	35	0.2%	241	1.0%	276	0.6%
\$250K+	55	0.3%	416	1.7%	471	1.1%
Total	18,790		24,198		42,988	

Gilliam						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	335		434		769	

Grant						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	2,844	98.8%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	17	0.6%
\$250K+	NA	#VALUE!	NA	#VALUE!	18	0.6%
Total	1,266		1,613		2,879	

Harney						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	1,232		1,655		2,887	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Hood River						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	5,057	98.7%	5,629	93.1%	10,686	95.7%
\$200K-\$250K	20	0.4%	162	2.7%	182	1.6%
\$250K+	47	0.9%	255	4.2%	302	2.7%
Total	5,124		6,046		11,170	

Jackson						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	45,053	99.2%	46,398	95.2%	91,451	97.1%
\$200K-\$250K	134	0.3%	809	1.7%	943	1.0%
\$250K+	231	0.5%	1,523	3.1%	1,754	1.9%
Total	45,418		48,730		94,148	

Jefferson						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,029	98.6%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	41	0.4%
\$250K+	NA	#VALUE!	NA	#VALUE!	83	0.9%
Total	3,803		5,350		9,153	

Josephine						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	15,711	99.4%	18,044	97.0%	33,755	98.1%
\$200K-\$250K	31	0.2%	206	1.1%	237	0.7%
\$250K+	62	0.4%	359	1.9%	421	1.2%
Total	15,804		18,609		34,413	

Klamath						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	11,676	99.5%	14,106	97.4%	25,782	98.4%
\$200K-\$250K	20	0.2%	135	0.9%	155	0.6%
\$250K+	36	0.3%	241	1.7%	277	1.1%
Total	11,732		14,482		26,214	

Lake						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	2,914	98.2%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	21	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	32	1.1%
Total	1,267		1,700		2,967	

Lane						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	81,207	99.3%	72,249	94.5%	153,456	97.0%
\$200K-\$250K	217	0.3%	1,512	2.0%	1,729	1.1%
\$250K+	387	0.5%	2,697	3.5%	3,084	1.9%
Total	81,811		76,458		158,269	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Lincoln						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	9,750	99.3%	10,331	96.4%	20,081	97.8%
\$200K-\$250K	24	0.2%	157	1.5%	181	0.9%
\$250K+	44	0.4%	226	2.1%	270	1.3%
Total	9,818		10,714		20,532	

Linn						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	23,690	99.6%	27,705	97.4%	51,395	98.4%
\$200K-\$250K	32	0.1%	304	1.1%	336	0.6%
\$250K+	52	0.2%	429	1.5%	481	0.9%
Total	23,774		28,438		52,212	

Malheur						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,862	98.7%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	57	0.6%
\$250K+	NA	#VALUE!	NA	#VALUE!	68	0.7%
Total	4,150		5,837		9,987	

Marion						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	63,745	99.5%	72,827	96.2%	136,572	97.7%
\$200K-\$250K	133	0.2%	1,152	1.5%	1,285	0.9%
\$250K+	213	0.3%	1,716	2.3%	1,929	1.4%
Total	64,091		75,695		139,786	

Morrow						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	4,236	98.6%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	28	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	31	0.7%
Total	1,635		2,660		4,295	

Multnomah						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	216,222	98.7%	135,943	89.3%	352,165	94.9%
\$200K-\$250K	1,008	0.5%	5,586	3.7%	6,594	1.8%
\$250K+	1,802	0.8%	10,655	7.0%	12,457	3.4%
Total	219,032		152,184		371,216	

Polk						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	14,938	99.5%	18,167	95.7%	33,105	97.4%
\$200K-\$250K	29	0.2%	347	1.8%	376	1.1%
\$250K+	39	0.3%	471	2.5%	510	1.5%
Total	15,006		18,985		33,991	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Sherman						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	742	96.6%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	10	1.3%
\$250K+	NA	#VALUE!	NA	#VALUE!	16	2.1%
Total	341		427		768	

Tillamook						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	5,417	99.3%	5,863	96.4%	11,280	97.7%
\$200K-\$250K	11	0.2%	82	1.3%	93	0.8%
\$250K+	29	0.5%	139	2.3%	168	1.5%
Total	5,457		6,084		11,541	

Umatilla						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	12,926	99.7%	16,435	97.4%	29,361	98.4%
\$200K-\$250K	21	0.2%	185	1.1%	206	0.7%
\$250K+	24	0.2%	253	1.5%	277	0.9%
Total	12,971		16,873		29,844	

Union						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	4,974	99.6%	5,700	97.1%	10,674	98.2%
\$200K-\$250K	12	0.2%	63	1.1%	75	0.7%
\$250K+	10	0.2%	109	1.9%	119	1.1%
Total	4,996		5,872		10,868	

Wallowa						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	3,218	98.3%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	27	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	29	0.9%
Total	1,454		1,820		3,274	

Wasco						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	10,817	98.0%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	77	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	149	1.3%
Total	5,129		5,914		11,043	

Washington						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	126,802	99.0%	118,152	88.4%	244,954	93.6%
\$200K-\$250K	557	0.4%	6,347	4.8%	6,904	2.6%
\$250K+	757	0.6%	9,101	6.8%	9,858	3.8%
Total	128,116		133,600		261,716	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Wheeler						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	215		298		513	

Yamhill						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	19,169	99.2%	22,981	94.8%	42,150	96.7%
\$200K-\$250K	66	0.3%	525	2.2%	591	1.4%
\$250K+	89	0.5%	747	3.1%	836	1.9%
Total	19,324		24,253		43,577	

Total for All Tax Returns Identifying an Oregon County in Address on Return						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	857,024	96.0%	796,530	88.7%	1,713,133	95.6%
\$200K-\$250K	2,967	0.3%	24,172	2.7%	27,547	1.5%
\$250K+	5,150	0.6%	40,768	4.5%	46,510	2.6%
Total	892,882		898,477		1,791,359	

Note: Figures in Total for All Counties table are less than overall totals. This is because total for all counties represents returns identifying an Oregon county in the address and does not include returns with addresses outside an Oregon county.

Source: Oregon Department of Revenue