

SB 852 STAFF MEASURE SUMMARY

Senate Committee On Housing and Development

Action Date: 04/08/21

Action: Do pass and refer to Finance and Revenue by prior reference.

Vote: 3-2-0-0

Yeas: 3 - Golden, Jama, Patterson

Nays: 2 - Anderson, Linthicum

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 4/1, 4/8

WHAT THE MEASURE DOES:

Prohibits deduction of mortgage interest from personal income tax liability for residences other than principal residences, with certain exceptions. Limits or prohibits deduction of mortgage interest for principal residences based on federal adjusted gross income. Applies to tax years beginning on or after January 1, 2022. Creates Oregon Housing Opportunity Account for Oregon Housing and Community Services (OHCS) to support affordable homeownership and prevent homelessness. Funds account with revenue attributable to limits on mortgage interest deduction. Takes effect on 91st day following adjournment sine die.

ISSUES DISCUSSED:

- Interaction with federal mortgage interest deduction
- Impact on nonprimary residences that are rented
- Distribution of mortgage interest deduction value by income

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

Oregon allows homeowner-occupants to deduct mortgage interest on their residence from their personal taxable income if they choose to itemize. The mortgage interest deduction is estimated to cost more than \$1.1 billion for the 2021-2023 biennium, according to the Department of Revenue (DOR). In 2018, personal income tax filers earning more than \$100,000 claimed 59 percent of the deduction benefit.

Senate Bill 852 prohibits the deduction of mortgage interest from a taxpayer's personal state income tax liability for residences other than the taxpayer's principal residence, with certain exceptions. In addition, the measure limits the deduction of mortgage interest for principal residences based on federal adjusted gross income. For taxpayers who earned between \$200,000 and \$250,000, the allowable deduction will be phased out as income increases. For taxpayers who earned \$250,000 or more, claiming the deduction is prohibited. Changes apply to tax years beginning on or after January 1, 2022. The measure also directs DOR to estimate the amount of revenue gained from limitations on the deduction, and transfer the estimated amount into the Oregon Housing Opportunity Account within the Oregon Housing Fund, for Oregon Housing and Community Services (OHCS) to provide loans, grants, and other housing support, particularly for racial groups with low rates of homeownership and other groups experiencing housing barriers and instability.