



March 10, 2021

RE: Support of Reforming Mortgage Interest Deduction to Invest in Housing Opportunity

Chair Fahey and members of the Committee:

The Welcome Home Coalition represents more than 65 organizations throughout the tri-county Portland region, dedicated to finding solutions to our region's housing crisis. I am writing to urge your support of HB 2578, which would make much needed reforms to Oregon's Mortgage Interest Deduction (MID) in order to better invest those dollars to meet the housing needs of Oregonians struggling to get by.

The Oregon MID is the state's largest housing subsidy. The Department of Revenue estimates the MID will cost taxpayers more than \$1 billion in the upcoming biennium while disproportionately subsidizing the mortgages of well-off Oregonians.¹ Roughly 60 percent of the tax savings from this subsidy benefit the top 20 percent of Oregonians. Reforming this tax subsidy is long overdue. At a time when our state is facing a pronounced and worsening housing crisis, it makes little sense to subsidize the debt of the well-off when so many are struggling to afford a place to call home at all.

As a policy, the MID does little to meet its stated goal of increasing home ownership. In fact, some studies estimate eliminating the deduction would *increase* homeownership overall.² Moreover, a disproportionate share of the existing benefits flow to White, urban households, worsening Oregon's racial wealth gap, and its urban-rural divide.

HB 2578 makes targeted reforms to maintain the MID for middle-income families who stand to truly benefit from it, while freeing up critical resources to better invest in confronting the state's housing crisis. This is a sensible, and fiscally responsible reform that will better enable Oregon to meet the housing needs of our neighbors struggling to get by. We urge your support for this bill.

Sincerely,

A handwritten signature in black ink that reads "Tyler Mac Innis". The signature is written in a cursive, flowing style.

Tyler Mac Innis, Director

¹ Oregon Department of Revenue, *2021-23 Tax Expenditure Report*, State of Oregon, p. 80, available at <https://www.oregon.gov/dor/programs/gov-research/Documents/TE2123-Final.pdf>.

² Sommer, Kamila and Sullivan, Paul, "Implications of US Tax Policy for House Prices, Rents, and Homeownership," *American Economic Review*, Vol. 108, No. 2, February 2018, available at: <https://www.aeaweb.org/articles?id=10.1257/aer.20141751>.