



Date: April 1, 2021
To: Senate Committee on Housing, Chair Jama and Members
From: Laurie Wimmer, OEA Government Relations
RE: *SB 852 [Mortgage Interest Deduction Reform]*

On behalf of OEA's 41,000 members, it is my honor to submit testimony in support of SB 852, which would modify the mortgage interest deduction (MID) in a way that honors its original intent and provide resources so urgently needed because of Oregon's housing crisis.

Under SB 852, middle-class homeowners would not see a change to this benefit. The bill phases out and then caps the deduction for only the wealthiest 5 percent of Oregon property holders with mortgages, and it would reroute the \$160-\$180 million saved from this \$1 billion tax program to worthy programs serving Oregonians' housing needs.

The purpose of the mortgage interest deduction is to encourage middle-class home ownership. When it was first created in 1913, it was part of federal legislation that excluded all interest from taxation – a clear tax break for rich Americans, because lending to the working class was unheard of at the time. It wasn't until federally insured home mortgages came into being in the 1930s that homeownership via mortgages became available more broadly and the tax break was seen as benefiting the middle and working classes. Oregon benefits more than many other states from the MID. A study by the Tax Foundation in 2011 reflects that the mortgage interest deduction taken in Oregon averaged \$2,281 dollars, landing our state at #11 of 50 states.

Under the bill, these purposes are enhanced, because the resources saved could help expand the stock of starter homes, keep struggling Oregonians in their houses, and house families who currently experience homelessness. Many of our teachers and other education employees must live outside of the communities in which they work because home prices and rents are unaffordable in their school districts. Additionally, more than 22,000 of our students are currently houseless.

Oregon's educators know that housing insecurity impacts their students' ability to learn and achieve. Because many of these students change schools (and therefore curricula, scope, and sequence) often, there exists a discontinuity in their learning. And housing loss is traumatic, making concentration and confidence difficult for these kids. Part of the solution to closing the achievement gap is to successfully address the conditions related to poverty that impede learning. That's why OEA has been vocal in its support of the various solutions to the housing crisis that this and prior legislative assemblies have considered.

We are aware that opponents of the bill may argue that it would slow down Oregon's housing market, but we disagree. One Oregon real estate broker, ruminating on the bill in light of the federal tax changes, predicts that Oregon "could actually see home buying activity go up, and those who already own a home would be less likely to default on their mortgages" [<https://realestateagentpdx.com/mortgage-interest-deduction-fight-continues-2018/11172>].

OEA appreciates the hard work of the coalition of advocates who have brought this concept forward yet again. We urge you to join us in supporting this piece of the housing solution. The pandemic has shone a brighter light than ever on the need for a better way to address our state's housing crisis.

Thank you.