



Public Hearing before the Senate Committee on Revenue

April 19th, 2023

In Support of SB 976

Chair Meek, Vice-Chair Boquist, and Members of the Committee,

On behalf of the Oregon Law Center, thank you for the opportunity to submit this testimony in strong support of SB 976, to reform the mortgage interest tax deduction and make meaningful investments in addressing our ongoing housing crisis. Passage of this bill will be an important step forward in the direction of a more equitable tax code, and will help address the well-documented and pervasive racial wealth and housing stability disparities in Oregon.

The Oregon Law Center (OLC) is a state-wide non-profit law firm whose mission is to achieve justice for low-income communities of Oregon by providing a full range of the highest quality civil legal services. The majority of our client community are tenants who are rent burdened – one emergency away from homelessness – or are houseless themselves, living either doubled-up or in shelter, or living outside without adequate shelter.

Oregon is in a housing emergency. We have one of the highest rates of [homelessness](#) in the nation, with more than 23,000 students experiencing homelessness last year, and some of the highest rates coming from rural districts.¹ According to the Oregon Office of Economic Analysis, there are hundreds of thousands of Oregon renter households struggling with high housing costs relative to their incomes: 44% of rental households spend more than 30 percent of their income on rent each month, and 54% of renters do not have enough income left over after paying rent to afford the basics.² The situation is more serious for Black Oregonians, who are 30% less likely to be homeowners and more likely to be renters due to the legacy of historic policies that blocked Black people from purchasing and owning property in our state.³ Affordable housing is disproportionately difficult to find and maintain for communities of color, single women with children, seniors, and people with disabilities.

During this emergency, the mortgage interest deduction contributes to the problem. The Department of Revenue forecasts that in the coming 2023-25 biennium, the MID housing subsidy will cost the state more than \$900 million. These benefits will accrue to the state's most well-off homeowners. An audit of the program by the Oregon Secretary of State last year reported that the mortgage interest deduction "is designed in a way that systematically benefits higher income" homeowners, and that "roughly 18,000 taxpayers with incomes in the top 1% . . . received more benefit from the MID than the 727,000 taxpayers in the bottom 40% combined."⁴ At the same time, advocates are striving to ensure access to \$100 million in emergency rent assistance and homelessness prevention funds for low-income residents struggling to avoid eviction.

¹ USICH Oregon Homelessness Statistics: <https://www.usich.gov/homelessness-statistics/or/>

² <https://oregoneconomicanalysis.com/2023/01/25/oregon-households-struggling-with-housing-costs/>

³ <https://www.koin.com/news/oregon/the-black-homeownership-gap-in-oregon/>

⁴ <https://sos.oregon.gov/audits/Documents/2022-11.pdf>

The mortgage interest deduction was originally designed with the purpose of making homeownership more accessible and affordable for middle-class families. But as the recent audit reports, Oregon's MID did nothing to address the primary barriers faced by low-to-moderate income would-be home-buyers: home prices, limited funds for down payments, and credit issues.⁵ The facts are that the MID benefits wealthier homeowners at the expense of others, distorts housing prices, and exacerbates economic inequality. In particular, a 2022 report by the Coalition of Communities of Color's Research Justice Institute found that Oregon's MID exacerbates the state's racial wealth gap.⁶

SB 976 would reform Oregon's mortgage interest deduction so that it will better meet its stated purpose. The bill would amend eligibility to better target the benefit, saving millions in dollars that would otherwise flow to the wealthiest homeowners. The bill would dedicate the savings accomplished by amended eligibility to programs designed to prevent homelessness and to help low and moderate income households and communities of color to achieve homeownership.

For most families across the state, SB 976 will result in no change in their tax obligations. Only when incomes rise beyond \$200,000 in adjusted gross income for the year would the benefit decrease. The bill would also disallow the deduction for vacation homes or second homes. All saved revenue that would otherwise be foregone will be used to promote homeownership for families with lower incomes and to address our state's continuing housing and homelessness crisis.

The MID codifies benefits to the wealthy few and creates barriers for the many, with disproportionate negative impact on communities of color. SB 976 is a reasonable proposal designed to better accomplish the initial laudable goal of the MID, and passage of the bill would generate much needed resources dedicated to addressing our greatest crisis. This is an opportunity to create systems designed to achieve better outcomes for our communities and our state.

For the above reasons, we respectfully urge your support for SB 976. Thank you for your time and for your service to the state.

⁵ <https://sos.oregon.gov/audits/Documents/2022-11.pdf>

⁶ <https://www.coalitioncommunitiescolor.org/2022-rwg-report>