HB 4136   STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Senior Economist
Meeting Dates: 2/16

WHAT THE MEASURE DOES:

Disallows, for purposes of Oregon personal income taxation, mortgage interest deduction for residence other than taxpayer's principal residence unless residence was taxpayer's principal residence during tax year or during period three months prior to start of tax year and taxpayer sold or is marketing a qualified residence. Applies to tax years 2026 and later.

On or before May 1 of each year, beginning with 2028, requires the Department of Revenue to transfer to the Oregon Housing Fund, amounts equal to the estimated increase in tax revenue attributable to restrictions on deduction of mortgage interest. Requires funds in Oregon Housing Fund to be credited to the Oregon Homeownership Opportunity Account for the purpose of making down payment assistance payments that are administered through home ownership programs or nonprofit organizations. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

The mortgage interest deduction is an itemized deduction that exists in federal income tax statute and is applicable for Oregon tax purposes due to Oregon's connection to the definition of federal taxable income. The deduction allows taxpayers to reduce their taxable income by deducting the amount of mortgage interest paid during the tax year that is considered acquisition indebtedness with respect to any qualified residence of the taxpayer. Deductible mortgage interest includes qualified mortgage interest of a taxpayer's main home and a second home.

Businesses expenses are allowed as a deduction if the expense is an ordinary and necessary expense paid to maintain business operations. Deductible business interest expenses can include mortgage interest paid. Limits placed on mortgage interest deduction by measure are not applicable to mortgage interest that is deducted as a business expense.