OREGON HOUSING ALLIANCE

End the Vacation House Deduction to Help First-Time Homebuyers

HB 4136 ends the vacation house tax break and redirects $9-$10 million per year to down payment assistance for first-time and first-generation homebuyers. These funds would make homeownership possible for nearly 250 households every year, instead of providing an unnecessary subsidy for vacation properties.

Here's the core issue:

Today, Oregonians can claim the Oregon mortgage interest deduction not only on their primary home, **but also on vacation properties.** In the midst of a statewide housing shortage, the State of Oregon is subsidizing the ownership of houses that remain vacant for much of the year.

This structure directs public dollars to households that already own multiple homes, even as many Oregonians working toward their first home face record prices, high interest rates, limited supply and limited access to support.

HB 4136 stops Oregon from subsidizing vacation properties and redirects these resources to support first-time homeowners.

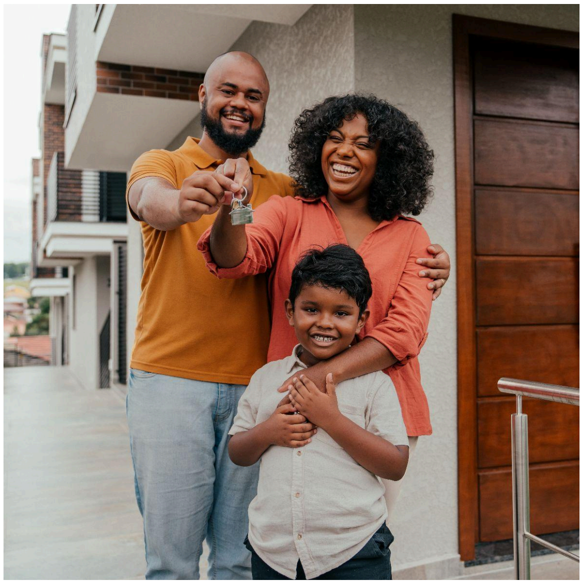
Right now:

- Oregon subsidizes vacation properties to the tune of **$18-$20 million a biennium**. This is on top of the federal mortgage interest deduction tax benefits these higher income earners already receive.
- At the same time, Oregon provided **zero funding this biennium** for nonprofit-administered **down payment assistance**—one of the most effective tools for helping first-time and first-generation homebuyers.
- Research shows that vacation properties primarily serve as wealth-building assets for existing homeowners, **reinforcing inequality rather than expanding access to housing.**

The result is a tax policy that prioritizes vacation houses over supporting new homeowners—**missing an opportunity to strengthen household stability, financial security, and community resilience.**

The Solution

We propose a **simple, common-sense reform** to ensure Oregon's tax code supports first-time homeownership.



1. End the "vacation house deduction"

HB 4136 would enact amendments to Oregon's personal income tax code to:

- Eliminate the mortgage interest deduction for vacation properties.
- Maintain the existing Oregon mortgage interest deduction for every homeowner's primary residence.

This adjustment will not impact small landlords who use a different, more favorable portion of the tax code. Landlords have never relied on the mortgage interest deduction because they are taxed as businesses.

2. Reinvest savings in first-time and first-generation homebuyers

Economists at the Legislative Revenue Office estimate that ending the vacation house deduction would generate approximately **$9-$10 million each year** — money that is **not currently available** for first-time and first-generation homebuyers.

The bill would:

- Create the **Oregon Homeownership Opportunity Account** in the State Treasury
- Deposit the **full annual revenue gain** into this fund
- Direct resources to **support down payment assistance for first-time and first-generation homebuyers**

We urge policymakers to end the Oregon mortgage interest deduction for vacation properties and reinvest in households seeking their first home. Enacting HB 4136 will help Oregon households plant deep roots in their local community, strengthen household economic resilience, and expand sustainable pathways to affordable homeownership across the state.

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