Why Mortgage Interest Deduction reform?

The state's largest housing subsidy — the mortgage interest deduction — does nothing to solve the problem. Rather than help those in need, it subsidizes the richest Oregonians. Trimming off part of the mortgage interest deduction would free up millions to be invested in strengthening homeownership and preventing homelessness, especially among children.

Oregon's housing crisis demands action

- Rapidly rising home prices keep the dream of homeownership out of reach for too many.
- Many homeowners struggle to hang on to their homes or make essential repairs.
- Homelessness among school-aged children has been at record levels recently. Homelessness not only inflicts serious suffering to children, it also undermines their long-term health and educational outcomes.

Oregon's biggest housing subsidy largely benefits those who don't need help

- The mortgage interest deduction costs Oregon nearly $1 billion per budget period, making it the state's biggest housing subsidy.
- The deduction is structured to benefit the most well-off homeowners: 60% of the subsidy goes to the richest fifth of Oregonians. Most low- and middle-income homeowners do not benefit from the deduction.
- The deduction exacerbates racial wealth disparities built up over generations, as well as the urban-rural divide, as a disproportionate share of the subsidy flows primarily to the wealthiest communities in the Portland metro area.

What is SB 976?

No MID for second homes

- Eliminates the option to claim a deduction on mortgage interest for non-principal residences.

No MID for households with high income

- Eliminates the option to claim a deduction on mortgage interest for individuals with high incomes. Specifically, the MID begins to phase out once a household reaches $200,000 in adjusted gross income, and completely phases out at $250,000 in adjusted gross income.

Establishes the Oregon Housing Opportunity Account

- Recaptured revenue that otherwise would go to claimed mortgage interest deductions, as mentioned above, will be rededicated for [1] promoting homeownership among communities of color and low-income families and [2] preventing and addressing homelessness in Oregon.

What the Oregon Housing Opportunity Account funds

Selected list of eligible uses for revenue recaptured in SB 976	
Promoting Homeownership Opportunities	**Preventing and Addressing Homelessness**
• Loans to create new affordable options for aspiring homeowners • Individual Development Accounts • Land acquisition for future development of affordable homes • Home repair, weatherization, seismic upgrades • Replacing aging or unhealthy manufactured homes or manufactured home park infrastructure • Foreclosure counseling • Loans to build accessory dwelling units for affordable long-term rentals.	• Rental assistance vouchers & case management for recipients of rental assistance vouchers • Long-term services and other forms of support for permanent supportive housing for families • Mobile housing team pilot programs • Single-room occupancy-style housing for youth aging out of the foster care system and other services for youth aging out of the foster care system • Rental assistance • Support for family reunification, including short-term rental assistance and case management. • Services to communities of color disproportionately represented in the homeless population • Services to survivors of domestic violence • Services to former foster children and unaccompanied homeless youth • Services to elderly persons and people with disabilities

Menu of Talking Points for SB 976

Reining in the MID will provide much-needed revenue to address our ongoing housing crisis

- Governor Kotek announced in her recommended budget a bold plan to prioritize families who are experiencing housing instability or homelessness.
- The state is in dire need of additional funding to confront our continuing and deepening housing crisis. Far too many families and individuals in Oregon are experiencing homelessness, and too many others are merely one paycheck away from facing homelessness.
- SB 976, which would mainly affect the richest 5% of Oregonians, would save about $280 million per budget period, and that funding would be used to help families experiencing homelessness and housing insecurity.
- SB 976 would also work to further address disparities in access to affordable homeownership opportunities, by dedicating saved revenue programs that help families achieve and retain homeownership, including down payment assistance, foreclosure counseling, and bolstering the Individual Development Account (IDA) program.
- The mortgage interest deduction currently does nothing to protect families experiencing housing instability. By passing SB 976, the state can finally cut off housing subsidies for wealthy families, and rededicate that revenue to families who lack access to a safe, stable, and affordable place to call home.

The MID is an incredibly inequitable policy that rewards the rich and ignores everyone else

- The MID is the largest housing subsidy in the state of Oregon.
- While the MID stands to potentially benefit first-time homebuyers, it is far more common that the MID further enriches Oregon's most wealthy households.
- 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."
- If the goal of the MID is to promote homeownership among first-time homebuyers and homebuyers with lower incomes, the Legislature should limit the scope of the MID to prevent wasteful subsidies to wealthy Oregonians.

What does SB 976 do?

- SB 976 prevents wasteful uses of the mortgage interest deduction and instead dedicates funding homelessness prevention and affordable homeownership options for families across the state.
- SB 976 does not eliminate the mortgage interest deduction. Instead, it prevents the State of Oregon from delivering housing subsidies to people who are already stably housed.
- **First**:
  - SB 976 continues to allow most households to deduct mortgage interest. 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 will the mortgage interest deduction begin to phase out. For households with incomes over $250,000 the mortgage interest deduction will be completely phased out.
- **Second**:
  - The mortgage interest deduction will be disallowed for any home other than the taxpayer's primary residence.
  - This means that Oregon will no longer subsidize the ownership of vacation homes or second homes.
- All saved revenue (that would otherwise be given to wealthy Oregonians) will be dedicated to a fund to promote existing programs used to promote homeownership for families with lower incomes and to address our state's continuing housing and houselessness crisis.

Questions?

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