Lawmakers need to revise state's mortgage interest deduction

EDITORIAL

The time has come, Oregon. It's time to modify the state's mortgage interest deduction.

Of course it's popular and of course people love it. It's a tax deduction, and an old one at that, dating back to the earliest days of income taxation when it was used to bolster business growth.

It has become, however, the largest housing subsidy in the United States, dwarfing the funds dedicated to housing Oregon's most vulnerable populations.

It is skewed to deliver the largest portion of the subsidy to the wealthiest 20 percent of homeowners in Oregon, with little evidence that it accomplishes its stated goal: to encourage homeownership – this in a state that is struggling with a gross deficit in sufficient housing for middle and lower incomes.

It's time for a 21st century makeover.

House Bill 2006 was crafted by a coalition of housing and social justice organizations, including the Oregon Center for Public Policy, Coalition of Communities of Color, Children First for Oregon and Tax Fairness Oregon.

The bill would cap the mortgage interest that can be deducted on state taxes at $15,000. That figure captures most homeowners with a mortgage up to around $350,000. (The median home price in Portland is around $400,000, and minus the average down payment, the interest on a home that price would still be under the cap.)

It would also eliminate the deduction for individuals making more than $100,000 or $200,000 for couples filing jointly.

And it would eliminate the deduction of interest paid on mortgages for second homes, a change the Realtors Association say could dampen the coastal second-home market.

Across the state, we lack the resources to support housing for low-income families, seniors and people with disabilities struggling to stay in their apartments, and that's the fight?

Remember that landlords who rent out homes receive a different deduction for rental properties.

To the tune of nearly $1 billion this coming biennium, taxpayers – renters, low-income workers, all of us – are covering the cost to support the purchase of million-dollar homes. At what point should taxpayers be obliged to subsidize a second home with an ocean view?

It's nonsense.

The money retained – an estimated $290 million, according to the Legislative Review Office – is earmarked in the bill for affordable housing and supportive services to prevent homelessness, including the Emergency Housing Account. Across the state, in rural and urban centers, this money could be a crucial safety net in preventing people's descent to the streets, particularly at a time when federal intentions look increasingly dire.

The Realtors Association is the leading opponent of this measure – as it has been with similar efforts in the past. The association argues it would remove a powerful incentive for buying a home. But it's a gross distortion to compare popularity to an actual incentive to buy, particularly in this market.

It's important to note what this bill would not do. It does not touch the federal mortgage deduction, which – with federal income taxes being much higher – is a much larger benefit for homeowners. On federal returns, the deduction still extends to $1 million mortgages.

Speaking before the House Committee on Human Services and Housing, which is sponsoring the bill, homeowners, real estate agents and service providers testified in favor of the bill. A group of 24 economists from the states' academic institutions signed on to a letter supporting the bill as well, calling the state's current deduction policy "ineffective, inequitable and costly, at a time when we face severe housing needs."

The bill deserves the endorsement of our lawmakers who, across the state, have seen the devastating effects of our grossly distorted housing market. Oregonians should let them know they support updating the mortgage interest deduction.

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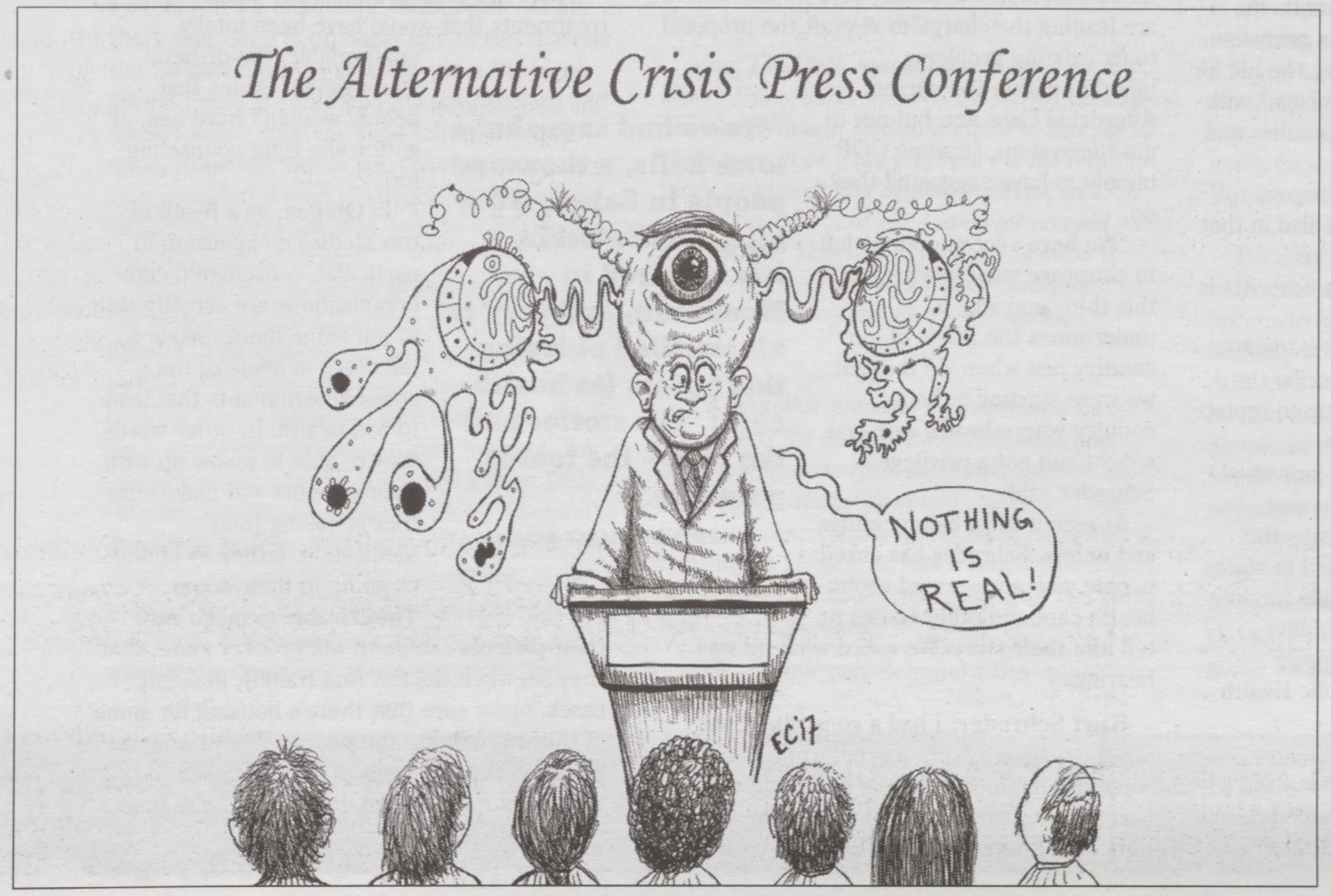
by Elizabeth Considine



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