

Testimony supporting HB 2006
Nancy Matela, Individual March 9, 2017

I am a long-time homeowner in Oregon. I am also a landlord of four rental units in Portland. And I am a recently retired residential real estate broker in the state. Consequently I have personal experience on all sides of the housing issue except as a tenant. I believe I got an eye-opening look at that side however by recently reading the book *Eviction* by Matthew Desmond.

The answer to the housing crisis is pretty clear: we need to free up funds to support low income housing needs.

How can this be done with a \$1.8 billion revenue shortfall? Mr. Desmond points the way, and it falls to tax and benefit fairness. The funds should come by way of reducing homeowner deductions and/or exemptions.

In his words, "we have the money. We've just made choices about how to spend it. Over the years, lawmakers on both sides of the aisle have restricted housing aid to the poor but expanded it to the affluent in the form of tax benefits for homeowners. Today, housing-related tax expenditures far outpace those for housing assistance. In 2008, federal expenditures for direct housing assistance totaled less than \$40.2 billion, but homeowner tax benefits exceeded \$171 billion. ... Each year, we spend three times what a (federal) universal housing voucher program¹ is estimated to cost (in total) on homeowner benefits, like the mortgage-interest deduction and the capital-gains exclusion.

"Most federal housing subsidies (tax credits for homeowners) benefit families with six-figure incomes. If we are going to spend the bulk of our public dollars on the affluent -- at least when it comes to housing --we should own up to that decision..."

Oregon's housing subsidies reflect federal laws. The Oregon total of the property tax deduction, the mortgage interest deduction and the capital gains exclusion from income upon the sale of a personal residence are expected to total \$1.9 billion next biennium unless changes are made. Money spent on housing subsidies and programs are considerably less.

I think the legislature should first work on reducing the mortgage interest deduction before property tax deductions, because more people are affected by property tax bills than mortgage interest bills. Work on capping or restricting the mortgage interest deduction this year. It will affect fewer taxpayers but make a sizeable contribution to the General Fund providing money to offer more low-income housing programs.

Restricting property tax deductions must come next to free up more funds to further balance the benefits equation.

¹Mr. Desmond's research concludes that government housing subsidies are the most effective way to reduce the low-income housing crisis.