

The rich families' down-payment assistance program

 ocpp.org/2017/03/10/blog20170310-home-buyer-savings-account-oregon/

Blog Post

March 2017

by Chuck Sheketoff

No doubt about it, Oregon is in the midst of a housing crisis. Families are being [evicted en masse](#). The number of [homeless school children is at a record level](#). Many families are priced out of being able to buy a home. And this problem is not just in Portland and other hot markets. Rural counties in Oregon are some of the nation's [most unaffordable rural counties](#).

So, enter the Oregon Association of Realtors with its plan to address the housing crisis: the Rich Families' Down-Payment Assistance Program. Okay, that's not what they call it, but that is in effect what [House Bill 2996](#) would be if the legislature went along with this proposal. You very well may have seen the association of realtors' [large ads hawking the proposal](#) (PDF) in a Sunday paper last weekend.

HB 2996 proposes to create a "First-Time Home Buyer Savings Account" program. It would allow people to shelter income from taxation by putting money into a special savings account at a bank, so long as those funds are eventually used to buy a home. So what's the problem? The problem is that this would create a huge tax loophole for the well-off — wide enough to drive a truck through with a McMansion in tow.

This special account would be a tax shelter, not a shelter for the homeless and those struggling to own a home. The money deposited there would be subtracted — sheltered — from the taxable income of the person putting it in. And neither interest nor withdrawals would be taxed.

The bill does not means-test who can set up or benefit from the tax free account. So even Phil Knight could set one up.

To top it off, you could set up an account to benefit someone else. For example, parents could set up one of these tax shelters to help their kid buy a home.

The problem with this is that those who will use this savings account program will be mainly those families that already have the greatest means of helping their children and relatives buy a home. It will just allow them to do what they otherwise would do while avoiding taxes — taking revenue away from affordable housing programs, education and other vital services.

Why am I so confident in saying it will mainly be the rich who will use this down-payment tax shelter program? Because we can look at existing examples of this sort of subsidy scheme. The Oregon 529 College Savings Network accounts are set up similarly, and it is the most well-off who use them. About 87 percent of all the tax benefits of the college savings plan is going to the highest income group (the top fifth) of Oregonians.

We need real solutions to Oregon's housing crisis, not more tax giveaways to those most well-off.

Fortunately, lawmakers have a better alternative to help first-time and other homeowners: HB 2006, a [common sense reform of the Oregon mortgage interest deduction](#). That is a proposal that would truly help our state confront the housing crisis.

This post was originally published on www.blueoregon.com on March 10, 2017. The original post can be found at <http://www.blueoregon.com/2017/03/realtors-rich-families-tax-shelter-down-payment/>.