

**REVENUE IMPACT OF
PROPOSED LEGISLATION
80th Oregon Legislative Assembly
2019 Regular Session
Legislative Revenue Office**

Bill Number:	HB 3349 -1, -2, -4, -5
Revenue Area:	Personal Income Taxes
Economist:	Kyle Easton
Date:	3/25/2019

Only Impacts on Original or Engrossed Versions are Considered Official

Measure Description:

Disallows, for purposes of Oregon personal income taxation, mortgage interest deduction for residence other than taxpayer's principal residence, unless residence was taxpayer's principal residence and taxpayer sold or is marketing a qualified residence.

For taxpayers with adjusted gross income in excess of \$250,000, disallows mortgage interest deduction for interest paid or accrued on indebtedness of taxpayer's principal residence. Linearly phases out mortgage interest deduction for taxpayers with adjusted gross income in excess of \$200,000 but not in excess of \$250,000. Applies to tax years beginning on or after January 1, 2019. Requires Department of Revenue to adjust the phase-out range using U.S. City Average Consumer Price Index.

On or before December 31, 2020, directs Department of Revenue to transfer to the Oregon Housing Opportunity Account, amount equal to the estimated increase in revenue attributable to restrictions on the deduction of mortgage interest.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
OR Housing Opportunity Account		70	70	160	180

Impact Explanation:

Elimination and/or phase-out of the mortgage interest deduction for taxpayers with an adjusted gross income greater than \$200,000, coupled with the elimination of the deduction for non-principal residences, will increase tax liability of personal income taxpayers. On average, measure would eliminate or limit the mortgage interest deduction for about 70,000 taxpayers per year.

Revenue impact table illustrates estimated revenue distribution per timing required in measure. Per measure, distribution of revenue will lag fiscal year in which increase in tax liability occurs. For simplicity purposes, table only illustrates expected distributions.

This measure has a subsequent referral to the House Committee on Revenue. A more refined revenue impact statement will be developed for that committee including the impact of indexing the phase-out income range and allowing interest deduction of second homes in specified circumstances.

Creates, Extends, or Expands Tax Expenditure: Yes No

Further Analysis Required