

## **HB 2578 STAFF MEASURE SUMMARY**

### **House Committee On Housing**

---

**Prepared By:** Claire Adamsick, LPRO Analyst

**Sub-Referral To:** House Committee On Revenue

**Meeting Dates:** 3/11

---

#### **WHAT THE MEASURE DOES:**

Disallows, for the purposes of personal income taxation, a mortgage interest deduction for a qualified residence other than the taxpayer's principal residence, with certain exceptions, including: if a qualified residence was the taxpayer's principal residence during the applicable tax year or in the three months prior; or if qualified residence has been sold or actively marketed for sale at the close of the applicable tax year. Incrementally reduces interest deduction for principal residence based upon taxpayer's federal adjusted gross income. Applies to tax years beginning 2023.

Establishes the Oregon Housing Opportunity Account, administered by the Housing and Community Service Department, to fund programs that promote affordable homeownership and prevent homelessness. Directs the Department of Revenue to annually estimate personal income tax revenue received in the prior tax year that is attributable to the provisions of this Act, and transfer the amount to the Housing Opportunity Account.

Directs Oregon Housing Stability Council to develop policies to distribute the funds to programs that promote homeownership and prevent homelessness. Clarifies that programs must specifically prioritize racial groups disproportionately represented in the homeless population, domestic violence survivors, youth and families, elderly persons, and people with disabilities.

Takes effect on the 91<sup>st</sup> day following adjournment, sine die.

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

No amendment.

##### **BACKGROUND:**

Oregon Department of Revenue regulations allow certain modifications or subtractions from federal taxable income for Oregon income tax filers. Examples of these modifications and subtractions include amounts such as interest dividends, foreign income taxes, and medical expenses of elderly individuals. Current regulations allow certain deductions for mortgage interest on a property regardless of whether it is the taxpayer's principal residence.

House Bill 2578 prohibits a mortgage interest deduction from personal income taxation for a residence other than the taxpayer's principal residence, subject to certain exceptions. It directs the Department of Revenue to transfer revenue attributable to restrictions on the deduction of mortgage interest to a newly established fund for homeownership and homeless prevention programs.