

March 10, 2021

Chair Fahey, Vice Chairs Campos and Morgan, members of the House Committee on Housing,

I am writing in **strong support of HB 2578**, Mortgage Interest Deduction Reform. The bill aims to pare back a small portion of Oregon's *largest housing subsidy* away from the most housing secure, and towards programs promoting affordable home ownership and preventing homelessness.

Oregon has a severe housing crisis, resulting in our being among the highest rates of child homelessness and one of the lowest rates of homeownership in the US in 2019. Our home ownership slipped from 69% in 2004 to 61% in 2018. It climbed modestly to 62.5% in 2019 due to the legislature catalyzing housing development and modestly increasing funding to home ownership programs. While this is a start, many housing and homeownership bills **died due to lack of funding**.

In 2017, the House Committee on Human Services and Housing passed several homeownership bills with **bipartisan sponsorship and unanimous support**. Besides \$16 million in bonding set aside for home ownership in LIFT, which did pass the Legislature, the Committee passed:

HB 5012: Foreclosure Prevention: *\$3.29 million*

HB 3192: Down Payment Assistance: *\$5 million*

HB 2570: Homeownership Grants to nonprofits for revolving loan funds and programs: *\$25 million*

HB 2961: Homeownership Repair/Rehab Grants to nonprofits: *\$10 million*

The Foreclosure Program was reduced, and the other three bills **failed due to "lack of resources."** **Of roughly \$44 million requested from General Fund, just over \$1 million was allocated.**

In 2018, the Oregon Realtors Association and housing advocates helped pass HB 4007, which launched a means-tested First Time Home Buyers Tax Deferral Program and tripled the Document Recording Fee. The "Doc Fee" increase generates roughly \$60 million more per biennium, of which about \$8.4 million goes to OHCS's Home Ownership Assistance Program (HOAP). A success, but a **drop in the bucket**.

In 2019, the House Committee on Human Services and Housing again passed several homeownership bills with **bipartisan sponsorship and unanimous support**. While LIFT bonding and several bills to assist manufactured homeowners passed, HB 2802: Homeownership Repair, Rehab, and Weatherization for *\$15 million*, again **failed due to "lack of resources."**

In 2021, there are yet again several bills to help low-income Oregonians do repairs and energy upgrades to their home or purchase their first home, including the effort led by Representatives Meek and Zika to address racial disparities in home ownership. But given limited General Fund for new housing bills, we often hear that *new initiatives must have a funding source*.

Mortgage Interest Deduction (MID) costs Oregon \$1.1 billion per biennium

While advocates *beg* for funds to help low-income Oregonians pay rent or buy a home, Oregon's **largest housing subsidy goes to home owners**, many of whom are housing secure. In addition to receiving the federal tax deduction for mortgage interest, Oregon home owners receive \$1.1 billion per biennium in Mortgage Interest Deductions off their state income tax. The majority (60%, or \$660 million) of the MID goes to the top 20% income bracket.

HB 2578 pares back the MID for the wealthiest 5.3% of Oregon tax filers by gradually phasing it out between \$200-\$250K AGI per household (individual or joint filer) and by eliminating vacation homes. Note that while the MID will be eliminated for *vacation homes*, it will be fully allowed under business

expenses if the second home is used for long-term rentals, and pro-rated for short term rentals. Home owners under the income threshold may receive the MID on two homes when they are selling one.

The exciting part: HB 2578 redirects the saved revenue to programs for Oregonians who most need it. Saved revenue in the second half of this biennium is **\$83.5 million** (\$77.5 mil from means testing + \$5.9 mil from second homes); in 2023-25 is **\$197.7 mil** (\$185.3 from means testing + \$12.4 mil from second homes), and in 2025 is **\$232.5 mil** (\$219.2 mil from means testing + \$13.3 mil from second homes.) This revenue will go to a new **Oregon Housing Opportunity Account** at OHCS for two purposes:

1) To promote affordable home ownership, particularly among racial groups with lower rates of home ownership and among people with disabilities. Programs may include:

- (a) Loans that create new affordable options for aspiring homeowners;
- (b) Contributions to individual development accounts;
- (c) Down payment assistance;
- (d) Land acquisition to help nonprofit corporations and housing authorities acquire land for future development of affordable homes;
- (e) Critical health and safety home repairs, weatherization, and seismic upgrades for homeowners with low and moderate incomes, particularly veterans, people with disabilities and seniors aging in place, living in site-built manufactured homes;
- (f) Grants or loans to replace aging and unhealthy manufactured homes and manufactured home park infrastructure;
- (g) Loans to low- and moderate-income homeowners to build accessory dwelling units for affordable long-term rentals in communities with rental vacancies under 3 percent;
- (h) Foreclosure counseling; and
- (i) Capacity building, technical assistance and training, particularly to address the needs of rural communities and address racial disparities in home ownership.

2) To prevent homelessness, prioritizing overly represented racial groups, domestic violence survivors, families seeking reunification after involvement with child welfare services, former foster children, unaccompanied homeless youth, elderly persons and people with disabilities. Programs may include:

- (a) Rental assistance vouchers and case management for the recipients of rental assistance vouchers;
- (b) Long term services and other forms of support for permanent supportive housing for families;
- (c) Mobile housing team pilot programs;
- (d) Single room occupancy style housing for youth aging out of the foster care system and other services for youth aging out of the foster care system;
- (e) Rental assistance, flexible use funds and case management for families seeking safety from violence;
- (f) Support for families seeking family reunification, including short term rental assistance and case management, after an action taken by the Department of Human Services relating to child welfare.

I am attaching to this testimony:

- 1) **Hyperlinks** to show left, right, and libertarian leaning groups who find the MID to be ineffective.
- 2) **The number and percent of tax filers** by income level in Oregon and by county in 2016. In 2019, nearly 2% will lose some of their MID due to making over \$200K AGI, and 3.3% will lose all of it due to making over \$250K AGI. I will replace this 2016 chart with the 2019 county figures when I get them.

Many low- and moderate-income home owners will benefit from HB2578 by protecting their home from foreclosure, making needed repairs, and/or building an ADU. Prospective home owners may finally purchase a home. Families on the verge of homelessness and foster youth aging out of the system will find the stability they so badly need. I urge you to ensure our housing subsidies go where most needed.

Alissa Keny-Guyer



Links to Mortgage Interest Deduction (MID) articles

1) Articles about HB 3349 in 2019, the MID reform bill that would redirect \$160 million/biennium from the wealthiest home owners to lower income Oregonians:

<https://www.ocpp.org/2019/03/05/homeownership-and-housing-opportunity-bill/>

<https://news.streetroots.org/2019/03/08/sr-editorial-time-oregon-quit-subsidizing-second-homes>

<https://housingoregon.org/%EF%BB%BFhb-3349-the-homeownership-and-housing-opportunity-bill-gets-public-hearing/>

2) Articles about HB 2006 in 2017, the MID reform bill that would have redirected \$300 million/biennium from the wealthiest home owners to lower income Oregonians:

<https://www.oregonlive.com/opinion/2017/03/oregons-massive-housing-subsid.html>

<https://news.streetroots.org/2017/01/12/housing-advocates-seek-cap-oregons-mortgage-interest-deduction>

3) National articles about the ineffectiveness and regressivity of the MID:

<https://www.theatlantic.com/business/archive/2017/05/shame-mortgage-interest-deduction/526635/>

<https://www.usnews.com/opinion/articles/2016-05-26/the-mortgage-interest-deduction-is-bad-for-schools-and-education>

<https://www.brookings.edu/blog/up-front/2017/11/06/its-time-to-gut-the-mortgage-interest-deduction/>

<https://www.stlouisfed.org/open-vault/2018/may/why-economists-dont-like-mortgage-interest-deduction>

<https://nlihc.org/resource/minority-households-do-not-receive-fair-share-mortgage-interest-deduction>

<https://www.housingwire.com/articles/41478-does-the-mortgage-interest-deduction-help-or-hurt-homeownership>

<https://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/1001721-Congress-Should-Phase-Out-the-Mortgage-Interest-Deduction.PDF>

<https://www.nytimes.com/2006/03/05/magazine/who-needs-the-mortgage-interest-deduction.html>

<https://www.nytimes.com/roomfordebate/2015/04/14/the-worst-tax-breaks/the-uselessness-of-the-mortgage-interest-deduction>

<https://www.forbes.com/sites/artcarden/2019/06/28/should-we-get-rid-of-the-mortgage-interest-deduction/?sh=5a5f244d69b4>

<https://www.newyorker.com/magazine/2015/01/12/mortgage-mistake>

<https://reason.org/wp-content/uploads/files/mortgage-interest-deduction.pdf>

<https://web.archive.org/web/20180831150334/https://www.nar.realtor/sites/default/files/documents/2018-home-buyers-and-sellers-generational-trends-03-14-2018.pdf>

Exhibit 1-12 lists why people purchase homes; tax benefits is only 14th out of 16 reasons why.

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Totals for All Filers						
AGI Category	Single		Joint		All Filers	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	997,696	99.1%	964,128	93.3%	1,961,824	96.1%
\$200K - \$250K	3,279	0.3%	25,719	2.5%	28,998	1.4%
\$250K+	5,910	0.6%	44,006	4.3%	49,916	2.4%
Total	1,006,885		1,033,853		2,040,738	

Baker						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	6,472	98.5%
\$200K - \$250K	NA	#VALUE!	NA	#VALUE!	50	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	50	0.8%
Total	2,920		3,652		6,572	

Benton						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	19,853	99.3%	15,722	90.3%	35,575	95.1%
\$200K - \$250K	58	0.3%	662	3.8%	720	1.9%
\$250K+	87	0.4%	1,026	5.9%	1,113	3.0%
Total	19,998		17,410		37,408	

Clackamas						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	87,627	98.8%	87,533	88.6%	175,160	93.4%
\$200K - \$250K	347	0.4%	3,923	4.0%	4,270	2.3%
\$250K+	737	0.8%	7,339	7.4%	8,076	4.3%
Total	88,711		98,795		187,506	

Clatsop						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	8,471	99.3%	8,096	95.8%	16,567	97.5%
\$200K - \$250K	22	0.3%	147	1.7%	169	1.0%
\$250K+	42	0.5%	211	2.5%	253	1.5%
Total	8,535		8,454		16,989	

Columbia						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	9,624	99.5%	11,898	96.4%	21,522	97.7%
\$200K - \$250K	16	0.2%	226	1.8%	242	1.1%
\$250K+	33	0.3%	223	1.8%	256	1.2%
Total	9,673		12,347		22,020	

Coos						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	11,758	99.4%	13,067	96.8%	24,825	98.0%
\$200K - \$250K	21	0.2%	145	1.1%	166	0.7%
\$250K+	53	0.4%	287	2.1%	340	1.3%
Total	11,832		13,499		25,331	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Crook						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,445	98.0%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	80	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	116	1.2%
Total	3,994		5,647		9,641	

Curry						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	4,517	99.4%	4,915	97.0%	9,432	98.1%
\$200K-\$250K	17	0.4%	60	1.2%	77	0.8%
\$250K+	12	0.3%	91	1.8%	103	1.1%
Total	4,546		5,066		9,612	

Deschutes						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	40,137	98.9%	41,228	92.3%	81,365	95.4%
\$200K-\$250K	136	0.3%	1,196	2.7%	1,332	1.6%
\$250K+	309	0.8%	2,254	5.0%	2,563	3.0%
Total	40,582		44,678		85,260	

Douglas						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	18,700	99.5%	23,541	97.3%	42,241	98.3%
\$200K-\$250K	35	0.2%	241	1.0%	276	0.6%
\$250K+	55	0.3%	416	1.7%	471	1.1%
Total	18,790		24,198		42,988	

Gilliam						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	335		434		769	

Grant						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	2,844	98.8%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	17	0.6%
\$250K+	NA	#VALUE!	NA	#VALUE!	18	0.6%
Total	1,266		1,613		2,879	

Harney						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	1,232		1,655		2,887	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Hood River						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	5,057	98.7%	5,629	93.1%	10,686	95.7%
\$200K - \$250K	20	0.4%	162	2.7%	182	1.6%
\$250K+	47	0.9%	255	4.2%	302	2.7%
Total	5,124		6,046		11,170	

Jackson						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	45,053	99.2%	46,398	95.2%	91,451	97.1%
\$200K - \$250K	134	0.3%	809	1.7%	943	1.0%
\$250K+	231	0.5%	1,523	3.1%	1,754	1.9%
Total	45,418		48,730		94,148	

Jefferson						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,029	98.6%
\$200K - \$250K	NA	#VALUE!	NA	#VALUE!	41	0.4%
\$250K+	NA	#VALUE!	NA	#VALUE!	83	0.9%
Total	3,803		5,350		9,153	

Josephine						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	15,711	99.4%	18,044	97.0%	33,755	98.1%
\$200K - \$250K	31	0.2%	206	1.1%	237	0.7%
\$250K+	62	0.4%	359	1.9%	421	1.2%
Total	15,804		18,609		34,413	

Klamath						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	11,676	99.5%	14,106	97.4%	25,782	98.4%
\$200K - \$250K	20	0.2%	135	0.9%	155	0.6%
\$250K+	36	0.3%	241	1.7%	277	1.1%
Total	11,732		14,482		26,214	

Lake						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	2,914	98.2%
\$200K - \$250K	NA	#VALUE!	NA	#VALUE!	21	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	32	1.1%
Total	1,267		1,700		2,967	

Lane						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	81,207	99.3%	72,249	94.5%	153,456	97.0%
\$200K - \$250K	217	0.3%	1,512	2.0%	1,729	1.1%
\$250K+	387	0.5%	2,697	3.5%	3,084	1.9%
Total	81,811		76,458		158,269	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Lincoln						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	9,750	99.3%	10,331	96.4%	20,081	97.8%
\$200K-\$250K	24	0.2%	157	1.5%	181	0.9%
\$250K+	44	0.4%	226	2.1%	270	1.3%
Total	9,818		10,714		20,532	

Linn						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	23,690	99.6%	27,705	97.4%	51,395	98.4%
\$200K-\$250K	32	0.1%	304	1.1%	336	0.6%
\$250K+	52	0.2%	429	1.5%	481	0.9%
Total	23,774		28,438		52,212	

Malheur						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	9,862	98.7%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	57	0.6%
\$250K+	NA	#VALUE!	NA	#VALUE!	68	0.7%
Total	4,150		5,837		9,987	

Marion						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	63,745	99.5%	72,827	96.2%	136,572	97.7%
\$200K-\$250K	133	0.2%	1,152	1.5%	1,285	0.9%
\$250K+	213	0.3%	1,716	2.3%	1,929	1.4%
Total	64,091		75,695		139,786	

Morrow						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	4,236	98.6%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	28	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	31	0.7%
Total	1,635		2,660		4,295	

Multnomah						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	216,222	98.7%	135,943	89.3%	352,165	94.9%
\$200K-\$250K	1,008	0.5%	5,586	3.7%	6,594	1.8%
\$250K+	1,802	0.8%	10,655	7.0%	12,457	3.4%
Total	219,032		152,184		371,216	

Polk						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	14,938	99.5%	18,167	95.7%	33,105	97.4%
\$200K-\$250K	29	0.2%	347	1.8%	376	1.1%
\$250K+	39	0.3%	471	2.5%	510	1.5%
Total	15,006		18,985		33,991	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Sherman						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	742	96.6%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	10	1.3%
\$250K+	NA	#VALUE!	NA	#VALUE!	16	2.1%
Total	341		427		768	

Tillamook						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	5,417	99.3%	5,863	96.4%	11,280	97.7%
\$200K-\$250K	11	0.2%	82	1.3%	93	0.8%
\$250K+	29	0.5%	139	2.3%	168	1.5%
Total	5,457		6,084		11,541	

Umatilla						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	12,926	99.7%	16,435	97.4%	29,361	98.4%
\$200K-\$250K	21	0.2%	185	1.1%	206	0.7%
\$250K+	24	0.2%	253	1.5%	277	0.9%
Total	12,971		16,873		29,844	

Union						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	4,974	99.6%	5,700	97.1%	10,674	98.2%
\$200K-\$250K	12	0.2%	63	1.1%	75	0.7%
\$250K+	10	0.2%	109	1.9%	119	1.1%
Total	4,996		5,872		10,868	

Wallowa						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	3,218	98.3%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	27	0.8%
\$250K+	NA	#VALUE!	NA	#VALUE!	29	0.9%
Total	1,454		1,820		3,274	

Wasco						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	10,817	98.0%
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	77	0.7%
\$250K+	NA	#VALUE!	NA	#VALUE!	149	1.3%
Total	5,129		5,914		11,043	

Washington						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	126,802	99.0%	118,152	88.4%	244,954	93.6%
\$200K-\$250K	557	0.4%	6,347	4.8%	6,904	2.6%
\$250K+	757	0.6%	9,101	6.8%	9,858	3.8%
Total	128,116		133,600		261,716	

Number of Returns by Adjusted Gross Income | by County | Tax Year 2016

Wheeler						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$200K-\$250K	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
\$250K+	NA	#VALUE!	NA	#VALUE!	NA	#VALUE!
Total	215		298		513	

Yamhill						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	19,169	99.2%	22,981	94.8%	42,150	96.7%
\$200K-\$250K	66	0.3%	525	2.2%	591	1.4%
\$250K+	89	0.5%	747	3.1%	836	1.9%
Total	19,324		24,253		43,577	

Total for All Tax Returns Identifying an Oregon County in Address on Return						
AGI Category	Single		Joint		All	
	Number	% of Total	Number	% of Total	Number	% of Total
< \$200K	857,024	96.0%	796,530	88.7%	1,713,133	95.6%
\$200K-\$250K	2,967	0.3%	24,172	2.7%	27,547	1.5%
\$250K+	5,150	0.6%	40,768	4.5%	46,510	2.6%
Total	892,882		898,477		1,791,359	

Note: Figures in Total for All Counties table are less than overall totals. This is because total for all counties represents returns identifying an Oregon county in the address and does not include returns with addresses outside an Oregon county.

Source: Oregon Department of Revenue