

**SB 976 STAFF MEASURE SUMMARY**

**Senate Committee On Finance and Revenue**

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**Prepared By:** Kyle Easton, Economist

**Meeting Dates:** 4/12

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**WHAT THE MEASURE DOES:**

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. 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, 2024. On or before December 31 of each year and beginning with 2025, 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. Directs Oregon Housing Stability Council to develop policies to distribute moneys to programs that promote affordable home ownership and programs that prevent homelessness.

**ISSUES DISCUSSED:**

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Taxpayers may claim as a personal itemized deduction, the amount of qualified mortgage interest paid on their primary and secondary residences. Through tax year 2025, taxpayers may deduct interest incurred on the first \$750,000 of combined mortgage debt (\$1 million after 2025). Interest on a home equity loan is deductible if the proceeds are used for constructing or significantly improving the associated residence. The mortgage interest deduction is an itemized deduction available to taxpayers when filing their federal personal income taxes and available when filing their Oregon personal income taxes. Historically, roughly one-third of Oregon taxpayers claim the mortgage interest deduction on their Oregon tax return each year. Mortgage interest deducted for business property is not affected by the measure's modifications to the personal income tax mortgage interest deduction.

The mission of the Oregon Housing Stability Council is to provide leadership in, and review and set policy for, the development and financing of affordable housing throughout the state of Oregon. The measure requires the Council to develop policies to distribute moneys raised from limiting Oregon's mortgage interest deduction and includes recommendations of the types of programs to receive funding distributions.