



April 10, 2023

Senator Mark Meek, Chair
Senate Committee on Finance and Revenue

RE: Testimony in support of SB 976

Chair Meek, Vice-Chair Boquist, and members of the committee,

Portland: Neighbors Welcome is a pro-housing, pro-tenant organization dedicated to ensuring that every present and future Portlander can find and keep a safe, stable home they can afford.

We urge your support of SB 976 to make reasonable reforms to the mortgage interest deduction that will help our state close our racial homeownership gap. SB 976 does the following:

- Removes the MID for second homes.
- Removes the MID for the highest-income Oregonians—impacting only 10% of taxpayers.
- Redirects foregone revenue to programs that help close Oregon’s racial gap in homeownership and reduce homelessness.
- Implements [Recommendation #2](#) of the Joint Task Force on Addressing Racial Disparities in Home Ownership.

Why is this important?

Due to historic and current conditions of racial oppression, **people of color in Oregon own homes at lower rates than white Oregonians.** Across the state, 64% of white people own their homes, compared to 31% of Black people, 31% of Native Hawaiian and other Pacific Islander people, 41% of Latinx people, and 45% of American Indian and Alaska Native people.

According to the Portland Housing Bureau’s [2022 State of Housing report](#), the median home in Portland costs \$525,000, and there are **zero neighborhoods in the city** where **Black, Native American, Latinx, low-income, senior, single mother, or foreign-born Portlanders** can afford to buy a home.

What's wrong with the MID today?

The mortgage interest deduction costs the state over \$1 billion per biennium and is one of the most inequitable provisions in the tax code. It is the largest housing-related tax expenditure in Oregon and the seventh-largest tax expenditure overall. As home prices and interest rates rise, the cost to the state rises too.

The mortgage interest deduction is **extremely inequitable regarding both race and income**. The likelihood taxpayers will benefit from the MID *and* the amount of benefit they receive both increase with income. In fact, the top 1% of taxpayers—18,000 Oregonians—gain more from the MID than over 700,000 taxpayers at the bottom combined. Given both lower homeownership rates and lower income, Oregonians of color—in particular Black, Latinx, and Native people—receive disproportionately less MID benefit than white people.

The mortgage interest deduction **lacks statutory purpose**. In its 100-year history, no legislative purpose for the MID can be found in federal nor state statute, and there is no evidence that it was intended to encourage homeownership or to stimulate the housing industry.

In fact, the mortgage interest deduction **does not promote homeownership, particularly for Oregonians of color and lower-income people**. Its benefits flow primarily and disproportionately to wealthier taxpayers who do not need assistance in owning homes, and Oregon's service providers have determined that the MID is not an effective tool for helping low- and moderate-income people become homeowners. Primary obstacles are high home prices, high closing costs, and low access to credit—and the MID addresses none of these issues.

The mortgage interest deduction is **not transparent** and **has never been evaluated**. Unlike tax credits and other types of funding, tax deductions are not required to be evaluated, and the failure to do so excuses the state from accountability for the MID's regressive design and inequitable outcomes.

Support SB 976

The proposed bill resolves many of these problems, while retaining the MID for 90% of Oregon taxpayers purchasing their primary home. It redirects funding to proven solutions that will reduce our state's racialized disparities in housing. We urge your strong support of SB 976.

Sincerely,
Portland: Neighbors Welcome