



HOUSE OF REPRESENTATIVES

Testimony in Support for SB 976

April 19, 2023

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

My name is Khanh Pham, State Representative for House District 46, outer Southeast Portland. I am honored to testify in support of SB 976. SB 976 is a simple bill to address a long standing issue in our state -- finding consistent and adequate sources of funding to address our growing housing needs. Oregon does not lack the will or great ideas to solve our housing crisis, we lack adequate funding mechanisms.

Oregon currently invests more than \$1.2 billion dollar per biennium into our current mortgage interest deduction, the single largest expenditure we make in housing as a state. We as a legislature currently give out this large tax credit, to the richest income earners, even for homes that they don't live in. In March 2022, the Secretary of State's Audit Division put it starkly that the "Oregon state government loses more than \$500 million each year to a housing tax break that mostly helps wealthy white homeowners in urban areas."¹

The 2022 Audits Division report found no clear reason why Oregon or Congress passed its mortgage interest deduction in 1923 and 1913. Auditors found that the biggest benefits go to the richest Oregonians. The top 1% of homeowners, who earn more than \$458,700 annually, receive an average mortgage interest deduction of \$1,138. The average deduction across all income ranges is \$227.

The MID's results are troubling and ineffective, and ultimately the mortgage interest deduction doesn't help more people own homes. This policy does little to address the needs of our housing insecure families. I constantly hear from my constituents that they want to see urgent action to support the families who actually need the help and for whom the public support would actually make a difference. This means we have to target our public subsidies and use the estimated \$300 million in revenue that otherwise would have gone out from this wasteful tax deduction to instead invest in helping low-and-moderate income Oregonians access home ownership opportunities. SB 976 would create the Oregon Housing Opportunity Fund to invest in loans and downpayment assistance to make homeownership accessible to first time buyers.

SB 976 would phase out only the **state-level** mortgage interest deduction for high income earners that make more than \$200,000 in adjusted gross income. **That would be only about 7% of Oregonians and the vast majority—93% of all homeowners wouldn't see any changes.** That top 7% will also still receive the federal mortgage interest deduction as this bill would not impact the federal deduction for homeowners.

¹<https://oregoncapitalchronicle.com/2022/03/16/audit-mortgage-tax-break-costs-oregon-500-million-annually-mostly-helps-wealthy-white-homeowners/>

In addition, this bill eliminates the deduction for second homes with an exception for second homes that are renting out this property. So landlords will **not** be impacted by this change, because we want to encourage keeping homes in our rental housing supply.

In this moment, we have the opportunity to take action and set the foundation for a healthier, more resilient state. This session, we are investing in housing production and streamlining the process to meet our housing demand. We know that Oregon will experience more natural disasters, which will threaten the housing we do have today. We must invest in long-term solutions to our housing crisis by reforming the mortgage interest deduction and investing in first time homebuyers and housing insecure families. SB 976 is a targeted bill that will allow us to make a lasting impact and advance Oregon's housing priorities. I urge members of this committee to support SB 976. Thank you.