OWRC

Oregon Women's Rights Coalition

SB 976 Mortgage Interest Deduction-Support

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

The Oregon Women's Rights Coalition supports SB 976. We believe in a fair and equitable tax system that provides the services that help all Oregonians to thrive, not just survive.

By eliminating the mortgage interest deduction on property that is not the principal residence of a taxpayer, Oregon will stop subsidizing higher earners and those with very high incomes.

This deduction has been in existence since 1913 when only the very wealthy had second homes. It is time to remove the second home from this tax benefit.

The bill also phases out the deduction and eliminates it when a taxpayer's AGI reaches $250.

This does not mean those taxpayers do not get the Federal deduction. The Federal deduction remains on interest on loans up to $750,000 until the 2026 tax year when it reverts to $1,000,000 loan limit.

In 2020, the last year that the Department of Revenue has full reports, 586,192 Oregon taxpayers used this deduction. The average savings in taxes was $703 dollars. (LRO)

The figures provided by the Legislative Revenue Office indicate that in 2020 28,145 taxpayers would have the benefit reduced ($200,001-$249,999) and the benefit would be eliminated for 48,899 taxpayers.

In doing research for this testimony, we discovered another aid for potential homeowners. Established in 2018, there is a tax subtraction for a First Homeowner Savings account. That subtraction in 2020 was used by nearly 1500 taxpayers. It must be used for initial homeownership within 10 years of establishing the account. The account must be opened by December 31, 2026. There is a claw back if used for an unqualified purpose.

This program has a lower income cut off level at $104,000 for single taxpayer or $149,000 on a joint return.

It is not just our opinion that the Mortgage Interest Deduction should be narrowed. The Tax Foundation based in Washington; D.C. has written on the subject. They debunked myths and suggested that there should be some modification to this deduction.

Yet, by any measure, the deduction—either prior to TCJA or in its aftermath—does not result in more taxpayers becoming homeowners. Instead, it is among the largest tax expenditures in the code, serving as an indirect subsidy to wealthy taxpayers to finance purchasing a larger home.

According to the Federal Reserve Bank of St. Louis, since the TCJA was passed in December 2017, Americans have increased their mortgage debt for one-to-four family residences. Despite the tighter limit on principal value eligible for the mortgage interest deduction, total mortgage debt for family dwellings has gone up, not down, as some predicted.

We have attached the link to the Tax Foundation article.

Please support this bill. It will be good for Oregon. We need to stop subsidizing higher income Oregonians while struggling to support the hard-working Oregonians in the bottom and the middle.

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https://taxfoundation.org/debunking-3-myths-about-the-mortgage-interest-deduction/

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