



Protect Oregon's Mortgage Interest Deduction

Oppose HB 3349

Background: Since its inception, over a century ago, the U.S. income tax system has recognized the positive effects of homeownership for families, communities, and society by rewarding home buyers with tax benefits. The result has been a home-owning society that is, in many respects, the envy of the world.

Since the State of Oregon has such a reliance on income tax¹ the mortgage interest deduction is tied to the federal code. The code allows an individual to deduct the interest payments on no more than \$375,000 of total mortgage debt or \$750,000 of indebtedness for joint filers.

House Bill 3349 would entirely eliminate the MID for individuals making \$250,000 or more (for individual and joint filers). HB 3349 would also reduce the amount of interest that could be deducted for those individuals and joint filers making over \$200,000. In addition, the bill eliminates the MID for second homes.

Arguments in Favor:

- The mortgage interest deduction is far-and-away Oregon's biggest housing subsidy.
- The deduction only benefits about three out of 10 Oregon taxpayers.
- The bulk of the tax subsidy is going to those at the higher-end of the income ladder.

Arguments in Opposition:

- Well over 500,000 Oregonians utilize the mortgage interest deduction, and 70% of homeowners will utilize the MID at some point.
- A large portion of those who own second homes are people who are carrying two mortgages while they sell a home and move into a new one.
- Balancing the state budget on the backs of homeowners is unfair in a time when home ownership is becoming less and less affordable.
- The arbitrary income limitations in HB 3349 will make the dream of home ownership even harder to achieve.
- Taking away the mortgage interest deduction will drive down home values for everyone and rob home owners of the equity they've worked hard to create.

¹ 87% of the state general fund budget is sourced from personal income taxes (2017-19 Oregon Bluebook).