



The League of Women Voters of Oregon is a 101-year-old grassroots nonpartisan political organization that encourages informed and active participation in government. We envision informed Oregonians participating in a fully accessible, responsive, and transparent government to achieve the common good. LWVOR Legislative Action is based on advocacy positions formed through studies and member consensus. The League never supports or opposes any candidate or political party.

April 5, 2021

To: [Senate Committee on Finance and Revenue](#)
[Sen. Ginny Burdick](#), Chair

Re: [SB 852](#) – Home Mortgage Interest Deduction Reform – **Support**

The League of Women Voters of Oregon believes in fair, equitable, and stable tax and revenue policies that adequately fund services and functions critical to Oregonians. The League supports a tax system that is based on the ability to pay, but that applies a benefits-received principle wherever reasonable and that recognizes the role of social expediency for justice and equity.

As a state, we need to carefully evaluate every available housing subsidy to ensure that we are doing all we can to meet the overwhelming need for housing. When so many families and individuals have no place to call home, the time is right to redirect a portion of the savings from the mortgage interest deduction from the very highest income earners to assisting people with the greatest housing needs.

The League supports [SB 852](#), the Senate version of [HB 2578](#) the Mortgage Interest Deduction (MID) reform bill, which failed to get a work session by the due date. As currently structured, the MID overwhelmingly benefits the wealthiest Oregonians at the same time so many families are in desperate need of safe and stable housing. SB 852 will reallocate a portion of the resources dedicated to this subsidy to low-income Oregonians and shift the savings to a newly established Oregon Housing Opportunity Account. The resources, administered by the Housing and Community Services Department, will help keep families in their homes and off the street. One of the biggest challenges we face in Oregon is the lack of housing affordable to extremely low-income households, and some of these resources will be available to assist them.

By far, the largest cost in the Oregon Department of Revenue's 2021-2023 Tax Expenditure Report is the federal home mortgage interest deduction allowed for Oregon tax purposes. The report shows that Oregon will lose close to a billion dollars in personal income tax revenue for the 2019-2021 biennium, and over **\$1.1 billion** next biennium on this tax deduction. (Compare this billion-dollar figure to the \$126 million next biennium that Oregon will spend on the Earned Income Tax Credit for low-income working families.)

This bill proposes to eliminate the amount of the mortgage interest deduction available to those few Oregon taxpayers who earn more than \$250,000 in adjusted gross income (AGI) per year and retains a proportion of the deduction for those earning between \$200,000-\$250,000 AGI. These income earners are in the top 5% of AGI. Their MID deduction is worth a small fraction of their income in savings. The deduction would be limited to principal residences only, although the MID can be counted as an itemized business expense deduction on a pro rata basis for a second home if it is used for short and long-term rentals. This will help those currently counting on a vacation home rental to pay their ownership costs. The MID also can be taken for a second home when the owner is actively trying to sell it.

In HB 2578 testimony provided by former Rep. Alissa Keny-Guyer, who first introduced a version of this bill, revenue savings from limiting this deduction would be \$83.5 million (*most of it* or \$77.5 million from

means testing and \$5.9 million from second homes in the second half of this biennium); and **\$197.7** million in 2023-25 biennium (\$185.3 million from means testing and \$12.4 million from second homes in 2023-25). Without requiring any additional General Fund revenue, this revenue would go to a new Oregon Housing Opportunity Account at OHCS to 1) promote affordable home ownership for those least able to access financing, especially those in the BIPOC community and 2) prevent homelessness through rental assistance and other services for those on the brink of losing their homes.

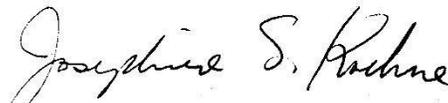
It will also encourage second homes to be rented, which should ease the rental market. In the long run, these reforms should serve as a mild brake on the rising costs of homes that the state has been subsidizing with this deduction, because home buyers have been factoring this deduction in the affordability of home ownership. This helps to explain some realtors' opposition to the bill, whose income is based on a percentage of the home sale price. Several realtors see the fairness and wisdom of this bill, however, and support it. Most, 95% of homeowners, will still be taking the full mortgage interest deduction, as this bill will not affect them.

We care about reducing racial and economic disparities through a fairer, more equitable tax code system, and SB 852 has been carefully designed to move Oregon in the right direction. We urge you to support SB 852.

Thank you for the opportunity to discuss this legislation.



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