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Rural Oregonians get meager share of Oregon's biggest housing subsidy

Rural counties in Oregon are getting the short end of the stick when it comes to the benefits from the state's biggest housing subsidy, according to a new report by the Oregon Center for Public Policy. That subsidy is the mortgage interest deduction, which is expected to cost the state about $1.1 billion in the upcoming budget period.

"By design, the mortgage interest deduction gives a bigger subsidy to homeowners higher up the income ladder, and these taxpayers are concentrated in urban areas," said Juan Carlos Ordóñez, the Center's communications director.

Taxpayers in three urban counties — Clackamas, Multnomah, and Washington — together claimed more than half (56 percent) of all of the mortgage interest deductions in 2014, according to the Center. Overall, 87 percent of mortgage interest deductions were claimed by taxpayers in Oregon's urban counties.

While population size alone would suggest that taxpayers in urban counties get a bigger share of mortgage interest deduction dollars, the Center found that six urban counties received a larger share of mortgage interest deduction dollars than each county's share of Oregon taxpayers. Those counties are Clackamas, Columbia, Deschutes, Multnomah, Washington, and Yamhill. All other counties in the state received a smaller share of mortgage interest deduction benefits than their share of taxpayers, the report found.

For homeowners who can take advantage of it, the mortgage interest deduction indirectly lowers the cost of owning a home, Ordóñez explained. Those who claim the deduction reduce their taxable income by the amount of interest paid on their mortgage, which in turn leads to a reduction in taxes. The tax savings is the deduction amount multiplied by the top tax rate for the homeowner, which is typically 9 percent.

In the upcoming budget period, Oregon's mortgage interest deduction will cost the state about $1.1 billion, according to the Oregon Department of Revenue. "This is far and away Oregon's biggest housing subsidy," Ordóñez said. "And the data shows that most of that subsidy is going to those who don't need help affording a home."

"At a time when Oregon faces a statewide housing crisis, the mortgage interest deduction is doing nothing to alleviate the problem," said Ordóñez. "The deduction is also exacerbating economic inequality and the rural-urban economic divide."

A coalition of housing advocates, faith leaders and other community groups are asking the Oregon legislature to reform the mortgage interest deduction. Ordóñez explained that the goal is to limit the tax subsidies going to those at the top of the income scale, and invest the savings into increasing the supply of affordable homes and rental units, as well using some of the money to prevent homelessness.

The Oregon Center for Public Policy (www.ocpp.org) is a non-partisan, non-profit institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.

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Note to editors and reporters:

Read the report Mortgage Interest Deduction Dollars Mainly Flow to Urban, Not Rural, Counties. The report includes a fact sheet for each of Oregon's 36 counties.