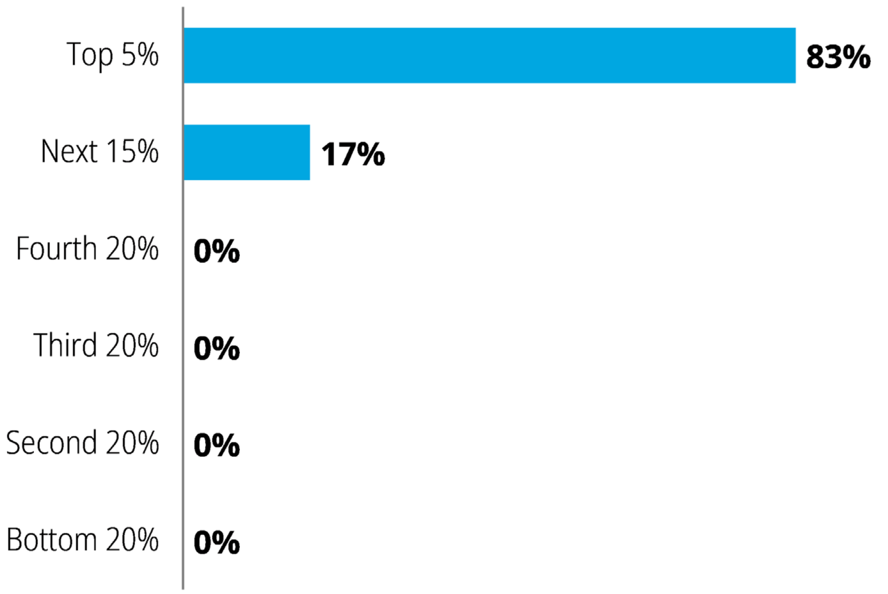
How to pay (PAE) for it? Reform the mortgage interest deduction.

Oregon suffers from a severe, long-standing housing crisis. Many families are one missed paycheck away from eviction, tens of thousands of Oregonians experience homelessness each year, and many families cannot afford the steep price of buying a home. Oregon needs to invest in in making housing more affordable. One way to generate the necessary resources is through a common-sense reform of Oregon's biggest housing subsidy.

Reform of mortgage interest deduction targets high-income homeowners

Share of total revenue raised paid by income group



The data above only includes the impact of the reduced deduction by income and not the limit to second homes because of data limitations.
Source: OCPP analysis of ITEP data.

For full citations and other publications in the How to PAE For It? series please read this report on our website OCPP.org/how-to-pay-for-it/

Good tax reform is Progressive, Adequate, and Equitable (PAE)

Good tax reforms share three characteristics. They are **progressive,** asking proportionately more of the rich than the poor. They are **adequate**, meaning they raise enough revenue to support the public services Oregonians need. And they are **equitable**, helping reduce economic disparities that are the product of our nation's history of racial and gender exclusion and oppression.

$280,000,000

The amount of funding that could be raised to address housing insecurity through these reforms.

Progressive: An upside-down housing subsidy: mortgage interest deduction dollars mainly flow to the rich

The mortgage interest deduction is a housing subsidy that mainly benefits well-off homeowners, not Oregonians struggling to keep a roof over their heads. To benefit, folks need to own a home with a mortgage and itemize their tax deductions. As a result, high income households capture most of the deduction benefits. Reforming the mortgage interest deduction by phasing out eligibility for tax filers who earn above $200,000 and eliminating the deduction altogether for those who earn more than $250,000 would raise much-needed revenue while ensuring Oregonians are not subsidizing housing for the rich.

Adequate: Common-sense reforms of the mortgage interest deduction would free up about $280 million to address the housing crisis

Costing around $900 million per budget period, the mortgage interest deduction is far-and-away Oregon's biggest housing subsidy. Most of that money is wasted on well-off homeowners who don't need help affording a home. Beginning to phase out eligibility for the deduction at $200,000 and eliminating the deduction altogether for households earning more than $250,000 would affect only the wealthiest Oregon tax filers. If lawmakers enact the policy proposal and disallow the deduction on second (vacation) homes, the total revenue raised would be about $280 million.

Recently, a bipartisan group of Oregon mayors hoped to pursue a $125 million in additional state funding to address homelessness. Reforming the mortgage interest deduction for high-income households could fund this effort, twice.

Equitable: Reform mortgage interest deduction would help address inequitable housing policies reduces disparities in homeownership

From the theft of land belonging to Native peoples, to the denial of federally subsidized home mortgages to Black and other people of color during the New Deal era, to the subprime fiasco of the 2000s where banks preyed on Black and Latino communities and other discriminatory policies, racism has shaped the landscape of homeownership. Today, Black and Latino Oregonians are far less likely to own a home than White Oregonians, and thus far less likely to benefit from the mortgage interest deduction. OCPP estimated that only 42 percent of Oregonians of African American descent own their homes, as opposed to 69 percent for those with Western European origin. Reform of the deduction is an important step toward more equitable housing and tax policy.