



# community alliance of tenants

April 17, 2023

To: Chair Meek, Vice-Chair Boquist, and Members of the Committee,

Re: Support for SB 976

Dear Chair Meek, Vice-Chair Boquist, and Members of the Committee,

Thank you for having this hearing on SB 976. I am submitting testimony on behalf of the Community Alliance of Tenants. I urge your support for this important piece of legislation to rein in wasteful aspects of our tax code and to make meaningful investments in addressing our ongoing housing crisis.

The Community Alliance of Tenants is a membership-based statewide association of tenants that represents thousands of tenants throughout Oregon. We educate and empower tenants to demand safe, stable, and affordable rental homes. We believe that housing is the basis of a strong community. Our board deliberated on this issue and concluded that many of the resource issues that prevent us from building additional affordable housing or helping tenants remain in their housing could be alleviated by correcting the tax code to ensure that there is a real public benefit.

Oregon continues to suffer from a continuing and deepening housing crisis. There simply are not enough safe, stable, and affordable homes for everyone Oregonian to call home in our state. Meanwhile, the mortgage interest deduction dedicates roughly one billion dollars every budget period and is—by far—the biggest expenditure on housing by the state, yet this subsidy is wasted on subsidizing housing for those who do not need help: that is, the state’s most well-off homeowners. Despite being the largest housing subsidy in Oregon, the Mortgage Interest Deduction (MID) fails to directly benefit any renter in Oregon, whose housing costs weigh more heavily compared to homeowners.

While the MID stands to potentially benefit first-time homebuyers, it also stands to further enrich Oregon’s most wealthy households. An audit of the program by the Oregon Secretary of State last year reported that **the mortgage interest deduction “is designed in a way that systematically benefits higher income”** homeowners, and that “roughly 18,000 taxpayers with incomes in the top 1% . . . received more benefit from the MID than the 727,000 taxpayers in the bottom 40% combined.”

When this Legislature considers the effectiveness of housing subsidies, as a matter of good public policy, subsidies should be extended to families that need assistance the most. In the context of mortgage interest deduction, it would be a reasonable outcome if such an important housing subsidy were to be extended to homeowners with the lowest of incomes, first-time homebuyers, or to work in a way to address racial disparities in homeownership. As the deduction is currently structured, it, unfortunately, falls short of promoting homeownership opportunities.

SB 976 seeks to reform Oregon's mortgage interest deduction to prevent waste and dedicate funding to those families that are in the greatest need of support in achieving homeownership or avoiding homelessness.



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First, SB 976 continues to allow most households to deduct mortgage interest. For most families across the

state, SB 976 will result in no change in their tax obligations. Only when incomes rise beyond \$200,000 in adjusted gross income for the year will the mortgage interest deduction begin to phase out. For households with incomes over \$250,000 the mortgage interest deduction will be completely phased out. Second, the mortgage interest deduction will be disallowed for any home other than the taxpayer's primary residence. This means that Oregon will no longer subsidize vacation homes or second homes. All saved revenue that would otherwise be foregone will be dedicated to a fund to promote existing programs used to promote homeownership for families with lower incomes and to address our state's continuing housing and homelessness crisis.

When so many families across Oregon are struggling with housing instability, it is unconscionable that we continue to subsidize families who are in no need of support from the state. SB 976 is a common-sense piece of legislation that would ensure our tax code works for all Oregonians, not just the most wealthy among us.

We urge your support for SB 976. Thank you for your time and for your service to the state.

Sincerely,

Kim McCarty  
Executive Director  
Community Alliance of Tenants