

TO: Oregon Senate Committee on Finance and Revenue

FM: Tom Cusack, Oregon Housing Blog.

Subject: Testimony in support of SB 976, scheduled for a public hearing before your committee on April 12, 2023.

I live in Lake Oswego, am a retired Director of the Oregon Office of the US Department of Housing and Urban Development, and the author of the [Oregon Housing Blog](#). (Twitter: @oregonhousing). I am writing in support of SB 976 that would phase out the Oregon mortgage interest deduction beginning at \$200,000 and ending at \$250,000 of income.

I have prepared four graphs on pages 2 and 3 that illustrate that even **WITH the proposed changes** homeowners would:

- Continue to receive significant state and federal subsidy that reduces their housing expense AND
- Continue to significantly increase their equity/wealth, even with ZERO home value appreciation.

EXAMPLE

Assumptions: \$720,000 mortgage [2023 conforming loan limit is \$726,200] at 6% interest and marginal tax rates of 24% federal and 9.9% state.

AFTER these reforms were in place a homeowner with an income of \$225, 000 would STILL receive:

OVER 5 YEARS, TOTAL BENEFIT=\$110,513

- STATE AND FEDERAL MID SUBSIDY=\$60,505 (Includes \$10,423 in state MID SUBSIDY)
- ACCUMULATED PRINCIPAL, NO APPRECIATION= \$50,008
- **COMBINED THESE BENEFITS TOTAL \$110,513**

OVER 5 YEARS, AVERAGE PER MONTH BENEFIT=\$1,884

- AVERAGE MONTHLY MID SUBSIDY, STATE AND FEDERAL=\$1,001
- AVERAGE MONTHLY EQUITY INCREASE—NO APPRECIATION=\$833
- **COMBINED THESE AVERAGE MONTHLY BENEFITS TOTAL \$1,884**

During the same time periods a **RENTER**, at ANY income, would be entitled to

- **ZERO** state and federal rent subsidy.
- **ZERO** equity/wealth accumulation.

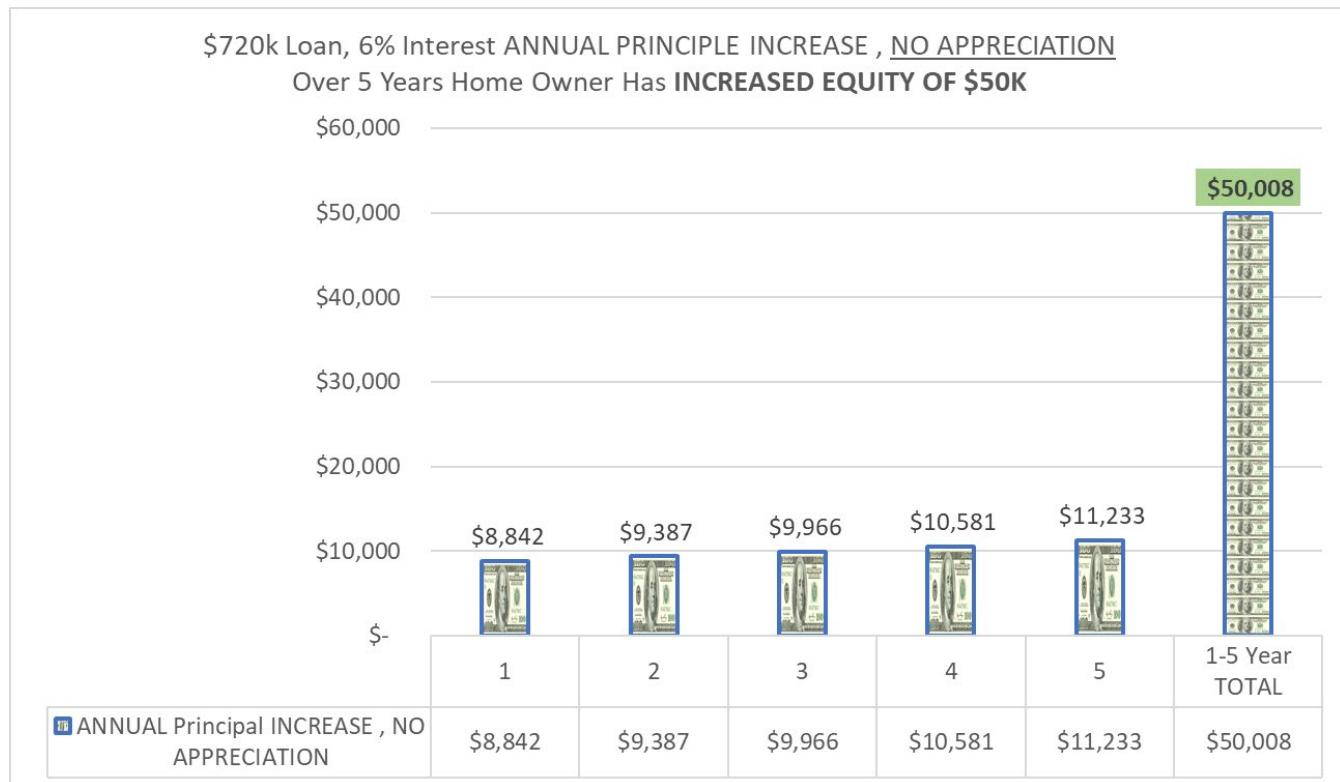
Note that homeowners.

- With incomes less than \$200,000 would continue to receive 100% of their existing state and federal mortgage interest deduction.
- With incomes above \$250,000 would continue to receive their **FULL federal** mortgage interest deduction. (**\$50,519 over 5 years and an average of \$830 monthly in the example above**).
- **Are highly UNLIKELY to have zero home value appreciation over 5 years;** any appreciation would **ADD TO the \$50,008** homeowner equity/wealth increase shown in my example.

\$720K LOAN, 6% INTEREST, \$225K INCOME.

5 YEAR CONTINUING STATE AND FEDERAL MID SUBSIDY AFTER \$250K PHASE OUT= \$60,505

5 YEAR ACCUMULATED PRINCIPAL, NO APPRECIATION= \$50,008



\$720K LOAN, 6% INTEREST, \$225K INCOME.

5 YEAR AVERAGE MONTHLY MID SUBSIDY, STATE AND FEDERAL=\$1,001

5 YEAR AVERAGE MONTHLY EQUITY INCREASE—NO APPRECIATION=\$833

Over 5 Years

WITH a \$250K Oregon MID Income Limit a Borrower with \$225K Income and a \$720K 6% Interest Loan Would KEEP An Average of **\$1,001 A MONTH** in State and Federal MID SUBSIDY



\$720k Loan, 6% Interest ANNUAL PRINCIPAL INCREASE , NO APPRECIATION

Over 5 Years Home Owner Has

INCREASED EQUITY BY AN AVERAGE OF \$833 A MONTH

