



April 12, 2023

Senate Committee on Finance & Revenue
Oregon State Legislature
900 Court Street NE
Salem, OR 97301

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

My name is Loren Naldoza and I am writing to you today on behalf of the Oregon Housing Alliance to express our enthusiastic support for SB 976, which would address concerning wasteful inequities in Oregon's tax code, and make meaningful investments in addressing our ongoing housing crisis.

There are simply not enough safe, stable, and affordable places for every Oregonian to call home. There are approximately 18,000 Oregonians experiencing homelessness in our state.¹ Far too many of us in this state are living without a roof over our heads, and too many others are a single paycheck away from facing homelessness themselves.

Similarly, the prospect of becoming a homeowner in Oregon is further out of reach, especially for communities of color. The Joint Task Force on Addressing Racial Disparities in Homeownership ("the Task Force") reported that Black Oregonians have the lowest rates of homeownership, with 32.2% of households owning a home, compared to 65.1% of White Oregonians, and that an additional 63,842 households of color would need to become homeowners to eliminate the gap in homeownership rates.²

There is a clear and continued need to make meaningful investments in [1] preventing and addressing homelessness, and [2] promoting homeownership opportunities among families with lower incomes and among communities of color. Oregon over the years has made strong investments in both of these areas, from developing and preserving permanent supportive housing, to providing down payment assistance and Individual Development Accounts (IDAs) to prospective homebuyers.

No housing subsidy is larger, however, than Oregon's mortgage interest deduction.

The MID is, by far, the largest housing subsidy granted by the State of Oregon. When this Legislature considers the effectiveness of housing subsidies, as a matter of good public policy, it would be reasonable that such subsidies be extended to those eligible families that need assistance the most. Or at the very least, such a large housing subsidy would be constructed in a way such that it would not go to families who are not in need of support from the state.

¹ Office of the Governor. *Mission Focused: Top Priorities in the 2023-2025 Governor's Budget*. Feb. 1, 2023, https://www.oregon.gov/gov/Documents/missionfocused_23-25.pdf.

² Joint Task Force on Addressing Racial Disparities in Home Ownership. Report on Addressing Barriers to Home Ownership for People of Color in Oregon. Oregon State Legislature, Dec. 2019 at 6. Available at: <https://olis.oregonlegislature.gov/liz/2019I1/Downloads/CommitteeMeetingDocument/254992>

Instead, the MID overwhelmingly benefits high income taxpayers. Specifically, the top 1% of Oregon taxpayers (roughly 18,000 households) receive more benefit from the MID than the 727,000 taxpayers in the bottom 40% combined.³ As we have found in our work in the Joint Task Force on Addressing Racial Disparities in Homeownership, the fact that so few people of color in Oregon are homeowners lends to the reality that the MID goes disproportionately to white households, which only works to worsen racial disparities in homeownership.

The Housing Alliance believes that the MID can continue to have value if its scope is limited as to provide to homeowners with lower incomes, as would be the case in SB 976. In partnership with other resources such as Individual Development Accounts and state-funded down payment assistance, the MID could be a contributing factor in promoting homeownership among lower-income families, but should not be done at the expense of continuing to allow give an unneeded housing subsidy to families who earn over \$250,000 in AGI.

SB 976 retains the MID, but makes it far more equitable. The bill has three major components.

First, SB 976 continues to allow most homeowners to deduct mortgage interest, with no change in their tax obligations. Only when incomes rise beyond \$200,000 will the mortgage interest deduction begin to phase out. For households with adjusted gross 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.

Third, SB 976 establishes the Oregon Housing Opportunity Account. Recaptured revenue that would otherwise be wasted on mortgage interest deductions for wealthy households will be rededicated [1] for promoting homeownership among communities of color and low-income families and [2] for preventing and addressing homelessness in Oregon.

Speaking to the third element of SB 976, Oregon has several excellent programs that have a better track record at promoting homeownership opportunities than the mortgage interest deduction, all of which are in great need of stable, increased funding. Examples include down payment assistance for first time homebuyers, foreclosure counseling for homeowners at risk of losing their homes, and individual development accounts (IDAs).

The success of the IDA program as a path to homeownership provides an illustrative example of the need for stable funding for existing housing programs. The IDA program provides matched savings accounts that boosts the power of a participant's own income and savings, by matching each dollar saved in the program anywhere from 1:3 to 1:5. The program provides funding for families but also information about the financial systems that they're interacting with, and financial coaching. This is a seriously successful program, that has leveraged \$33 million of savers' own money in reaching their asset building goals, and has resulted in more than 16,000 IDAs across the state since the program's creation in 1999.⁴ Like many programs, the IDA program is severely underfunded; with the funding the program has available, it is not able to open up IDAs for everyone that would like to start saving towards homeownership. Despite its need for additional funding from the Legislature, this program and others like it do more for low-income prospective homebuyers and Oregon renters than the MID ever could.

³ Oregon Secretary of State, *Without Legislative Action, the Mortgage Interest Deduction Will Remain Regressive and Inequitable*, Report 2022-11 (2022) at 12. Available at: <https://sos.oregon.gov/audits/Documents/2022-11.pdf>.

⁴ For more information, see Oregon IDA Initiative, *Building Inclusive, Resilient, and Racially Just Communities: Evaluation Report*, Oct. 2022, <https://oregonidainitiative.org/evaluation/>.

Oregon's MID is in dire need of reform by the Legislature. This is a tax expenditure that subsidizes the housing of the richest 18,000 taxpayers, and does nothing to assist the over 18,000 Oregonians experiencing homelessness across the state. It is the epitome of bad policy and must be reformed by passing SB 976. Thank you very much for the opportunity to share testimony with you today, and for your service to our state.

Sincerely,

Loren Naldoza
Oregon Housing Alliance