

Mortgage Interest Deduction
Reform and Funding for the
National Housing Trust Fund

Delaware Housing Coalition

May 7, 2013

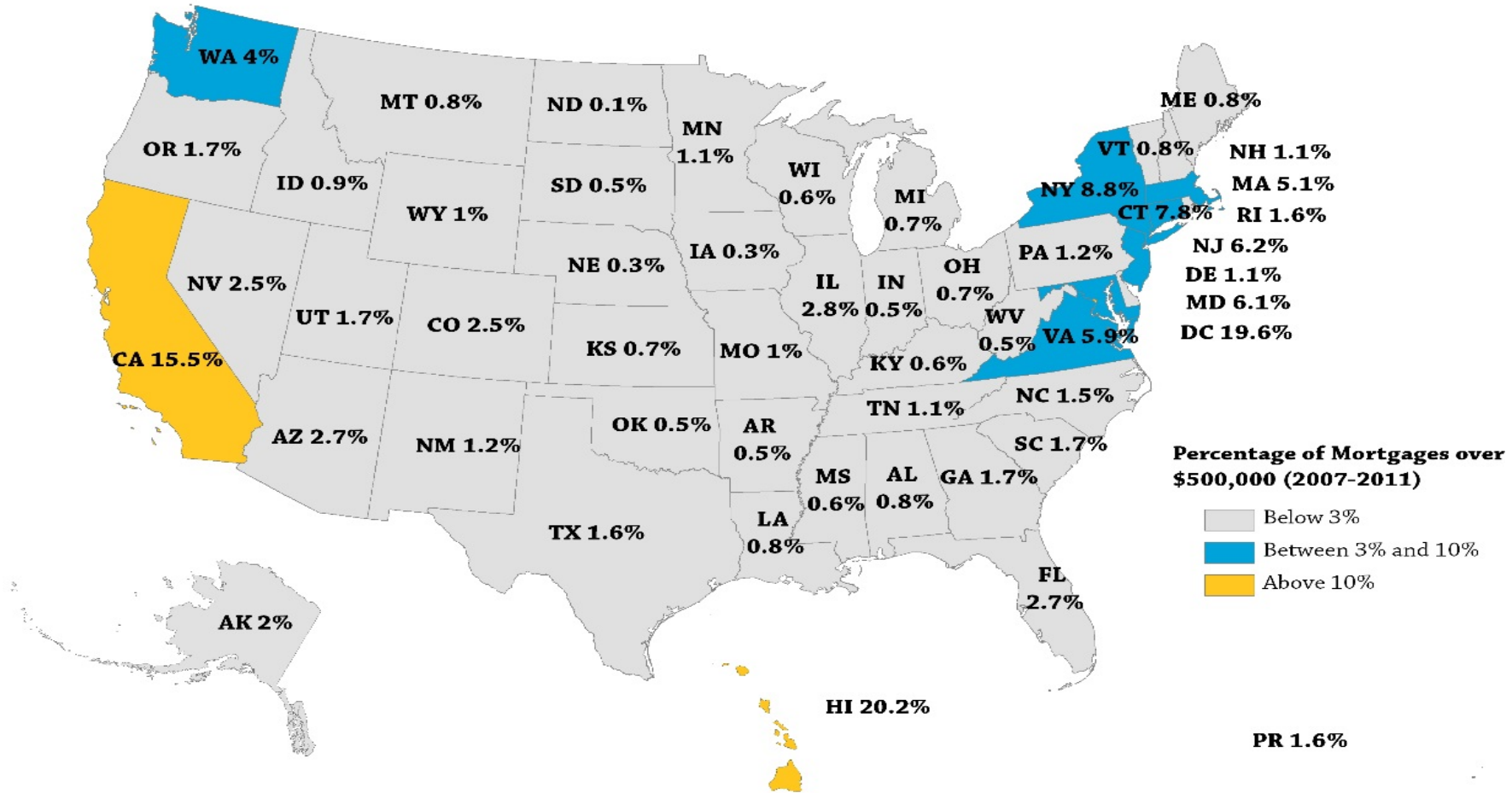
Basics on MID

- **Expensive:** In 2014, will cost \$71.1 billion (JCT, 2013) to \$101.5 billion (OMB, 2013); second largest federal tax expenditure. Average deduction per tax filer in DE in 2010 is \$3,312 (Pew, 2013).
- **Exclusive:** Claimed by 24% of taxpayers and 51% of people who pay mortgage interest (TPC, 2013). Claimed by 30.6% tax filers in DE in 2010 (Pew, 2013).
- **Regressive:** Taxpayers with incomes of \$200,000 or more are 14% of all taxpayers and receive 34% of MID benefit. Taxpayers with incomes of \$100,000 or more are 55% of all taxpayers and receive 77% of MID benefit (JCT, 2013).
- **Beloved:** 79% of Americans think MID is a good idea (BRS poll, Feb. 2013).

Reform proposal

- Lower mortgage eligible for tax break from \$1 million (plus \$100,000 for home equity loans) to \$500,000. Allow mortgages for second homes and home equity loans under \$500,000 cap.
- Convert mortgage interest tax deduction to 15% non-refundable mortgage interest tax credit.
- Phase-in changes over five years.
- Allocate revenue raised to the National Housing Trust Fund

The Percentage of Mortgages in the United States over \$500,000, by State (2007-2011)



What about 2nd homes?

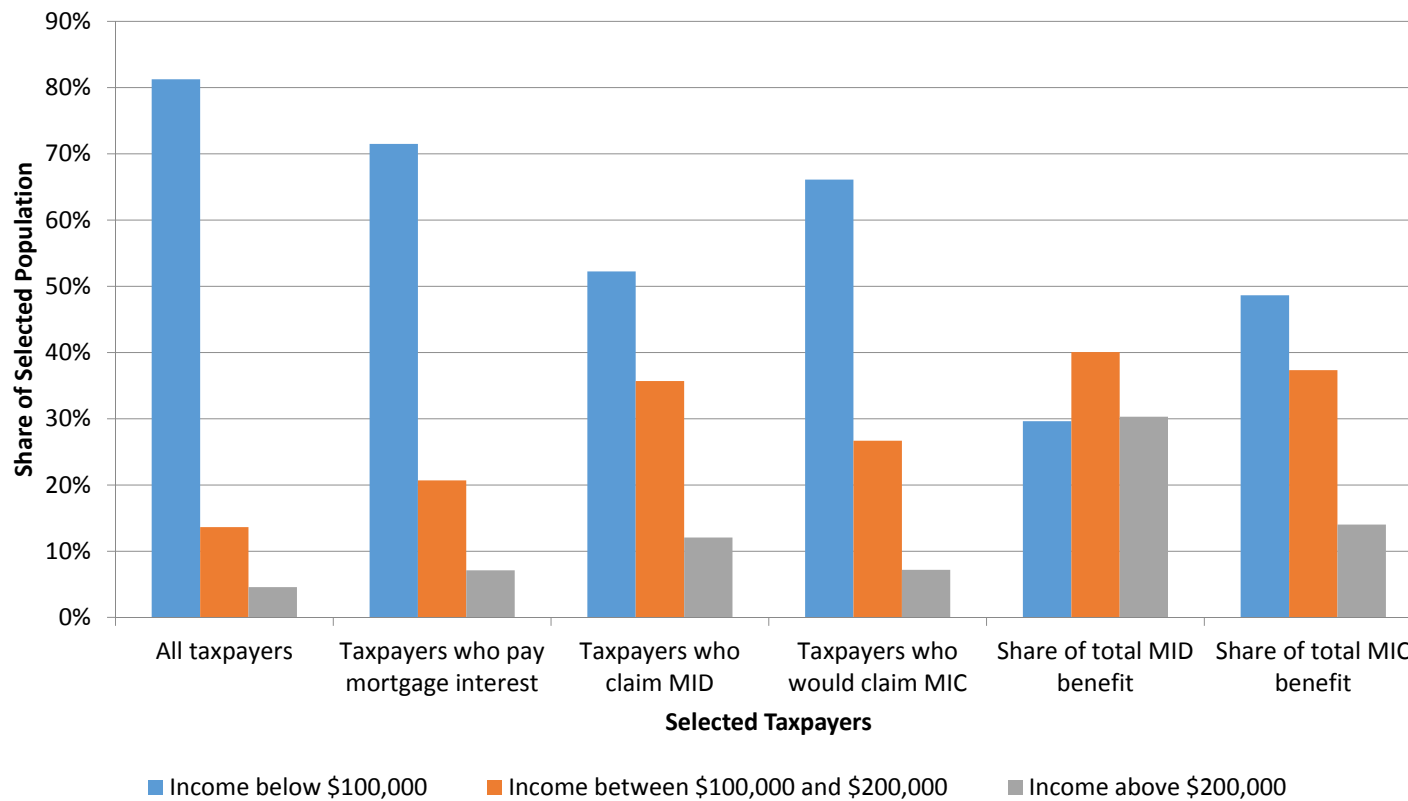
- A common misperception is that mortgages on expensive second homes is why MID costs so much.
- In fact, only 3.6% of all housing units are for “seasonal, recreational, or occasional use.” IN DE, 9.2% of all housing units are second homes; .8% of second homes in U.S. are in DE.
- The median price for vacation homes in 2010 was \$150,000, and the median household income for vacation home purchasers in 2010 was \$99,500. (NAR)
- NLIHC estimates that the annual cost of the MID for second homes is less than \$1 billion, 1% or less of the total cost.

Conversion from deduction to credit

- Increases number of homeowners with mortgages who will get a tax break from 39 to 55 million.
- Of the 16 million new beneficiaries, 99% have incomes under \$100,000.

TAX BENEFITS BY INCOME UNDER MID, TAX CREDIT

Effects of Mortgage Interest Tax Reform, by Income
(data based on 15% nonrefundable credit based on Current Law, 2015)



Revenue raised from reform

Options to Replace Mortgage Interest Deduction (MID) with Non-Refundable Personal Tax Credit
Baseline: Current Law
Impact on Tax Revenue (billions of current dollars), 2014-2023
 (TPC, 2013)

Proposal	Fiscal Year										Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-23
Option 1: Replace MID with 15 Percent Nonrefundable Credit and Cap Eligible Amount of Debt at \$500,000	7.2	13.8	17.1	20.2	22.5	24.0	25.5	26.6	27.3	28.7	212.8
Option 2: Phase in Option 1 Over a 5 Year Period	2.9	7.8	13.3	18.6	22.2	24.0	25.5	26.6	27.3	28.7	196.7

Allocate revenue raised from reform to NHTF

- With a \$5 billion annual allocation to NHTF, DE would receive \$11,200,000; \$10 billion = \$22,400,000.
- At least 75% must benefit ELI households; at least 90% must be used for rental housing.
- Build, preserve, rehab, operate rental housing.

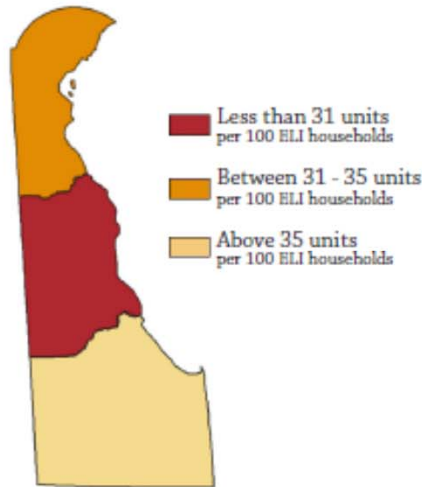
DELAWARE

Senators: Thomas R. Carper & Christopher A. Coons

Many renters in Delaware are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

Last updated: 2/22/13

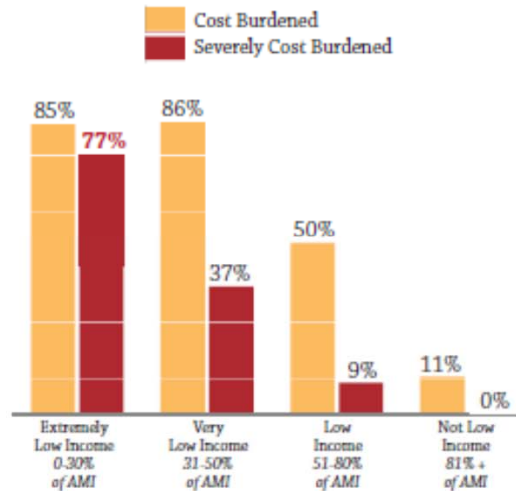
AFFORDABLE & AVAILABLE UNITS FOR ELI RENTER HOUSEHOLDS



Source: NLIHC tabulations of 2005-2009 Comprehensive Housing Affordability Strategy (CHAS) data.

HOUSING COST BURDEN BY INCOME GROUP

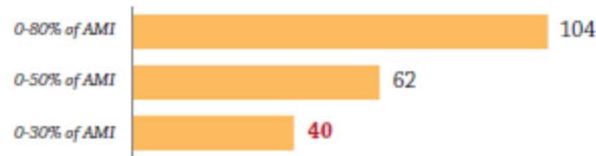
Renter households spending more than 30% of their income on housing costs and utilities are *cost burdened*; those spending more than half of their income are considered *severely cost burdened*.



Source: NLIHC tabulations of 2011 American Community Survey Public Use Microdata Sample (PUMS) housing file.

HOUSING SHORTAGE BY INCOME THRESHOLD

The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.



Source: NLIHC tabulations of 2011 American Community Survey Public Use Microdata Sample (PUMS) housing file.

KEY FACTS

27%

Households in this state that are renters

23,577

OR

25%

Renter households that are extremely low income

\$21,706

Maximum state level income for an extremely low income family of four

14,096

Shortage of units affordable and available for extremely low income renters

\$20.63

State Housing Wage

The amount a renter household needs to earn per hour to afford a two-bedroom unit at the HUD-determined Fair Market Rent

Public support reforms and use new revenue for affordable homes (BRS poll, Feb. 2013)

- 60% support \$500,000 cap on MID
- 60% support conversion from deduction to credit.
- When asked what to do with revenue raised, 68% would use for both deficit reduction and affordable housing to end homelessness.

What you can do:

- Join United for Homes Campaign and endorse proposal for reform:
<http://nlihc.org/unitedforhomes/support..>
- Urge Representative John Carney to Cosponsor H.R.1213:
<http://nlihc.org/unitedforhomes/legislation.>
- Seek endorsements from state and local elected officials.
http://nlihc.org/sites/default/files/U4H_Endorser_Form_EO.pdf.

For more information:

- go to www.UnitedforHomes.org.
- Contact Sheila Crowley at Sheila@nlihc.org.