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DECEMBER 23, 2014

Why the U.S. mortgage interest deduction lives on

 October 28, 2014 by [stevenyoder](#)  [Leave a Comment](#)



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BrendelSignature*

The conservative [Mercatus Center](#) and the liberal [Center on Budget and Policy Priorities](#) don't agree on much. But there's one issue on which their positions converge—the mortgage interest deduction.

Reforming that tax break has support from economists from across the political spectrum, like Dean Baker of the left-leaning [Center for Economic and Policy Research](#) and classical economist [Luigi Zingales](#) of the University of

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Chicago Booth School of Business. But powerful lobby groups with deep pockets and widespread support in both major parties make it unlikely the deduction will go away anytime soon.

Analysts from Mercatus and CEBP make the case that the deduction is subverting its purpose of promoting middle-class homeownership. Jason Fichtner and Jacob Feldman of Mercatus [point to](#) countries with higher homeownership rates than those in the United States—places like Italy (71 percent homeownership), Australia (70 percent), and Canada (68 percent)—none of those have the mortgage deduction.

Instead, they note, 64 percent of the U.S. deduction’s benefits go to households earning more than \$100,000. Of families earning \$50,000 or less, fewer than 10 percent use the deduction, typically because they don’t make enough money to itemize—instead, they take the standard deduction.

That makes the mortgage break useless for most of the 10.5 million homeowners facing severe housing burdens—people who pay more than half their income for housing. The CBPP’s Will Fischer and Chye-Ching Huang cite figures from the congressional Joint Committee on Taxation showing that only 3 percent of the benefits of the deduction went to people in that group.

Instead, evidence indicates that the break’s key effect may be to drive up house sizes. A 2012 [paper](#) in the *Journal of Housing Economics* compared state-level differences in the availability of the interest subsidy and concluded that the deduction accounts for an 11- to 18-percent increase in house sizes. In states with interest deductions, buyers bought about 300 square feet more house.

But the mortgage deduction is only one form of government largesse heaped on homeowners. For example, they also get home sale deductions, property tax deductions, and tax-free capital gains. Of all federal housing subsidies in 2012, [three-quarters](#) of the total went to homeowners versus renters, note Fischer and Huang.

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December 4, 2014

By Joan Oleck – The Hunger Games:

Mockingjay—Part 1

is, for its teen fan base, a powerful lesson in marketing manipulation. For anyone not living in a cave, this third film in the series of four is based on the uber-successful book series by



There's also the hit to the federal budget. The mortgage subsidy will cost the Treasury \$74 billion in 2015, an amount that will grow to \$100 billion by 2018, according to the Office of Management and Budget. That's money advocates say could be used for everything from deficit reduction to lowering overall tax rates to reinvestment in aging infrastructure or schools.

But industries that benefit from the deduction have long used campaign contributions to maintain a strong firewall against reform. In a Center for Responsive Politics [analysis](#) of the biggest 155 campaign contributors since 1989, the National Association of Realtors ranked fourth—the NAR has given almost \$65 million in that period. The National Association of Homebuilders ranks 31st on that list, donating more than \$29 million. And campaign gifts by the Mortgage Bankers Association have [ratcheted up sharply](#) since 2004, reaching \$1.2 million so far this year. All three groups profit from the higher home prices that the deduction makes possible.

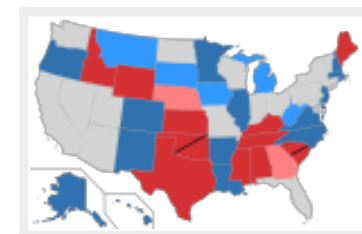
Their clout shows up in both parties. On August 22, 2012, the committee drafting the Republican Party platform dared to [reject](#) a plank calling for preservation of the mortgage deduction. One day later, after lobbying by real estate industry allies, the plank [came back](#) in modified form, with the committee writing that in the absence of an overall overhaul of the tax system, “we must preserve the mortgage interest deduction.”

President Obama took advantage of Republicans' apparent wobbliness on the issue. “I refuse to ask middle-class families to give up their deductions for owning a home ...” he declared in his Democratic convention speech. The Democrats' 2012 platform also doesn't equivocate: “We have long defended the mortgage interest deduction...” it reads.

Still, a few lonely lawmakers from both parties keep hammering at the issue. House Democrat Keith Ellison introduced a bill last spring, with support from 15 other House Democrats, that would cut the cap on mortgages eligible for the deduction from \$1

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November 11, 2014

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October 31, 2014

million to \$500,000 and convert the deduction into a nonrefundable 15-percent tax credit. As a tax credit, filers would directly deduct the amount from their bill rather than having it lower their taxable income, as a deduction does. That way, even the less well-off taxpayers, most of whom don't itemize, would also benefit. The proposal would generate \$20 billion in revenue per year, which Ellison's bill proposes to use to provide more low-income housing.

And in February, Republican House Ways and Means Committee chair Dave Camp proposed a cap on the mortgage deduction identical to Ellison's, though his plan would use the proceeds to increase the standard deduction for all taxpayers.

Neither proposal has budged, but there are hints that the ground may be shifting. Sheila Crowley, president of the National Low Income Housing Coalition, points out a significant event at the beginning of the last Congress in 2011. Then, at the urging of the powerful home builder and real estate lobbies, 198 cosponsors introduced a resolution that no changes be made to the mortgage deduction. But when the current Congress met in 2013, that same resolution attracted only 21 cosponsors.

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but gone**



October 18, 2014

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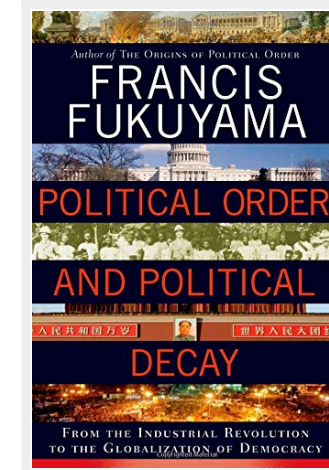
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