



HB 2771 Phases out allowance of property taxes as an itemized deduction

Testimony for House Revenue -- Jody Wiser – 3.7.2017

For four reasons, Tax Fairness Oregon is in favor of this bill that phases out the property tax deduction for those who itemized the deduction, with the deduction eliminated entirely for individuals who have \$125,000 or more in adjusted gross income or \$250,000 for married taxpayers filing jointly.

First, this bill affects only Oregon's wealthiest citizens. By most measures, adjusted gross income of \$250,000 is substantial. It is five times Oregon's average household income. Further, only 2.9% of couples earn that much or more. For most people in Oregon, a \$250,000 household income is an unattainably high annual income.

Second, using Portland as an example, the salary one must earn to buy an average-priced home is \$70,895, less than a third of an adjusted gross income of \$250,000, according to HSH.com (February 13, 2017 study). Thus, this bill doesn't even come close to affecting the poor and middle class, which includes those who are desperately trying to make ends meet on a day-to-day basis. Instead it reduces the public subsidy of homeownership for higher income families who can well afford their homes without such subsidies.

Third, if a \$71,000 salary is necessary to afford a \$354,700 home as reported in the HSH.com's study, one can only imagine that the wealthiest 2.9%, earning over three times as much, have a higher disposal income and are best able to afford the effects of this legislation on their tax bill.

And lastly, Oregon faces a \$1.6 billion deficit. Rather than having the poor and middle class shoulder the burden of reduced school, safety and public health budgets, those wealthiest 2.9%, who commercially benefit most from Oregon's infrastructure, should be asked to bear their fair share.

Evicted by Matthew Desmond, the Library Foundation book of the year, chronicles firsthand the low income housing crisis in the U.S. Desmond puts forward the very convincing argument that housing must come first, before education. It's at the base of Maslow's triangle along with food, water and air.

The book concludes that federal housing subsidies are the solution for low income people. He also provides a few statistics that should be kept in mind as we look at tax fairness.

"We have the money. We've just made choices about how to spend it. Over the years, lawmakers on both sides of the aisle have restricted housing aid to the poor but expanded it to the affluent in the form of tax benefits for homeowners. Today, housing-related tax expenditures far outpace those for housing assistance. In 2008, federal expenditures for direct housing assistance totaled less than \$40.2 billion, but homeowner tax benefits exceeded \$171 billion. That number, \$171 billion, was equivalent to the 2008 budgets for the Department of Education, the Department of Veterans Affairs, the Department of Homeland Security, the Department of Justice, and the Department of Agriculture combined. Each year, we spend three times what a universal housing voucher program is estimated to cost (in total) on homeowner benefits, like the mortgage-interest deduction and the capital-gains exclusion.

"Most federal housing subsidies benefit families with six-figure incomes. If we are going to spend the bulk of our public dollars on the affluent -- at least when it comes to housing --we should own up to that decision and stop repeating the politicians' canard about one of the richest countries on the planet being unable to afford doing more. If poverty persists in America, it is not for lack of resources."

Oregon's housing subsidies are equally unbalanced, largely because we follow federal laws. The total of the Property Tax Deduction, the Mortgage Interest Deduction, and the Capital Gains Exclusion from Income are expected to total \$1.9 billion next biennium -- unless you act in one way or another.

However, given the choice between this bill and the reduction in the Mortgage Interest Deduction, we think the MID is the better choice. Reducing both the Property Tax Deduction and the Mortgage Interest Deduction in one session seems both a stretch for this building, and abrupt for those who both measures would affect.

We read the bills and follow the money