

REPUBLICAN TAX REFORM PROPOSAL



SAMPLE TALKING POINTS

The Republican tax reform bill proposes to reform the mortgage interest deduction (MID) by reducing the size of a mortgage that is eligible for the tax break from \$1 million to the first \$500,000 on new home sales. The bill also increases the standard deduction and eliminates the tax break on second homes.

Experts across the ideological spectrum agree that the MID is highly problematic. Research shows that the MID primarily benefits higher income households, does not promote homeownership, and increases inequality.

The reforms included in the Republican tax plan would be a step in the right direction — *if the savings were reinvested into targeted housing solutions that serve people with the lowest incomes, like the national Housing Trust Fund or a renters' tax credit*. Instead, it recycles the savings back to wealthy people by offsetting the cost of repealing the estate tax and lowering corporate taxes.

It is critical to push back on any tax reform proposal that uses the savings generated from reforming the MID to pay for tax cuts for the highest income earners and to call for reinvesting scarce housing dollars back into affordable rental housing solutions for people with the greatest needs. In doing so, policymakers should avoid defending the MID.

FOCUS: TAX CUTS FOR MILLIONAIRES AND CORPORATIONS

The Republican tax plan uses housing dollars to offset the cost of repealing the estate tax for millionaires

- The Republican tax plan uses housing dollars to offset the cost of repealing the estate tax for millionaires, instead of reinvesting these scarce resources to address the affordable rental housing crisis for people with the lowest incomes.
- At a time when America's housing affordability crisis continues to reach new heights, Congress should be reinvesting scarce housing dollars back into affordable housing solutions for people with the greatest needs – including extremely low income seniors, people with disabilities, veterans, and families with children – not to pay for repealing the estate tax for millionaires.

FOCUS: THE NEED FOR REINVESTMENT

Affordable housing is the key to economic mobility.

- One of the biggest barriers to economic prosperity for America's lowest income families is the lack of decent, accessible, and affordable homes.
- When families have stable, decent, and accessible homes that they can afford, they are better able to find employment, achieve economic mobility, perform better in school, and maintain improved health.
- Increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility.

Investing in affordable housing creates jobs and strengthens communities.

- Increasing access to affordable housing increases wages and economic growth.
- Each dollar invested in affordable housing boosts local economies by increasing wages, generating local tax revenue, and supporting job creation.

AVOID: DEFENDING THE MID

Avoid defending the MID as a tool to promote homeownership.

Instead of defending the MID, NLIHC encourages Members of Congress to focus on the need to reinvest the savings into affordable rental housing – not to pay for repealing the estate tax.

Economists from across the ideological spectrum agree that the MID:

- **Primarily benefits higher income households.** The top 20% of the highest income households receive 75% of MID dollars; the top 1% of earners get 15%. We spend more than \$10 billion a year to help some of the wealthiest people in the world buy their homes through the MID.
- **Does not promote homeownership.** Half of all homeowners do not benefit from MID, and nearly all MID dollars go to higher income households who would likely choose to buy a home without this tax break. The U.S. has the same homeownership rate as countries without a MID.
- **Increases income inequality.** We spend more to help households earning more than \$200,000 buy their home – through the MID and other homeownership tax breaks – than to help the poorest 55 million families with incomes below \$50,000 keep roofs over their heads.
- **Fuels the racial wealth gap.** The MID primarily benefits higher income, white households, leaving behind black and Latino households who tend to have lower homeownership rates and incomes.

PROPOSALS TO REFORM THE MID

NLIHC's [United for Homes](#) campaign proposes smart, modest reforms to ensure the MID better serves low and moderate income homeowners and generates significant savings to be reinvested into affordable rental housing solutions that serve people with the greatest needs, like the national Housing Trust Fund and rental assistance.

The campaign calls for:

- **Converting the deduction into a credit.** Half of all homeowners receive no benefit from the MID because they do not itemize their tax deductions. By converting the MID into a credit, 25 million low and moderate income homeowners will see a greater tax break, including 15 million households that currently receive no benefit from the MID.
- **Reducing the amount of a mortgage that is eligible for tax relief from \$1 million to the first \$500,000.** This would impact fewer than 6% of all mortgages. Homeowners with large mortgages would still receive a tax break on the first \$500,000 of their mortgage. Economists agree that this would have virtually no effect on homeownership rates.
- **Reinvesting the significant savings into affordable rental homes for people with the greatest needs.** Together, these reforms would generate \$241 billion in savings over 10 years to be reinvested in affordable rental housing solutions that serve people with the lowest incomes, like the national Housing Trust Fund or rental assistance.