



## MEMO

**DATE:** September 27, 2012

**FROM:** John Russonello, Emma White, and Pilar McKay

**RE:** Support for Reforming the Mortgage Interest Deduction

This memo highlights the findings from a national public opinion survey conducted for the National Low Income Housing Coalition (NLIHC). The survey explored the public's attitudes toward the mortgage interest deduction (MID), possible housing finance system reforms, and programs to assist low-income individuals to obtain housing. The results show that:

- While most Americans support maintaining the mortgage interest deduction, majorities across political party and including homeowners would also support changes to make it more targeted to middle and low-income homeowners; and
- There is considerable support for federal programs to help renters afford housing, particularly when the programs build new housing or rehab existing homes.

Belden Russonello Strategists LLC conducted the nationally representative telephone survey of 1,006 adults, including oversamples of 100 African Americans and 100 Latinos. Interviews were conducted on landlines and cell phones from August 7-19, 2012. The margin of sampling error for the survey is plus or minus 3.1 percentage points at the 95% level of confidence and is larger for subgroups within the survey.

## Findings

**1. American adults continue to broadly support tax breaks on the interest from home mortgages and are open to different ways of providing that tax relief, including changing the MID so it will better serve middle and low income homeowners and save the federal government money.**

- Three quarters (76%) of the public continue to believe the mortgage interest deduction is a good idea, while only about 22% hold a negative view. This is about what the public felt a year ago when the NLIHC/BRS survey asked the same question.
- The support for the MID does not stop the public from embracing specific reforms to make it more targeted to middle class Americans:
  - Over six in ten (63%) favor placing a cap on the maximum mortgage for which someone can get a tax break at \$500,000, while 34% opposes such a change.
  - A majority (56%) also favors replacing the current MID, which gives a higher percentage of income deduction for people with higher incomes, with a flat tax credit that is the same percentage for all homeowners who pay mortgage interest. Forty-one percent of Americans oppose this idea.
  - Homeowners broadly support modifications to the MID. Sixty-one percent support the cap and 53% support the tax credit.
  - Politically, more Democrats (68%) than Republicans (61%) and Independents (62%) support the mortgage cap, while lightly more Independents (59%) support the flat tax credit than Democrats (53%) and Republicans (55%).

**2. The survey finds a number of motivations behind Americans' support for altering the home mortgage interest deduction – a belief that high income people do not need more tax breaks, a desire to reduce the federal budget deficit, and a concern for those at the bottom of the economic ladder for whom decent housing has been elusive.**

- The top reasons for supporting changes in the current MID reflect a desire to make it more targeted to moderate and lower-income homeowners. These reasons include:
  - “These changes would cut taxes for most low and moderate income homeowners with mortgages, putting more money in their pockets and helping the economy” (60% very good reason); and
  - “The government should stop subsidizing million dollar houses and use the money it saves in ways that help low and middle-income people” (59% very good).

- The next most persuasive reasons for changing the MID focus only on fiscal responsibility by government or the belief that higher-income people should pay their fair share.
  - “These changes would save the federal government between 20 billion dollars and 40 billion dollars a year” (48% very good); and
  - “Higher income homeowners will be paying their fair share, rather than getting a bigger tax break for buying a more expensive house” (46% very good).
- The reasons that are less persuasive echo the same themes as those that are more popular, but do so in different ways. For example, describing the changes as “saving” the government money is more popular than criticizing the MID for costing the government money. In addition, pointing out that only half of current homeowners are helped by the MID is not as compelling as other messages.
  - “Almost all homeowners with mortgages would get a tax break, rather than just the 52% of mortgage-holders who have incomes high enough to benefit from the current deduction” (41% very good);
  - “Most high-income homeowners with mortgages would pay more in taxes” (38% very good); and
  - “We cannot afford to keep the mortgage deduction the way it is now because it costs the federal government over 100 billion dollars a year” (30% very good).

### 3. Americans see that the housing needs of the nation go beyond boosting homeownership.

- Nearly seven in ten (68%) Americans believe people not being able to find housing they can afford is a large problem in the U.S. – a problem on par with not being able to afford adequate nutrition (64%), and not being able to afford college (68%)
- Over six in ten (63%) Americans would make ending homelessness a top or high priority with the funds saved from scaling back the MID. This sentiment swept across almost all partisan and ideological categories: conservative Democrats (80%), moderate and liberal Democrats (71%), conservative independents (60%), moderate and liberal independents (57%), and moderate and liberal Republicans (66%). Conservative Republicans fall just short of the majority in support (46%).
- There is broad public support for spending money saved by MID modifications on low-income housing programs, including building new or rehabbing existing homes for low-

income people (49% top or high) and expanding existing programs helping low-income families pay rent (42% top or high).

- Majorities indicate considerable support for housing programs that focus on people who rent rather than own homes.
  - Nearly seven in ten (69%) favor expanding a federal program to build new or rehab existing homes that low income people can afford to rent. This program wins support from Democrats (85%), Republicans (54%) and independents (62%); and
  - Nearly six in ten (59%) favor expanding the existing federal program that helps low-income families pay their rent. The rental assistance program is more popular among Democrats (77%) and independents (55%) than among Republicans (37%).

**4. African Americans and Latinos prioritize low-income housing issues at higher rates than Whites, but all three groups support MID modifications in similar proportions.**

- Seventy-five percent of African Americans and 64% of Latinos believe that affordable housing for low-income people is top or high priority, compared to only 38% of White Americans.
- Likewise, larger percentages of African Americans and Latinos than Whites would expand programs that would help low-income families find affordable housing including: building or rehabbing houses to be used as affordable housing (net favor: 89% African Americans; 83% Latinos; 62% Whites) and giving rent assistance to low-income families (net favor: 86% African Americans; 80% Latinos; 50% Whites).
- However, Latinos, African Americans and White Americans have nearly equal amounts of support for the MID and for MID reforms.
  - Eighty percent of Latinos, 78% of African Americans and 75% of White Americans believe that the MID is a very or somewhat good idea.
  - Nearly two thirds of all three groups support capping the maximum mortgage that is eligible for a tax break (Net Favor: 66% African Americans; 64% Latinos; 63% White Americans).
  - More than a majority of all three groups support a flat tax modification for the MID (Net Favor: 59% Latinos; 57% African Americans; 55% of White Americans).

In conclusion, the public is willing to support changes to the MID that will enhance the overall housing picture for low and middle income Americans, both homeowners and renters. Support for changes is rooted in the desire to make the tax break targeted to those who need it most. The public is also willing to spend some of the savings from the MID reforms on rental housing that could be used for low-income renters. These changes in our nation's housing policies are particularly salient to African Americans and Latinos, and felt across a broad spectrum of homeowners, renters, and across both political parties.