NATIONAL LOW INCOME
HOUSING COALITION

www.nlihc.org
Dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes
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HOUSING TAX REFORM
FACT SHEET

<u>Background</u>
The mortgage interest tax deduction is a part of the tax code that allows some homeowners to deduct a portion of the interest they pay on their mortgage from their taxable income.

Under current law, homeowners who itemize on their tax returns can deduct the interest paid on mortgages on first and second homes up to a total of $1 million, and the interest on up to an additional $100,000 in home equity loans.

<u>NLIHC's Housing Tax Reform Proposal</u>
NLIHC proposes reducing the size of a mortgage eligible for a tax break to $500,000, and to convert the deduction to a non-refundable tax credit. A 15% home mortgage tax credit would save the federal government almost $20 billion a year while making this tax benefit more available to the middle and lower income families who need it. Homeowners would receive a non-refundable tax credit for interest on mortgages up to $500,000. Interest on second homes and home equity loans would be eligible for credit under the $500,000 cap.

These changes would mean that all homeowners with mortgages would get a tax break, not just those who have enough income to file itemized tax returns. With a 15% non-refundable credit, the number of homeowners with mortgages who would get a tax break would increase from 39 million to 55 million, with 99% of the increase being households with incomes less than $100,000 a year. It would also provide almost $20 billion a year in savings that can be used to capitalize the National Housing Trust Fund.

<u>Funding the National Housing Trust Fund</u>
The National Housing Trust Fund is a dedicated fund intended to provide revenue to build, preserve, rehabilitate and operate housing for people with the lowest incomes. It was enacted on July 30, 2008 as part of the Housing and Economic Recovery Act of 2008 (HERA). The National Housing Trust Fund is a permanent federal program with dedicated source(s) of funding not subject to the annual appropriations process.

The goal of the National Housing Trust Fund Campaign is to increase the supply of homes that are affordable and available to extremely low income renters by 3.5 million units in ten years. Today, nationwide, there are 9.8 million extremely low income renter households and only 5.5 million rental units that they can afford.

To achieve its goal, the National Housing Trust Fund Campaign supports reform of the mortgage interest deduction in a manner that will save almost $20 billion a year to be directed to the National Housing Trust Fund.

Targeting mortgage interest tax breaks more towards middle and low income homeowners will provide a tax benefit where it is needed most and help the economy by giving homeowners more money to spend. At the same time, our proposal will make it possible to build and rehabilitate rental housing for low income families at risk of homelessness.

Learn more at www.housingtaxreform.org

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