



UNITED FOR HOMES

CAMPAIGN FOR THE NATIONAL HOUSING TRUST FUND

Making the Case for Housing Tax Reform and the NHTF to Real Estate Agents and other Friends

National Low Income Housing Coalition

April 26, 2013

UNITED FOR HOMES Proposal

- Lower cap on the size of mortgage that is eligible for tax break to \$500,000. Allow second homes and home equity loans under the \$500,000 cap.
- Convert deduction to 15% non-refundable tax credit.
- Phase-in both changes over 5 years.
- Direct revenue raised (\$200b over 10 years) to the National Housing Trust Fund (NHTF).



The Real Estate Industry

- Opposes any changes to the mortgage interest deduction.
- Has substantial resources with which to defend its position.
 - ✓ 1 million members of NAR
 - ✓ Media
 - ✓ Political contributions
 - ✓ Lobbying



Media Buys



"Dreams" :30 TV, National Association of REALTORS



"Dreams" :30 TV, National Association of REALTORS

Message: NAR defends your castle. Supports maintaining homeowner tax incentives. Source: <http://www.youtube.com/watch?v=28oZ-ZoQR5U>



Political Contributions and Lobbying

- NAR is a “Heavy Hitter,” one of the 140 biggest donors to federal elections since 1990.
- NAR contributions to PACs, parties, outside spending groups, and candidates in 2012 = \$13,150,370; *ranks 14 of 21,021*
- \$336,000 to members of the House Ways and Means Committee and \$573,076 to members of the House Financial Services Committee.
- Spent \$41,464,580 on lobbying in 2012; *ranks 2 of 4,369.*

Source: www.opensecrets.org/orgs/summary.php?id=D000000062



What Income Group Gets MID?

- **Real Estate Industry:** More than 60% of the families who claim the mortgage interest deduction have household incomes between \$60,000 and \$200,000.
- **United for Homes:** 55% of taxpayers benefiting from the MID have incomes of \$100,000 or more and receive 77% of the total benefit.



According to JCT

**Table 3.--Distribution by Income Class of Selected Individual Tax Expenditure Items,
at 2012 Rates and 2012 Income Levels [1] – Continued**

[Money amounts in millions of dollars, returns in thousands]

| Income Class [2] | Mortgage Interest Deduction | | Phase out of Personal Exemption for Regular Income Tax, and Denial of Personal Exemption and the Standard Deduction for AMT | |
|------------------------------|-----------------------------|-----------------|---|----------------|
| | Returns | Amount | Returns | Amount |
| Below \$10,000 | 1 | \$1 | [4] | [6] |
| \$10,000 to \$20,000 | 177 | 48 | [4] | [6] |
| \$20,000 to \$30,000 | 489 | 235 | [4] | [6] |
| \$30,000 to \$40,000 | 997 | 585 | 1 | [6] |
| \$40,000 to \$50,000 | 1,792 | 1,151 | [4] | [6] |
| \$50,000 to \$75,000 | 5,799 | 5,906 | 16 | -\$10 |
| \$75,000 to \$100,000 | 6,081 | 7,567 | 53 | -51 |
| \$100,000 to \$200,000 | 14,065 | 29,068 | 500 | -682 |
| \$200,000 and over | 4,701 | 23,606 | 3,348 | -9,384 |
| Total | 34,102 | \$68,166 | 3,917 | -10,128 |

[1] Excludes individuals who are dependents of other taxpayers and taxpayers with negative income.

[2] The income concept used to place tax returns into classes is adjusted gross income ("AGI") plus: (a) tax-exempt interest, (b) employer contributions for health plans and life insurance, (c) employer share of FICA tax, (d) workers' compensation, (e) nontaxable Social Security benefits, (f) insurance value of Medicare benefits, (g) alternative minimum tax preference items, and (h) excluded income of U.S. citizens living abroad.

[3] Positive tax expenditure of less than \$500,000.

[4] Fewer than 500 returns.

[5] Includes the refundable portion.

[6] Negative tax expenditure of less than \$500,000.

NOTE--Details may not add to totals due to rounding.

Source: Joint Committee on Taxation

Poll #1

What percentage of taxpayers claim the MID?

- a. 22%
- b. 34%
- c. 52%
- d. 75%



Poll #1

How many taxpayers claim MID?

- JCT: 22% (34,102,000) in 2012
- TPC: 24% (38,634,000) in 2015

How many taxpayers pay mortgage interest?

✓ TPC: 47% (75,558,000) in 2015

What about standard deduction?



More homeowners will get tax break under the United for Homes proposal than under current MID

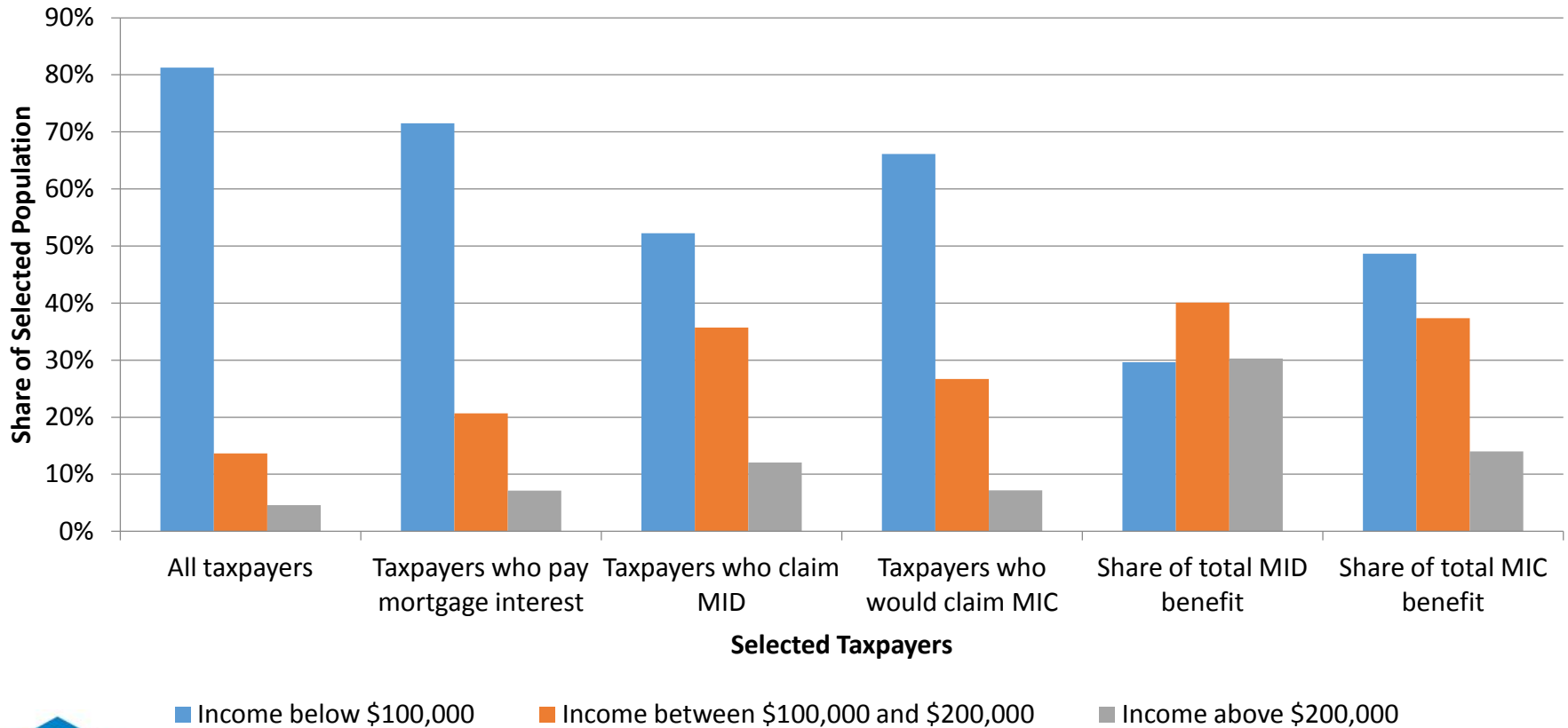
- United for Homes proposal expands number of homeowners who would get a tax break from 38.6 million to 54.9 million.
- Of the 16.3 new beneficiaries, 99% have incomes of \$100,000 or less.
- Try our calculator:

WWW.UNITEDFORHOMES.ORG/PROPOSAL/CALCULATOR



Tax Benefits by Income Under MID, Tax Credit

Effects of Mortgage Interest Tax Reform, by Income
(data based on 15% nonrefundable credit based on Current Law, 2015)



Poll #2

✓ TRUE OR FALSE

The Mortgage Interest Deduction was enacted to incentivize home ownership.



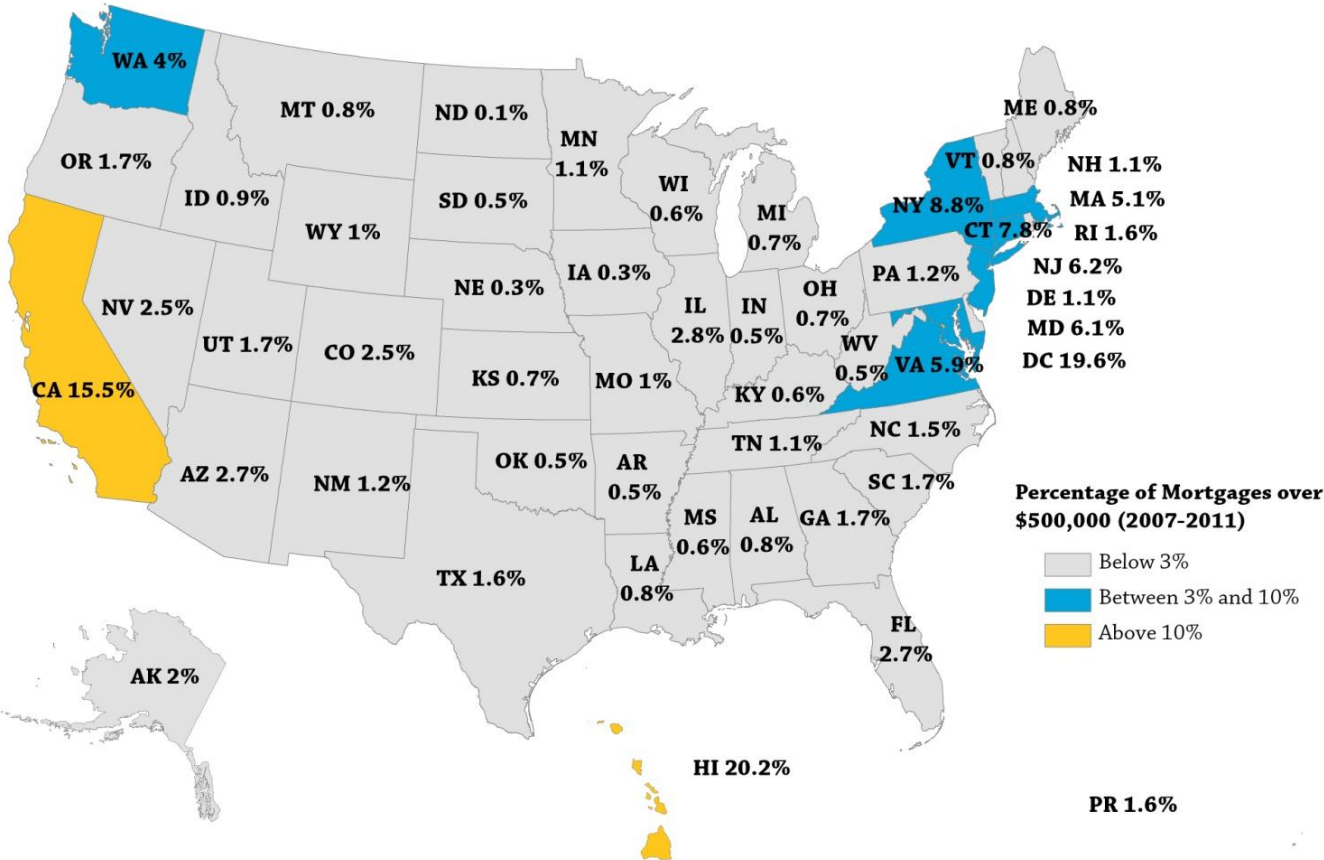
Poll #2

✓ FALSE

- Created in 1913
- All interest paid “within the year by a taxable person on indebtedness.”
- Post WWII
 - ✓ Income tax shift from “class tax to mass tax.”
 - ✓ Growth in homeownership fueled by 30 year mortgage and federal mortgage insurance.



What about lowering cap and high cost areas?



Just 4% of all mortgages in the U.S. from 2007-2011 were over \$500,000.

In 41 states and Puerto Rico, less than 3% of mortgages were over \$500,000.

Between 2007 and 2011, California and New York have a combined number of 693,000 mortgages over \$500,000. That makes up only 2.1% of all mortgages during that time.

Within these high cost areas, low income families are struggling the most. 80% of ELI renter households in CA are severely cost burdened. These are areas where the NHTF would make a great impact.

Source: NLIHC analysis of NCRC tabulations of 2007-2011 Home Mortgage Disclosure Act data



Who recommends reform of MID?

- President's Advisory Panel on Federal Tax Reform (2005)
- National Commission on Fiscal Responsibility and Reform (2010)
- Bipartisan Policy Center Debt Reduction Task Force (2010)
- Bipartisan Housing Commission (2013)



What does public think?

- 79% think MID is good idea
- 60% support lowering cap to \$500,000
- 60% support converting deduction to credit.
- 68% support spending at least some of revenue raised from reform on housing to end homelessness.



What is a home?



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HouseLogic.com



Reclaim the word home

- 35% of all U.S. households are renters.
- They all live in homes. Some homes are apartments, but 53% of all renters live in single family houses (1-4 unit dwellings).
- A home is not an asset; it is the place where you live.
- Someone who is homeless lacks a home.
- Everyone can have a safe, decent, and affordable home if we simply rebalance federal housing policy and make better use of federal housing resources.



Advocating for our proposal

- Modification, not elimination.
- Tax breaks to more homeowners.
- Yes, some people will pay higher taxes, but many more people will finally have affordable rental homes.
- No evidence of harm to housing market.
- Wide support for reform.



TAKE ACTION!

- Talk with your local real estate agents about our proposal.
- Let us know what they think.
- Real estate agents are on the Hill. You need to be there too!

Resources available at WWW.UNITEDFORHOMES.ORG



Questions?



Poll # 3

On a scale of 1 to 3, how prepared do you feel to have a conversation about the United for Homes proposal with your neighborhood real estate agent?

- 1) ready to go!
- 2) a little shaky, but will give it a try.
- 3) not at all

About UNITED FOR HOMES

- United for Homes is the campaign to fund the National Housing Trust Fund with revenue raised from modifications to the mortgage interest deduction.
- Access resources and learn more about our proposal at www.unitedforhomes.org
- Join thousands of advocates in endorsing the campaign at www.unitedforhomes.org/support



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Follow Sheila on Twitter [@sheilaatnlihc](https://twitter.com/sheilaatnlihc)

SAVE THE DATE

Making Twitter an Effective Tool for Spreading
the United for Homes Message

Friday, May 3, 2013

3-4pm EST

