UNITED TO

End Homelessness
Build a Strong Foundation
Strengthen Communities

THE UNITED FOR HOMES SOLUTION

United for Homes urges reform of the mortgage interest deduction (MID)—a $70 billion a year tax write-off that largely benefits America's highest income families—and a reinvestment of the savings in housing that serves families with the greatest, clearest, most pressing needs through solutions like the national Housing Trust Fund (HTF) and rental assistance programs.

THE ISSUE

While federal investments in affordable rental housing have a proven track record of reducing homelessness and housing poverty, these solutions are sorely underfunded. As a result, just 1 in 4 poor families that are eligible for rental housing assistance get the help they need. Meanwhile, half of all homeowners do not benefit from MID, and nearly all of MID dollars go to households with incomes over $100,000.

For our nation to fully address the affordable housing crisis for families with extremely low incomes, we must rebalance scarce resources to increase investment in proven solutions.

OUR SOLUTION

Make modest reforms to the MID to expand and target its availability — and reinvest the savings in targeted affordable rental housing programs that serve families with the greatest need through solutions like the national HTF and rental assistance programs.

THE PROPOSAL WOULD HAVE ZERO COST TO THE FEDERAL GOVERNMENT, AND WOULD:

1. Provide a tax break to an additional 15 million low and moderate income homeowners who currently do not claim the MID;
2. Provide $241 billion over 10 years to address pressing affordable rental housing needs, including ending homelessness, helping veterans, seniors, families with children, and people with disabilities afford their apartments, and fighting poverty; and
3. Support nearly 4 million jobs, generating $282 billion in local revenue and $53 billion in local tax revenue.

UNITED FOR HOMES PROPOSES TWO SIMPLE REFORMS TO THE MID:

1. Reduce the amount of a mortgage eligible for a tax write-off from $1 million to $500,000 (impacts less than 6% of mortgage holders); and
2. Convert the MID deduction into a nonrefundable 15% credit.

These changes would save $241 Billion in savings over 10 years, to be reinvested in affordable rental housing for the lowest-income families.

WHY WE SHOULD REFORM MID

The United for Homes proposal would expand and better target the MID to maximize its impact.	Reducing the size of a mortgage eligible for the MID to the first $500,000 would significantly reduce costs, while impacting very few homeowners. Only 6 percent of mortgages are over $500,000 (2013-2015 HMDA data); the other households would still receive tax relief for the first $500,000 of their mortgage. The current MID tax break is based on a deduction. As a result, millions of low and moderate income homeowners who do not itemize their deductions receive zero tax benefits from homeownership. And, because the value of the deduction is based on a household's tax rate, the MID provides more than twice as much support to households in the highest tax bracket than to lower-income families with the same size mortgage. Converting MID from a deduction to a credit would ensure that all homebuyers, including first-time and low and moderate income homeowners who most need the assistance to purchase a home, are receiving the benefit without increasing the cost to taxpayers. These reforms would provide a tax break to an additional 15 million low and moderate income homeowners who currently do not claim the MID, while generating $241 billion in savings over 10 years to be reinvested in affordable rental housing programs for the lowest-income families.
The MID currently benefits America's richest families who do not need help to be stably housed.	According to the Congressional Budget Office, the top 20% of highest income households receive 75% of the benefits of the MID, and the top 1% get 15% of the benefits. In fact, $59 billion a year–80% of the MID–goes to households making more than $100,000 a year; $30 billion–40%–goes to households earning more than $200,000.
Economists agree that MID does little to promote homeownership.	Three-fourths of all taxpayers do not benefit from the MID. This includes about half of all homeowners who simply take the standard deduction on their taxes and households who rent. Those who do benefit from the MID are primarily higher income households who would choose to buy a home whether or not they were receiving the tax benefit.

WHY SAVINGS SHOULD BE REINVESTED INTO AFFORDABLE HOUSING

- **It's time to reprioritize and rebalance scarce federal housing resources to serve families with the greatest needs.** Overall, about 60 percent of federal housing spending benefits households with incomes above $100,000. The 7 million households with incomes of $200,000 or more receive a larger share of these resources than the more than 55 million households with incomes of $50,000 or less, even though lower-income families are far more likely to struggle to afford housing. At a time when America's housing affordability crisis continues to reach new heights, our nation should be investing scarce resources into programs that serve the poorest among us.
- **Housing is the key to reducing poverty and increasing economic mobility.** Research shows that increasing access to affordable housing is the most cost-effective strategy for reducing childhood poverty and increasing economic mobility in the United States. Stanford economist Raj Chetty found that children who moved to lower poverty neighborhoods saw their earnings as adults increase by approximately 31%, an increased likelihood of living in better neighborhoods as adults, and a lowered likelihood of becoming a single parent. Moreover, children living in stable, affordable homes are more likely to thrive in school and have greater opportunities to learn inside and outside the classroom.
- **Increasing access to affordable housing bolsters economic growth.** Research shows that the shortage of affordable housing costs the American economy about $2 trillion a year in lower wages and productivity. Without affordable housing, families have constrained opportunities to increase earnings, causing slower GDP growth. In fact, researchers estimate that the growth in GDP between 1964 and 2009 would have been 13.5% higher if families had better access to affordable housing. This would have led to a $1.7 trillion increase in income, or $8,775 in additional wages per worker.

  Moreover, each dollar invested in affordable housing boosts local economies by leveraging public and private resources to generate income–including resident earnings and additional local tax revenue–and supports job creation and retention.

THE UNITED FOR HOMES CAMPAIGN
1000 Vermont Avenue, NW · Suite 500 · Washington, DC 20005
202-662-1530 · www.unitedforhomes.org
@united4homes
www.facebook.com/UnitedForHomes
02/09/2017