

Tax Revision Would Harm Home Ownership – Submitted by Helen Jarratt, AAR President

There has been much discussion in Washington lately about changing tax policy as it relates to the deduction for mortgage interest. When President Obama's deficit commission released its final report in December, it recommended a host of controversial spending cuts and tax changes that would cut \$4 trillion in debt over the next decade. Among the proposals is a scaled-back mortgage interest deduction (MID) for homeowners.

Measures to promote homeownership, such as the mortgage interest deduction, have been federal policy for decades, and with good reason. Historically, the real estate industry has generated between 15 and 18 percent of the gross domestic product.

Changing the mortgage interest deduction (MID) will have a long-range ripple effect on everyone, including the nation's 75 million homeowners, with the most immediate impact on the 47 million homeowners who currently take the deduction.

Diminishing this vital public investment in our housing economy will put downward pressure on prices at a time when the housing market cannot take that kind of hit. Any reduction in the mortgage interest deduction will put us in a broader economic recession, according to NAR Chief Economist Lawrence Yun. He has projected that home values could fall 15 percent nationwide as buyers discount the value of the MID in their purchase offers.

The tax deductibility of interest paid on mortgages is a powerful incentive for homeownership and has been one of the simplest provisions in the federal tax code for more than 80 years. In a new survey of nearly 3,000 homeowners and renters commissioned by NAR and conducted online in October 2010, nearly three-fourths of homeowners and two-thirds of renters said the mortgage interest deduction was extremely or very important to them.

Homeownership also provides real financial benefit to families as a vehicle for personal savings, wealth creation and of financial advancement. Millions of middle-class homeowners and those that aspire to be homeowners rely on the MID to make homeownership affordable.

And homeownership benefits communities. People who own their homes vote more, volunteer more and participate more in community initiatives, providing resources and stability to neighborhoods across America.

For all these reasons, homeownership has been a boon to our nation--one that policymakers have long supported. Eliminating or diminishing the mortgage interest deduction, as recently proposed by the National Commission on Fiscal Responsibility and Reform, is a policy mistake that would stop the housing recovery in its tracks, undermine a cornerstone of our economy and chill consumer behavior for years to come.

As we face up to our mounting deficit, we have to be careful not to stifle markets that generate significant economic activity and have a positive impact on the revenue side of the equation.

The Alaska Association of REALTORS® strongly urges members of the state's congressional delegation to reject any effort to diminish the mortgage interest deduction (MID) as this would further erode a critical cornerstone of families, communities and our economy and would be dangerously counterproductive.