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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National Low Income Housing Coalition

HOUSING TAX REFORM PROPOSAL

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.

Targeting mortgage interest tax breaks more towards middle class and lower income homeowners will provide a tax benefit where it is needed most and help the economy by giving homeowners more money to spend. It would also produce savings that could be used to create jobs and prevent homelessness by building, rehabilitating, preserving and operating rental housing that low income families can afford.

THE PROPOSAL

NLIHC proposes the following reforms to mortgage interest tax breaks:

- **Reduce the size of a mortgage eligible for a tax break to $500,000.**
  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. By lowering the cap, more homeowners would be eligible to receive the tax benefit. Interest on second homes and home equity loans would also be eligible for credit under the $500,000 cap.
- **Convert the mortgage interest deduction to a 15-20% non-refundable tax credit.**
  By reforming the deduction to a credit, all homeowners with mortgages could receive this benefit, not just those who have enough income to file itemized tax returns.

BENEFITS OF REFORM

Our housing tax reform proposal would:

- **Make the mortgage interest tax break more available to the middle and lower income families.**
  With a 20% tax credit, the number of homeowners with mortgages who would get a tax break would increase from 43 million to 60 million, with 92% of the increase being households with incomes less than $100,000 a year.
- **Save the federal government between $20 billion and $40 billion a year.**
  NLIHC proposes that these savings could be used to build and rehabilitate affordable rental housing by capitalizing the National Housing Trust Fund.

LEARN MORE & TAKE ACTION

- **Questions and Comments?** Contact NLIHC's Outreach Team at outreach@nlihc.org or 202-662-1530.
- **Visit www.housingtaxreform.com today!**
  - Use our Housing Tax Reform Calculator.
  - Access resources including Frequently Asked Questions and the results of a national public opinion survey on housing tax reform.
  - **Sign on to support NLIHC's proposal for reformed mortgage interest tax breaks!**
- Visit www.nhtf.org to learn more about the National Housing Trust Fund and how capitalizing it can help solve America's affordable housing problems.

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