Don't sow doubt over mortgage interest deduction

By Michael Dey

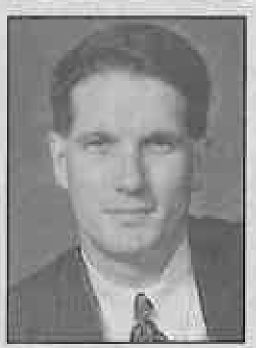
The study commission formed by President Barack Obama to find ways to reduce the growing federal budget deficit recently proposed a substantial reduction in the mortgage interest deduction. The proposal follows other discussions in Washington about eliminating or severely reducing federal tax incentives for homeownership.

Homeownership is a bedrock principle of the American economic policy. For most Americans, our homes are our single largest asset. For middle-class Americans, homeownership is the most important way to build wealth and secure our future. For these reasons, the federal government for nearly 100 years has incentivized homeownership through tax policy in various forms. The mortgage interest deduction is the cornerstone of American housing policy.

Cutting the tax benefits associated with owning a home in the name of deficit reduction would send shockwaves through the economy. Eliminating or limiting the mortgage interest deduction would further depress home values, raise the tax rate for millions of working families, erode the local tax base of most communities, reduce consumer spending and confidence, and could result in a new wave of home foreclosures.

The mortgage interest deduction retains strong public support. A recent nationwide survey by Public Opinion Strategies found Americans overwhelmingly oppose any action by Congress to tamper with the mortgage interest deduction. Seventy percent would oppose a political candidate who proposed eliminating this vital housing tax incentive.

GUEST COLUMN



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It's easy to understand this sentiment. The mortgage interest deduction primarily helps middle-class homeowners; 89 percent of taxpayers who use the deduction make less than $200,000 per year.

The deduction is a key consideration when households work out their financial ability to afford their monthly mortgage payments. Changing the rules and limiting the deduction would be unfair. It would take money out of the pockets of those homebuyers who rightfully counted on the deduction being there when they needed it. It also would create a crisis of confidence in the American housing market that will harm a blossoming economic recovery.

Undermining the mortgage interest deduction is also exceedingly poor housing policy for our young people as they begin establishing households of their own. Members of a generation that is even larger than the generation of their parents, the children of the baby boomers, will be settling down in the years ahead. They will increasingly aspire to own a home.

Unfortunately, young people have been among the hardest hit by the recession. They are taking longer to establish careers and, as a result, they have limited wealth.

For many young people, the availability of the deduction will determine whether they are able to afford even the smaller homes that are expected to predominate in the first-time buyer market in the next decade.

For those who already own a home and those who eventually want to buy one, sowing seeds of doubt over the viability of the mortgage interest deduction is a dangerous game.

Restoring the health of the housing industry is a crucial first step in leading the economy to higher ground and addressing the federal deficit. The construction of 100 single-family homes in Greenville generates 305 jobs, $14.5 million in salaries and wages, and $1.9 million taxes and fees to government.

The path forward is perfectly clear: Congress needs to take actions that will create sustainable upward momentum in housing — not raise taxes on America's homeowners.

Eliminating the mortgage interest deduction would result in a massive increase in federal income taxes for middle-class homeowners, end the dreams of our children to own the "American Dream," and sink the nascent housing and economic recovery.

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