Few claim mortgage benefit

But those who do say deduction is vital

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Designed to boost homeownership, the mortgage interest deduction is one of the most popular provisions of the tax code. But Internal Revenue Service data show only 25% of tax filers claim it.

The use of the deduction varies from region to region, ranging from a high of 37% of taxpayers in Maryland to a low of 15% in North Dakota and West Virginia, according to a USA TODAY analysis of IRS data.

As Congress and President Obama look for a deal to avert self-imposed austerity measures known as the "fiscal cliff," mortgage interest deductions are among policy changes that could close the gap between what the government spends and what it takes in. That's in part because the mortgage deduction comes at a significant price tag to the federal Treasury: $108 billion a year.

IRS data underscore the uneven benefit of the mortgage interest deduction, which is popular in high-cost areas but rarely claimed in areas with low housing costs. That's because the deduction is available only to those who itemize deductions. And the numbers work only for taxpayers whose total deductions — for mortgage interest, charitable giving and other expenses — are worth more than the standard deduction.

In states with high costs of housing — California, Hawaii, Washington, Virginia, Maryland and Nevada — the average deduction is more than $12,000 a year per taxpayer, easily surpassing the standard deduction ($11,900 for a married couple filing jointly for 2012) even before charitable contributions and other deductions.

Industry groups are lobbying heavily to keep the deduction untouched and cite its broad public support.

Keri Peckham, 34, a marketing director for an economic consulting company, lives in a three-bedroom house in San Diego with her husband and two children. They paid $529,000 for their first home two years ago — a price they could afford in part because of the tax benefits. "All this criticism I've read that the mortgage interest deduction is just for rich people and all that — we're solidly middle class," she said. "I have an 8-year-old car that's a GMC Yukon. My husband drives a Toyota Camry. We hardly live extravagantly."

Experts question whether the deduction is the best tool for encouraging ownership. "It's more valuable for people at the upper ends of the income distribution," said Andrew Hansen, an associate professor of economics at Marquette University in Milwaukee. "They're not at the margin between renting and buying. They're between buying something and buying something bigger."