



UNITED FOR HOMES

CAMPAIGN FOR THE NATIONAL HOUSING TRUST FUND

Mortgage Interest Deduction Reform
and Funding for the National Housing
Trust Fund

Housing Action Illinois

November 5, 2013

NATIONAL LOW INCOME HOUSING COALITION
2013 STATE HOUSING PROFILE

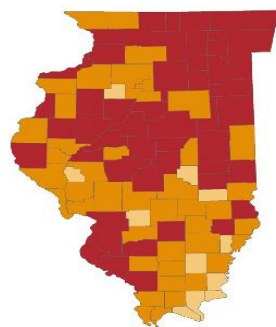
ILLINOIS

Senators: Richard J. Durbin and Mark Kirk

Many renters in Illinois are extremely low income and face a housing cost burden. Across the state, there is a deficit of rental units both affordable and available to extremely low income (ELI) renter households, i.e. those with incomes at 30% or less of the area median income (AMI).

Last updated: 8/1/13

AFFORDABLE & AVAILABLE UNITS FOR ELI RENTER HOUSEHOLDS

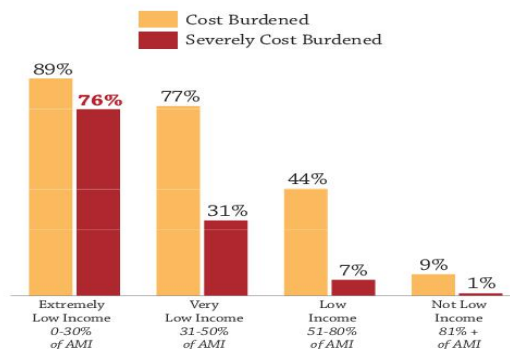


- Less than 47 units per 100 ELI households
- Between 47 - 76 units per 100 ELI households
- Above 76 units per 100 ELI households

Source: NLIHC tabulations of 2006-2010 Comprehensive Housing Affordability Strategy (CHAS) data.

HOUSING COST BURDEN BY INCOME GROUP

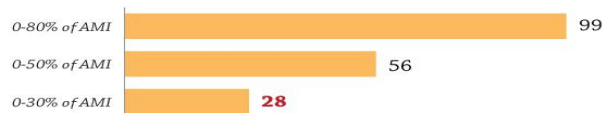
Renter households spending more than 30% of their income on housing costs and utilities are *cost burdened*; those spending more than half of their income are considered *severely cost burdened*.



Source: NLIHC tabulations of 2011 American Community Survey Public Use Microdata Sample (PUMS) housing file.

HOUSING SHORTAGE BY INCOME THRESHOLD

The lower the income threshold, the greater the shortage of affordable and available units per 100 renter households.



Source: NLIHC tabulations of 2011 American Community Survey Public Use Microdata Sample (PUMS) housing file.

KEY FACTS

31%
Households in this state that are renters

424,874
OR
28%

Renter households that are extremely low income

\$21,040
Maximum state level income for an extremely low income family of four

306,064
Shortage of units affordable and available for extremely low income renters

\$17.02
State Housing Wage
The amount a renter household needs to earn per hour to afford a two-bedroom unit at the HUD-determined Fair Market Rent



National Housing Trust Fund

- Established in 2008, but not yet funded.
- At least 75% must benefit ELI households; at least 90% must be used for rental housing.
- Block grant to states; states prioritize needs.
- Build, preserve, rehab, operate rental housing.
- If funded at \$5 billion a year, IL would get \$237,500,000.



Basics on MID

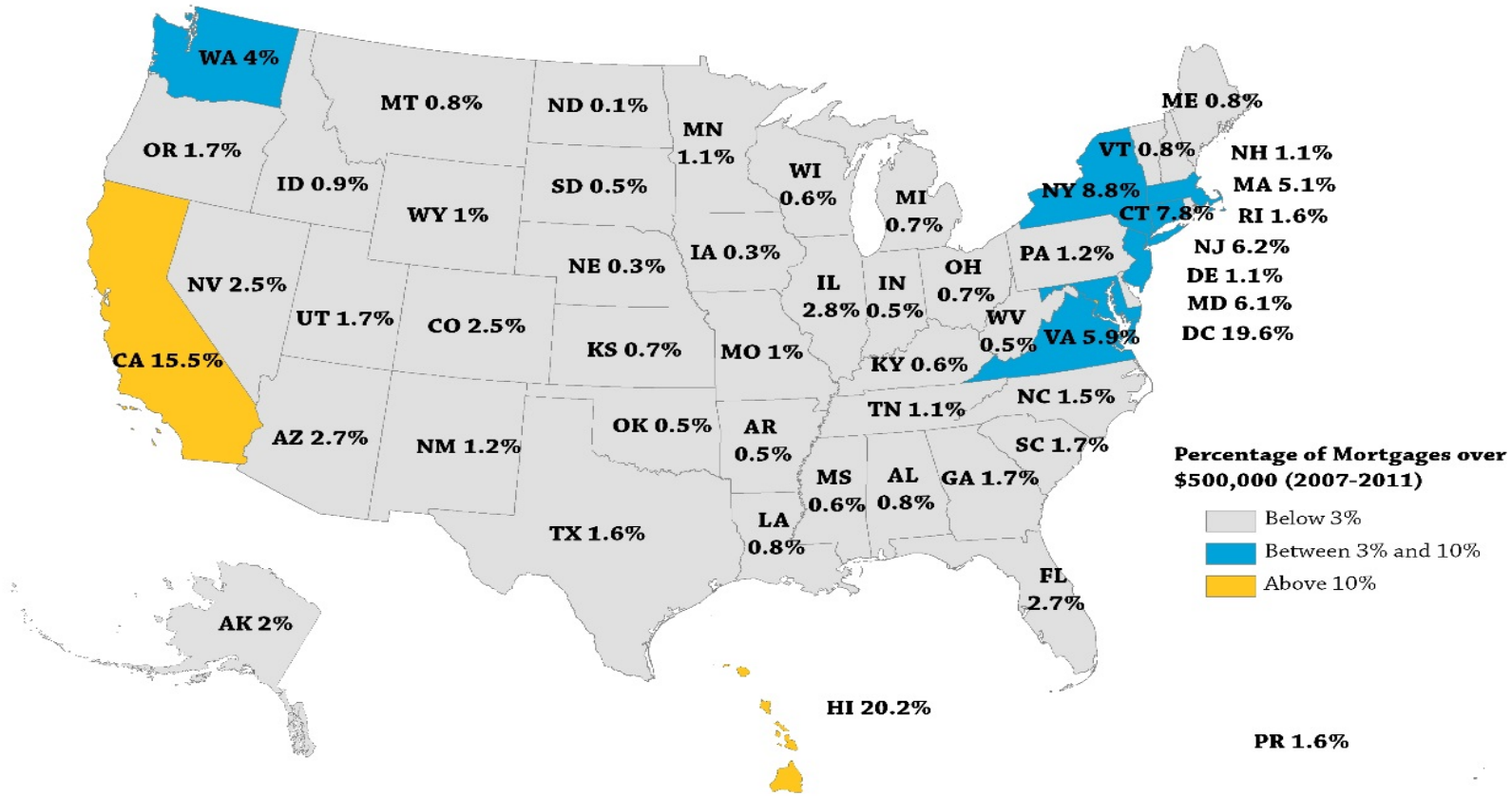
- **Expensive:** In 2014, will cost \$71.1 billion (JCT, 2013) to \$101.5 billion (OMB, 2013); second largest federal tax expenditure.
- **Exclusive:** Claimed by 24% of taxpayers and 51% of people who pay mortgage interest (TPC, 2013).
- **Regressive:** Taxpayers with incomes of \$200,000 or more are 14% of all taxpayers and receive 34% of MID benefit. Taxpayers with incomes of \$100,000 or more are 55% of all taxpayers and receive 77% of MID benefit (JCT, 2013).
- **Beloved:** 79% of Americans think MID is a good idea (BRS poll, Feb. 2013).



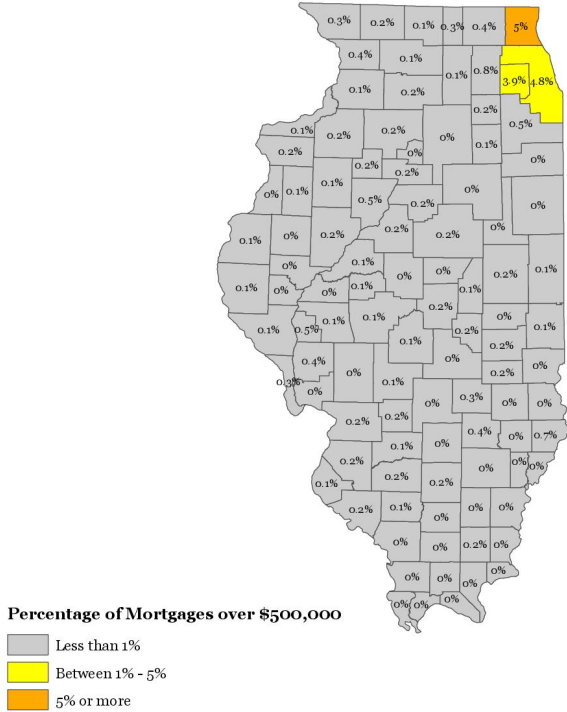
Reform proposal

- Lower mortgage eligible for tax break from \$1 million (plus \$100,000 for home equity loans) to \$500,000. Allow mortgages for second homes and home equity loans under \$500,000 cap.
- Convert mortgage interest tax deduction to 15% non-refundable mortgage interest tax credit.
- Phase-in changes over five years.
- Allocate revenue raised to the National Housing Trust Fund

The Percentage of Mortgages in the United States over \$500,000, by State (2007-2011)



PERCENTAGE OF MORTGAGES IN ILLINOIS OVER \$500,000 BY COUNTY (2009-2012)



Source: National Low Income Housing Coalition (NLIHC) analysis of 2009-2012 Home Mortgage Disclosure Act (HMDA) data.

Last Updated October 24, 2013



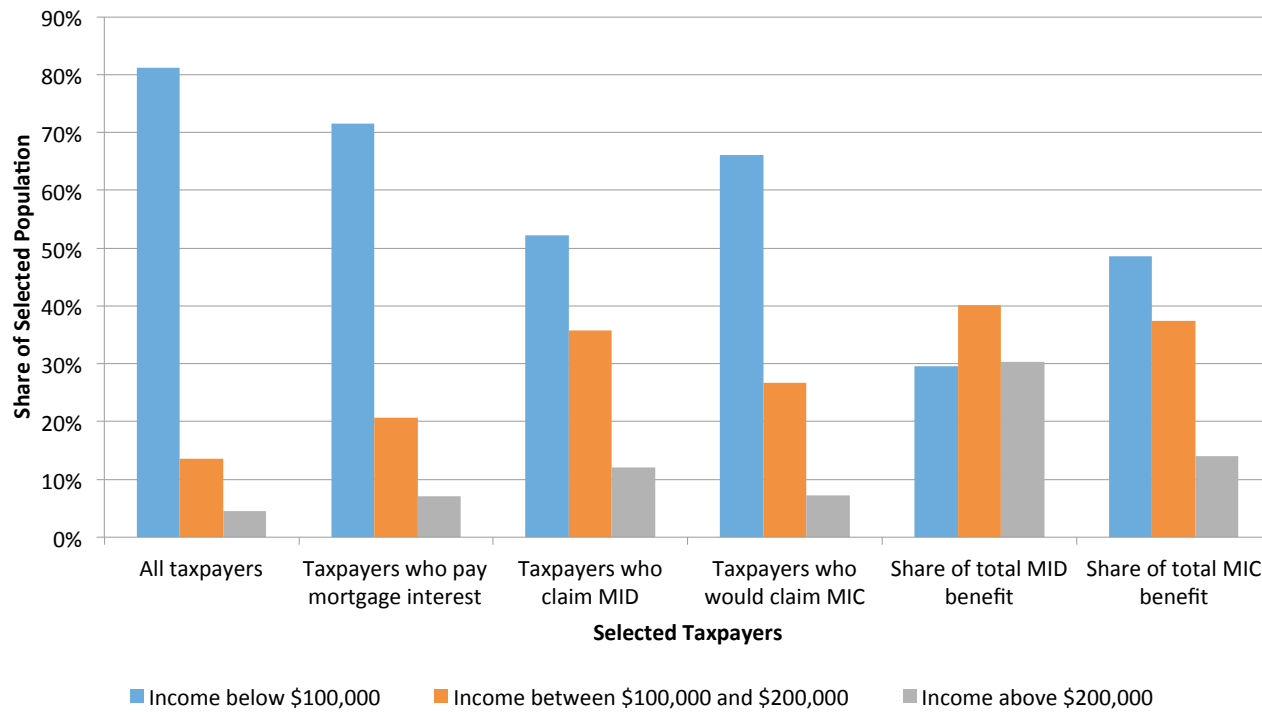
Conversion from deduction to credit

- Increases number of homeowners with mortgages who will get a tax break from 39 to 55 million.
- Of the 16 million new beneficiaries, 99% have incomes under \$100,000.



TAX BENEFITS BY INCOME UNDER MID, TAX CREDIT

Effects of Mortgage Interest Tax Reform, by Income
 (data based on 15% nonrefundable credit based on Current Law, 2015)



Revenue raised from reform

Options to Replace Mortgage Interest Deduction (MID) with Non-Refundable Personal Tax Credit
 Baseline: Current Law
 Impact on Tax Revenue (billions of current dollars), 2014-2023
(TPC, 2013)

Proposal	Fiscal Year										Total
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-23
Option 1: Replace MID with 15 Percent Nonrefundable Credit and Cap Eligible Amount of Debt at \$500,000	7.2	13.8	17.1	20.2	22.5	24.0	25.5	26.6	27.3	28.7	212.8
Option 2: Phase in Option 1 Over a 5 Year Period	2.9	7.8	13.3	18.6	22.2	24.0	25.5	26.6	27.3	28.7	196.7



Public support reforms and use new revenue for affordable homes (BRS poll, Feb. 2013)

- 60% support \$500,000 cap on MID
- 60% support conversion from deduction to credit.
- When asked what to do with revenue raised, 68% would use for both deficit reduction and affordable housing to end homelessness.



What you can do:

- Join United for Homes Campaign and endorse proposal for reform: www.unitedforhomes.org/support
- Seek endorsements from state and local elected officials. http://nlihc.org/sites/default/files/U4H_Endorser_Form_EO.pdf.
- Urge Representatives to Cosponsor H.R.1213: www.unitedforhomes.org/legislation
- Urge Senators Durbin and Kirk to support MID reform and using revenue for NHTF.

For more information:

- go to www.UnitedforHomes.org.
- Contact Sheila Crowley at Sheila@nlihc.org.

WWW.UNITEDFORHOMES.ORG