NATIONAL ASSOCIATION OF REALTORS®
The Voice For Real Estate®

500 New Jersey Avenue, NW
Washington DC 20001

PUBLIC AFFAIRS
800.874.6500
202-383-7515

NAR STRONGLY OPPOSES OBAMA BUDGET REDUCTION OF MID

Washington, D.C. (February 26, 2009) – The National Association of Realtors® sent a letter today to President Obama strongly opposing his proposed cut in the mortgage interest deduction in the president's budget proposal sent to Congress.

The administration's budget plan proposes to limit the tax rate at which high-income taxpayers -- those whose family income is $250,000 ($200,000 for singles) or more -- could take itemized deductions only at 28 percent. For example, if you are in the 35 percent income tax bracket and you have tax deductions of $10,000, you would be able only to deduct 28 percent of that -- $2,800; in essence, a tax hike. Such a limitation would impact homeowners and home values because the mortgage interest deduction for many families is the single biggest itemized deduction they take.

The Administration says that would raise $318 billion over the next 10 years, and would pay for other programs, like health care. Well, there are lots of ways to skin a cat, but no reason to skin homeowners.

Even though the proposal would apply only to households earning $250,000, home prices across the board would fall as home buyers discount the value of the deduction in their purchase offers, setting off a chain reaction that will affect prices on all homes, not just the high-end homes. That's because a fall in home prices at the top end will filter down to homes priced on the lower end. This will hurt not only the top 2 percent of families but also the 75 million homeowners across the country.

That will start another credit crunch while we're trying to get out of this one.

Talking Points/Q&A:

Realtors® aggressively support the mortgage interest deduction because it helps people become and remain homeowners.

The deduction makes homeownership easier by reducing the carrying costs of ownership.

Our current tax system does not "cause" homeownership. The tax system facilitates homeownership and it has been instrumental in helping our nation achieve a remarkably high rate of homeownership.

At a time when all of us are working to revitalize the housing market to ignite economic recovery, tinkering with the mortgage interest deduction is wrongheaded.

Congress has recently provided an $8,000 tax credit to help first-time homebuyers and boost the housing market; changing the deduction for high-bracket homeowners attacks another segment of that market.

The tax deductibility of interest paid on mortgages is both a powerful incentive for homeownership and one of the simplest provisions in the tax code. It should not be targeted for change. END