



# Centre County Association of REALTORS®

## Mortgage Interest Deduction Pays Dividends for Home Owners

**A**lthough recent reports of plans to eliminate or modify the mortgage interest deduction are widely exaggerated, the National Association of Realtors® will remain actively engaged to ensure that the nation's 75 million home owners will continue to receive this important benefit.



**Steven Bodner**  
President CCAR

The Deficit Reduction Commission has released its recommendations toward reducing the U.S. deficit, which include modifying a number of popular tax breaks, including the mortgage interest deduction. President Obama created the 18-member, bipartisan commission earlier this year to identify ways to balance the budget by 2015. The commission does not have any legislative power, and **Centre County Association of Realtors** says that the commission's report is just the first step of a lengthy process.

"Now that the report has been published, it is reviewed by members of Congress who will decide if they want to incorporate any recommendations into legislation, although they are not required to do so," said **Steven Bodner, 2010 President of CCAR**. "If altering the MID ever becomes a discussion point in Congress, the Realtor® community stands ready to defend it. The MID is both a powerful incentive for home ownership and one of the simplest provisions in the tax code."

The MID allows an individual to deduct mortgage interest paid on mortgage debt of up

to \$1 million. The deduction is available for interest on mortgages for a principal residence and one additional property. Individuals claiming the MID also must itemize their taxes.

The ability to deduct the interest paid on a mortgage can translate into significant savings at tax time. For example, a family who bought a home this year with a \$200,000, 30-year, fixed-rate mortgage, assuming an interest rate of 4.5 percent, could save nearly \$3,500 in federal taxes when they file next year.

According to the most recent IRS tax return data available, 65 percent of families who claim the MID earn less than \$100,000 per year. "Home owners already pay 80 percent to 90 percent of U.S. federal income tax, and among those who claim the MID, almost two-thirds are middle-income earners," said NAR's Chief Economist Lawrence Yun. "If the tax break is modified or eliminated, home values could fall 15 percent nationwide, as buyers discount the value of the MID in their purchase offers."

**CCAR** said the MID saves the average home owner thousands of dollars at tax time and helps American home buyers get into their first house.

"In today's market, eight out of 10 home buyers must borrow money to buy a home," said **Bodner**. "For aspiring home owners who don't have hundreds of thousands of dollars in savings to buy a home outright, tax benefits like the mortgage interest deduction help them begin building their future through home ownership."