

**POLITICAL SURVIVAL FUND (PSF) COMMITTEE**

**DENVER BOARD OF REALTORS®**

**4300 E. WARREN AVE.**

**DENVER, CO 80222**



January 31, 2006

**MEMORANDUM FOR DENVER BOARD OF REALTORS® MEMBERS**

**SUBJECT: Mortgage Interest Tax Deduction in Jeopardy (Report No. 01.01.06)**

President George W. Bush's Advisory Panel on Federal Tax Reform recently recommended that Congress convert the mortgage interest deduction to a tax credit; repeal the deduction for state and local taxes, including property taxes; and reduce the \$1 million cap on the size of the mortgage for which interest could be deducted to the regional Federal Housing Administration loan limits, which range from a little over \$170,000 to almost \$470,000 in high cost areas.

"All homeowners will suffer if this policy is enacted, whether they take advantage of the mortgage interest deduction or not," said NAR President Thomas M. Stevens, senior vice president of NRT Inc., from Vienna, Va. "Reducing the mortgage interest deduction would drive down home values and have a devastating effect on the housing market as well as the nation's economy."

The tax panel also recommended eliminating the tax deduction for second homes, which would impact at least 5 percent of the nation's Gross Domestic Product (GDP). The residential housing sector accounts for about 15 percent of the nation's GDP. Second homes accounted for 36 percent of all home sales last year. NAR Senior Vice President and Chief Economist David Lereah has warned that making this change could devastate communities by dropping home values by up to 15 percent.

A 15 percent drop in home values would translate into about a \$20,000 to \$30,000 reduction in housing equity for a typical homeowner. Eliminating the mortgage interest deduction would hurt middle-income families the most. According to IRS tax return data from 2003, 52 percent of the families who claim the mortgage interest deduction have household incomes between \$60,000 and \$200,000.

The National Association of REALTORS® launched an advertising campaign warning that home values could drop significantly if the recommendations of a federal tax reform panel to drastically reduce the mortgage interest deduction were implemented.

This ad and other important lobbying efforts directly benefit every single REALTOR®. The money for these efforts is provided by the Political Survival Fund (PSF), a non-partisan fund used to promote property rights and other important issues at the local, state, and national level. Each of us should be donating to PSF as an investment in our future ability to continue to do business. Make it a goal for 2006 to contribute. Send your personal check, made out to PSF, to 4300 E. Warren Ave., Denver, CO 80222. You'll be doing your part to keep mortgage interest tax deductible.

Ed Shackelford  
PSF Chair

Judy Kroll  
PSF Committee

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PSF Committee

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