

NAR Letter to the Editor: Who Really Benefits from the MID

NATIONAL ASSOCIATION OF REALTORS® Chief Economist, Lawrence Yun sent the following response to the editor of The Washington Post in response to [the January 1, 2011 article, "Trim the Excessive Tax Subsidy for Real Estate."](#)

January 2, 2011

It's a common misperception that the mortgage interest deduction benefits primarily the wealthy, as argued in the Washington Post's January 1 editorial, "Trim the Excessive Tax Subsidy for Real Estate."

In fact, the MID actually benefits primarily middle- and lower income families. Sixty five percent of families who claim the MID earn less than \$100,000 per year, and 91 percent who claim the benefit earn less than \$200,000 per year. As a percentage of income, the biggest MID beneficiaries are younger middle-class families.

The MID helps many families become home owners by reducing the carrying costs of owning a home. The ability to deduct the interest paid on a mortgage can mean significant savings at tax time. For example, a family who bought a home last year with a \$200,000, 30-year, fixed-rate mortgage, assuming an interest rate of 5 percent, could save nearly \$3,500 in federal taxes when they file next year. That's real money they can use to pay down other debts, save for their children's college education, or put away for retirement.

It's no wonder, then, that most Americans support the MID. In fact, in a recent NAR survey by Harris Interactive of 3,000 home owners and renters, nearly three-fourths of home owners and two-thirds of renters said the MID was extremely or very important to them.

Unlike the very rich, much of whose wealth is tied to the stock market, the wealth of most middle-class American families is connected to their home. Millions of these Americans bought their homes with the understanding that mortgage interest is tax-deductible, and many of them have steadily paid down their mortgages to build equity in their home. Eliminating or reducing the MID would destroy part of this hard-earned equity for all home owners, independent of their tax filing status.

Furthermore, we also need to be mindful that home owners already pay 80 percent to 90 percent of U.S. federal income tax, and this share could rise to 95 percent if the MID is eliminated.

Proposals that would remove certain tax benefits in return for lower tax rates just may hold for one or two terms of Congress before the tax rates are changed again. Americans are not naïve; they understand the nature of Washington politics.

For people who don't have hundreds of thousands of dollars in savings to buy a home outright, tax benefits like the MID help them begin building their futures through home ownership. In a time when the middle class faces increased economic pressures, you can be sure that the National Association of Realtors® will remain actively engaged to ensure that hard-working, home-owning families continue to receive this important benefit.

NAR Chief Economist Lawrence Yun