

Misinformed and Misled About the Benefits of the Mortgage Interest Deduction

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Tax experts have long indicted the mortgage interest deduction (MID) for distorting the housing and mortgage markets and for inequitably distributing its benefits (Brazier, 1959; Paul, 1956; Surrey, 1958; Trammell, 1959; Ture, 1956; Vickrey, 1947). It creates a false baseline for the cost of housing (Anderson, 2007; Bruce and Holtz-Eakin, 2001; Capozza, Green, and Hendershott, 1996; Hendershott and Slemrod, 1982; Poterba, 1984), encourages taxpayers to pay for homes with debt rather than with cash or financial assets (Gale, Gruber, and Stephens-Davidowitz, 2007; Poterba and Sinai, 2011; Sullivan, 2008), causes wasteful and unproductive misallocation of physical and financial capital (Gervais, 2002; Jorgenson and Yun, 1990; Mills, 1987; Taylor, 1998), and distributes benefits disproportionately to upper income households (Brady, Cronin, and Houser, 2003; Carasso, Steuerle, and Bell, 2005; Eng et al., 2013; Gyourko and Sinai, 2003; Sullivan, 2011; Toder, Harris, and Lim, 2009; Toder et al., 2010). Furthermore, the MID results in less economic productivity (Acharya et al., 2011), reduced labor mobility and greater unemployment (Caplin, Freeman, and Tracy, 1997; McCarthy, Van Zandt, and Rohe, 2001; Winkler, 2011), depressed real wages, and a lower standard of living (Sullivan, 2005). The MID is so damaging to the economy that nearly every economist believes that “the most sure-fire way to improve the competitiveness of the American economy is to repeal the mortgage interest deduction” (Sullivan, 2005: 407).¹

The MID nonetheless remains wildly popular among the American populace. Opinion polls reveal overwhelming support for preserving the subsidy² and equally strong opposition to eliminating or reducing its benefits,³ even to pay for deficit reduction.⁴ Politicians, too, remain committed to

¹ For evidence of the overwhelming support among economists and market experts for eliminating or substantially reforming the MID, see <http://www.prnewswire.com/news-releases/housing-experts-see-stronger-recovery-on-horizon-170477286.html>.

² See <http://www.nytimes.com/interactive/2011/06/30/business/20110630poll-full-results.html?ref=business> and <http://www.realtor.org/sites/default/files/american-attitudes-about-homeownership-2011-01-19-survey-results.pdf>.

³ See http://www.nahb.org/news_details.aspx?newsID=14563.

⁴ See <http://www.scribd.com/doc/117298635/CBS-News-Poll-Fiscal-Cliff> and <http://www.realtor.org/reports/housing-pulse-surveys/housing-pulse-survey-2011>.

the deduction, scared to disturb the tax code’s “most sacred tax break” (Birnbaum and Murray, 1987: 246), even as it siphons off more than \$100 billion annually in forgone revenue (OMB, 2013).⁵

Both the public and the pols are misinformed about the importance of the MID, largely because they are misled by the MID’s most resolute supporters. Proponents of the tax code’s second most expensive subsidy, chief among them the real estate industry, participate in an endless campaign of misinformation and dissembling claims about the MID’s shared benefits. This campaign costs money—lots of money. In 2013, the real estate industry spent nearly \$82 million lobbying Congress and federal agencies.⁶ Of that amount, the National Association of REALTORS® (NAR) spent nearly \$38.6 million, making it the second most free-spending organization in terms of lobbying across all industries.⁷ In addition, both the NAR and the National Association of Home Builders maintain websites dedicated to “oppos[ing] any changes that would limit or undermine” the MID⁸ and that further purport to show how the subsidy benefits lower class and middle-class taxpayers.⁹

Examining What MID Supporters Say

Each of the following sections highlights the real estate industry’s most troubling false claims about the MID. Each section focuses on supporters’ inaccurate claims purporting to show how the MID benefits taxpayers at all income levels, and it scrutinizes the tax subsidy’s allegedly positive effects on wealth accumulation and financial security.

“The mortgage interest deduction primarily benefits middle- and lower-income families.” (NAR, 2013a)

Supporters of the MID deploy expansive definitions of “middle-income” and “lower income” households that defy any reasonable interpretation of the two categories. According to the U.S. Census Bureau, median household income in 2012 (meaning the income of the household precisely in the middle of the income spectrum) barely exceeded \$50,000 (U.S. Census Bureau, 2013a). That income level, however, is not what the real estate industry considers middle class, although a full two-thirds of taxpayers report incomes of less than \$50,000 (IRS, 2013a). Instead, the real estate industry’s definition of middle class begins at \$75,000 (at an income level below which more than

⁵ The MID also depletes state coffers. Of the 41 states with income taxes, 31 permit residents to reduce their incomes with a deduction for home mortgage interest, an allowance that costs these states considerable forgone tax revenue (FTA, 2013a, 2013b; Morris and Wang, 2012). In California alone, the MID is estimated to cost \$4.4 billion in fiscal year (FY) 2013–14 (CDF, 2013). For additional perspective on the cost of the MID, consider that the \$100 billion in lost annual revenue at the federal level could fund HUD—with a budget of \$44.8 billion in FY 2013—for nearly 2.25 years (HUD, 2012).

⁶ See <http://www.opensecrets.org/lobby/top.php?indexType=i&showYear=2012>.

⁷ See <http://www.opensecrets.org/lobby/top.php?showYear=2012&indexType=s>. From 1998 to 2013, the NAR spent \$258.4 million lobbying Congress and federal agencies (see <http://www.opensecrets.org/lobby/top.php?indexType=s&showYear=a>), and the real estate industry as a whole spent more than \$1 billion (see <http://www.opensecrets.org/lobby/top.php?showYear=a&indexType=i>).

⁸ See <http://www.realtor.org/topics/mortgage-interest-deduction>.

⁹ See <http://www.realtor.org/topics/mortgage-interest-deduction>, <http://www.nahb.org/page.aspx/generic/sectionID=2063>, and http://www.protecthomeownership.com/showpage_details.aspx?showpageID=10294.

78 percent of taxpayers reside [IRS, 2013a]) and extends all the way to \$200,000 (a level below which nearly 97 percent of all taxpayers reside [IRS, 2013a]).¹⁰ Without denying that some of those 97-percenters may feel more middle class than upper class (for many of the same reasons that households earning more than \$250,000 resent being called “rich” by politicians looking to raise taxes), the numbers do not lie. Those folks are nowhere near the middle.

Touching the MID would create a “de facto tax increase on the middle class.”

(Phipps, 2011: 18)

For the sake of argument, consider the *middle class* to include taxpayers with incomes up to \$100,000, which represents more than 86 percent of all taxpayers (IRS, 2013a). Barely 17 percent of that group claim the MID on their returns (IRS, 2013a), however, and that group receives just 23 percent of all tax benefits flowing from the MID (JCT, 2013). By comparison, taxpayers reporting incomes of more than \$100,000 represent only 13 percent of all tax filers (IRS, 2013a), but they receive nearly 77 percent of MID benefits (JCT, 2013). Meanwhile, taxpayers with incomes of more than \$200,000 account for only 3 percent of all tax filers (IRS, 2013a) but take home a 35-percent share of the MID’s tax savings (JCT, 2013). Furthermore, households reporting incomes of less than \$50,000—below which two-thirds of all taxpayers fall—receive a meager 3 percent of the tax benefits flowing from the MID (JCT, 2013).

The real estate industry and its representatives are right to say that reforming the MID might cause some taxpayers to pay more in taxes. Not the middle class, however. Taxpayers with incomes up to \$100,000 receive a small fraction (about one-fifth) of MID benefits and would benefit most from replacing the MID with nearly any other tax policy alternative, including, most prominently, a tax credit for homeownership (Gale, Gruber, Stephens-Davidowitz, 2007; Ventry, 2012; Fischer and Huang, 2013; Eng et al., 2013).

The MID helps “make the income tax more progressive,” and “[e]liminating the deduction would ... make the tax system less progressive.” (NAHB, 2013)

As a threshold matter, the MID is the classic upside-down subsidy. It distributes benefits to precisely the wrong people: taxpayers who would own homes even in the absence of the subsidy rather than taxpayers residing on the margin between owning and renting. It delivers 10 times the tax savings to households with incomes exceeding \$250,000 as to households with incomes from \$40,000 to \$75,000 (Poterba and Sinai, 2008). Moreover, these inequitable features of the MID have worsened during the past 25 years, making the tax system less, rather than more, progressive (Anderson and Roy, 2001; Gyourko and Sinai, 2001). In 1987, taxpayers earning less than \$50,000 took home 48 percent of the tax savings from the MID (JCT, 1986). By 2012, however, taxpayers earning less than \$100,000 (a figure that approximates \$50,000 in 1987 dollars)¹¹ received less than 23 percent of the MID’s tax benefits (JCT, 2013).

¹⁰ See DelliBovi (2013), who wrote, “The greatest share of the mortgage interest deduction lies not with the super rich but with the middle class. More than half of this deduction is claimed by households within the \$75,000 to \$200,000 income range.”

¹¹ See http://www.bls.gov/data/inflation_calculator.htm.

Several factors help explain the inequitable distribution of the tax savings from the MID, the most significant of which is that the subsidy is delivered in the form of an itemized deduction.

First, to receive any benefit from itemized deductions—and the MID is the most expensive of all itemized deductions (OMB, 2013)—taxpayers must actually itemize deductions rather than take the standard deduction. Furthermore, the promised land of itemized deductions is available only to those taxpayers whose total itemized deductions (including, for instance, the MID, property taxes paid, state and local taxes paid, qualifying charitable contributions, and so on) exceed the dollar value of the standard deduction. In tax year 2013, the standard deduction was \$12,200 for married taxpayers and \$6,100 for unmarried taxpayers (IRS, 2013b). In a typical year, no more than one-third of all taxpayers itemize, while the remaining two-thirds claim the standard deduction.¹² In 2011 (the year for which the most recent data are available), only 31.84 percent of tax filers itemized (IRS, 2013a). Moreover, not all itemizers claim the MID, such that in the end less than 25 percent of all taxpayers received any tax benefit from the MID in 2011 (IRS, 2013a). In other words, 75 percent of all taxpayers received *no* tax savings from the MID.

Second, higher income households claim a disproportionate share of itemized deductions compared with lower income and middle-income households. For tax year 2011, 13.2 percent of taxpayers reporting incomes of less than \$50,000 claimed itemized deductions, compared with 96.6 percent of taxpayers with incomes exceeding \$200,000 (IRS, 2013a).

Third, the value of a deduction depends on a taxpayer's marginal tax rate; that is, the rate imposed on the taxpayer's last dollar earned. A taxpayer's marginal tax rate depends on the taxpayer's income, with increasing tax rates levied on increasing increments of income. Therefore, a \$100 deduction for a taxpayer in the 15-percent tax bracket yields tax savings of \$15 ($\100×0.15), whereas the same \$100 deduction for a taxpayer in the 35-percent tax bracket yields \$35 in tax savings.

With these technical details as background, consider the following example. A married, renting household that earns \$100,000 falls into the 25-percent tax bracket. This household pays \$4,000 in state income taxes and makes \$1,000 in charitable contributions, for \$5,000 in potential itemized deductions—much less than the standard deduction of \$12,200. Thus, this household takes the standard deduction.

Now consider the same household after purchasing a house the following tax year. The new owners are excited for many reasons, including the tax benefits that their real estate agent promised would flow from the \$10,000 in mortgage interest payments and \$4,000 in property taxes. This household now has \$19,000 in itemized deductions (assuming it still pays \$4,000 in state income taxes and makes \$1,000 in charitable contributions), which exceeds the standard deduction. This household will itemize, and receive additional tax savings.

How much will this household save? That is, what is the after-tax value of the \$14,000 in new housing costs? Is it the full \$14,000? Is it the \$14,000 multiplied by the household's marginal tax rate? Is it something else altogether?

¹² The average percentage of itemizing taxpayers from 1987 to 2011 was 31.63 percent (IRS, 2013c).

It turns out that the after-tax value of the new deductions is the amount by which total itemized deductions exceed the standard deduction multiplied by the household's marginal tax rate. In determining the after-tax benefit of a tax subsidy, we need to know the *marginal* benefit. In this example, the marginal benefit is only \$1,700: \$19,000 (total itemized deductions) – \$12,200 (the otherwise available standard deduction) = \$6,800 x 0.25 (the taxpayer's marginal tax rate).

That savings is better than nothing, but consider a household with the same new housing costs of \$14,000 with an income of \$400,000 subject to a marginal tax rate of 35 percent. This household is already itemizing deductions because it pays more state income taxes and makes more charitable contributions (that is, the sum of those itemized deductions already exceeds the standard deduction), so any additional deductions are simply multiplied by the household's marginal tax rate to determine their value. As a result, for this higher income household, on the same total out-of-pocket expenses, the marginal benefit of the tax subsidies increases dramatically from \$1,700 to \$4,900 (\$14,000 x 0.35), or nearly three times the benefit enjoyed by the household in the 25-percent tax bracket.

Defenders of the MID routinely ignore or misunderstand the effect of marginal tax rates on the distribution of the deduction's benefits (Dietz, 2010, 2008; Drum, 2011). In so doing, MID supporters misrepresent the net benefits of the MID and its effects on the progressivity of the tax system and the distribution of income. For instance, they point to the "average deduction" among all MID claimants to prove that the subsidy "helps lower-income families" (Weicher, 2013: 5). They fail to mention, however, that using averages from the entire cohort of MID claimants distorts the net distribution of MID benefits. In tax year 2011, for example, the average deduction for all taxpayers claiming the MID was \$10,129 (IRS, 2013a). MID claimants with incomes of less than \$50,000 received an average deduction of \$7,364, however, whereas claimants with incomes of more than \$200,000 received an average deduction of \$18,580. The true value of the deduction is further skewed by accounting for marginal tax rates; married claimants with incomes of less than \$50,000 faced marginal rates no greater than 15.0 percent (meaning the deduction was worth 15 cents for every dollar of interest paid), whereas married claimants with incomes of more than \$200,000 were subject to marginal rates ranging from 28.0 to 39.6 percent (meaning the deduction was worth from 28 to 40 cents for every dollar of interest paid).

Zealous MID supporters also misrepresent the subsidy's benefits through additional methods. Consider that one recent study concluded its homage to the MID by stating, "During the most recent normal year, about 37 percent of all families benefited" from the deduction (Weicher, 2013). For starters, the study in question used 2007 as its index year, hardly a "normal" year given that the number of itemizers in 2007 exceeded that in any year before or since. Even if we use 2007 as exemplary, just 35.31 percent of all taxpayers itemized (IRS, 2013c), and the only way that a taxpayer can receive a tax benefit from the MID is by itemizing. For yet another overstatement, the same study asserted, "Homeowners with mortgages nearly always itemize" (Weicher, 2013: 6). That claim, too, is exaggerated. Comparing Internal Revenue Service (IRS) figures for total MID returns against Census Bureau figures for mortgaged homes reveals that slightly more than 70 percent of homeowners with mortgages itemized in 2011, meaning that nearly 30 percent of mortgaged homeowners did not itemize (IRS, 2013a: 86; U.S. Census Bureau, 2013b).

In the end, the MID and its supporters promise considerably more than the subsidy delivers. The deduction provides no benefit to more than 75 percent of taxpayers (IRS, 2013a); no benefit

to 100 percent of nonitemizing taxpayers, reflecting more than two-thirds of all taxpayers (IRS, 2013a); no benefit to more than 20 percent of the taxpayers who *do* itemize (IRS, 2013a); no benefit to more than 50 percent of all homeowners (IRS, 2013a; U.S. Census Bureau, 2013b); and no benefit to nearly 30 percent of mortgaged homeowners (IRS, 2013a; U.S. Census Bureau, 2013b).

The MID helps American families “build their future,” “build wealth,” and “build the kind of financial security that owning a home can provide.” (Phipps, 2011: 18; NAR, 2013a)

The real estate industry considers the MID “a remarkably effective tool that facilitates homeownership” (NAR, 2013b). Furthermore, it considers homeownership a prudent financial investment generating solid gains and financial security. Unfortunately, the investment returns to homeownership are not nearly as robust as the real estate industry would have us believe.

Adjusted for inflation, housing prices were flat throughout most of the postwar period until prices temporarily deviated from their historical pattern beginning in the 1990s, when an overheated housing market bubbled, burst, and contributed to global economic meltdown. According to economist, housing guru, and Nobel laureate Robert Shiller, the average annual investment return to housing from 1950 to 2000 barely kept pace with inflation, averaging less than 0.5 percent (Cauchon, 2008a). Historical real returns to housing were so unimpressive during the postwar period that \$100 invested in a home grew a paltry \$4 from 1950 to 1997 (Cauchon, 2008b). During the longer term, housing posted equally unimpressive returns, with inflation-adjusted prices growing only 0.4 percent per year from 1890 to 2004 (Shiller, 2013, 2005).

In addition to struggling to produce positive real returns for more than a century, owner-occupied housing has grossly underperformed compared with other investment opportunities. Real stock prices jumped 1,176 percent from 1950 to 2000 (Shiller, 2013), for instance, while the Dow Jones stock index grew more than 2,700 percent (Randazzo, 2011). Moreover, from 1926 to 2009, compounded annual returns for small stocks (11.9 percent), large stocks (9.8 percent), long-term U.S. government bonds (5.4 percent), and U.S. Treasury bills (3.7 percent) produced strong and reliable annual gains that far outpaced housing (Morningstar and Shooter Financial, 2010). In fact, \$100 invested in 1928 in, respectively, stocks, Treasury bonds, and Treasury bills would have been worth \$193,219, \$1,971, and \$6,926 at the end of 2012 (Damodaran, 2013).

Despite overwhelming evidence that homeownership is not the path to prosperity and amounts (at best) to a decent savings account, defenders of the MID continue to spread misinformation about the investment returns to housing and the pro-homeownership role of the MID. They grossly exaggerate the “importance of owning a home as an asset” (Weicher, 2013: 11) and in facilitating wealth accumulation (Weicher, 2013). Moreover, they blindly assert that disturbing the MID “would yank the safety net out from under millions of U.S. households as they stride toward the American dream” and financial security (DelliBovi, 2013).

For example, one recent study—prominently cited by the NAR (DelliBovi, 2013)—claimed, “For most of the last 25 years, homeowners’ equity has constituted about a quarter of total household wealth” (Weicher, 2013: 1). According to the Federal Reserve, however, homeowners’ equity as a percentage of total household net worth from 1988 to 2012 averaged only 16.44 percent (BGFERS,

2013a).¹³ In fact, in no year—let alone in “most” years—did the ratio reach 25 percent; the closest that homeowners’ equity as a percentage of total household net worth got to 25 percent was 20.86 percent in 2005 (BGFRS, 2013a).

The same study touted the financial wisdom and wealth-generating effects of homeownership by using data from 2007, a year that captured the wild runup in housing values (from \$8.85 trillion in 1997 to \$20.68 trillion in 2007) and mortgage debt (from \$3.75 trillion to \$10.58 trillion during the same period) (BGFRS, 2013a). By focusing on 2007, however, the study neglected the subsequent cataclysmic decline in household equity and wealth that ensued. From the first quarter of 2006 through the first quarter of 2009, the value of residential real estate declined a stunning \$7 trillion, from \$22.6 trillion to \$15.6 trillion (FRBSF, 2009). Housing net worth fell another \$1 trillion because of increased mortgage debt during the period, for a total decline in net worth of \$8 trillion (FRBSF, 2009). With housing prices falling 33 percent from their peak in April 2006 to February 2012 (Haughwout, Sutherland, and Tracy, 2013), significant negative equity followed, topping out in the fourth quarter of 2009 with 26 percent of mortgaged households “under water” and average negative equity cresting \$70,000 (Haughwout, Sutherland, and Tracy, 2013). The combination of negative equity and sharply increased unemployment rates (or reductions from full- to part-time employment) resulted in massive foreclosures: 4.5 million from September 2008 through July 2013 (CoreLogic, Inc., 2013).

The losses in equity, wealth, and homes hit the most vulnerable populations hardest. During the housing bubble, less expensive properties experienced greater percentage increases, but during the bust they experienced correspondingly greater declines (Ellen and Dastrup, 2012). Minority households absorbed the most severe equity losses among all households from 2005 to 2009, with median wealth falling 66 percent among Hispanic households and 53 percent among African-American households compared with 16 percent among White households (Ellen and Dastrup, 2012).

The housing market’s boom-to-bust chronic condition belies the hollow assertions of the real estate industry that homeownership “builds financial security” and that the MID “makes sustainable homeownership more affordable for millions of middle-class families” (NAR, 2013a). Homeowners’ equity as a percentage of household net worth plummeted from 2005 to 2011, from nearly 21 percent to less than 10 percent (BGFRS, 2013a). As part and parcel of the decline in housing values, owners’ equity as a percentage of household real estate fell from 59.5 percent in 2005 to an all-time low of 38.5 percent in 2009 (BGFRS, 2013a). Although the ratio has ticked steadily upwards during the past few years, reaching 49.8 percent in the second quarter of 2013 (BGFRS, 2013b), the figure is misleading for several reasons.

First, the most prevalent definition of homeowners’ *equity* captures households that own their home free and clear, unburdened by mortgage debt. Consider that nearly 35 percent of owner-occupied households had no mortgage debt in 2011 (U.S. Census Bureau, 2013b); thus, the remaining

¹³ The Federal Reserve tracks “owners’ equity in household real estate” and total household net worth back to 1945 in its composite table, “B.100 Balance Sheet of Households and Nonprofit Organizations” (which is contained in the Historical Annual Tables compiled in 10-year increments). Dividing the two figures (a task that I performed for each year from 1988 to 2012) and then averaging all 25 years reflects homeowners’ equity as a percentage of total household net worth during that period (the actual figure is 16.4384 percent).

65 percent of mortgaged households had even less equity in their homes than the aggregate figure of 49.8 percent would suggest, and millions of households had negative equity (McBride, 2013; U.S. Census Bureau, 2013b).

Second, and more importantly, figures pertaining to homeowners' equity also usually include not only *real equity*, in the form of downpayments and deleveraging through reductions in mortgage principal, but also *paper equity*, in the form of unrealized appreciation, which, as recent experience confirmed, can disappear overnight.

Third, in the quest to facilitate an ownership society, Americans have confused leveraged ownership with real ownership. From 1987 to 1998, home mortgage debt increased steadily at about \$200 billion a year (BGFRS, 2013a). Starting in 1998, home mortgage debt made bigger and more sustained annual jumps: at least \$300 billion in 1998, 1999, and 2000; \$500 billion in 2001; \$700 billion in 2002; nearly \$900 billion in 2003; \$950 billion in 2004; and \$1 trillion in 2005 and 2006 (BGFRS, 2013a). The sharp increase in mortgage obligations, studies show, "increased the propensity at which households defaulted on their mortgages and there is evidence that leverage was the primary driver of the recession" (Bokhari, Torous, and Wheaton, 2013: 2). It also reflected a troubling longer run decline in the buildup of average equity in owner-occupied housing, which fell from 83.9 percent in 1945 to 38.5 percent in 2009 (BGFRS, 2013a).

Thus, even as a savings account or a hedge against inflation, homeownership has become less effective because of the availability of policies such as the MID that encourage debt-financed home purchases. Indeed, as one commentator has observed, "Without the homeowner putting equity into their home there is no actual wealth building. And if the government juices prices, then there is no investment gain either" (Randazzo, 2011).

Conclusion

In the early 1970s, Stanley Surrey—a Harvard University law professor, former Assistant Treasury Secretary for Tax Policy, and "father" of the tax expenditure budget—offered an analytical tool to help legislators, policymakers, and everyday Americans evaluate the equity of tax expenditures by restating them as direct expenditures.¹⁴ Imagine, Surrey suggested, that the MID was run not through the IRS but through the U.S. Department of Housing and Urban Development (HUD). Now imagine a married couple with an annual income exceeding \$200,000 (roughly \$1.1 million in 2013 dollars) and a home mortgage (Surrey, 1973b). For every \$100 of mortgage interest, HUD would pay \$70 to the couple's mortgage lenders (which reflected the couple's 70-percent marginal tax rate at the time), and the couple would pay the rest, or \$30. For a married couple with an annual income of \$10,000 (roughly \$55,000 in 2013 dollars) and a home mortgage, HUD would pay \$19 to the couple's mortgage lenders (reflecting the couple's 19-percent marginal tax rate), and

¹⁴ As Assistant Treasury Secretary for Tax Policy under Presidents John F. Kennedy and Lyndon B. Johnson, Surrey oversaw the origin and development of the tax expenditure budget. The first such accounting of tax expenditure items appeared in 1968 as part of that year's Annual Report of the Secretary of the Treasury (Surrey, 1973a). Starting in 1974, Congress began requiring Treasury to publish an annual accounting of tax expenditures to accompany the President's direct expenditure budget (Budget and Impoundment Control Act of 1974. 1974. Pub. L. No. 93-344, 88 Stat. 297).

the couple would cover the remaining \$81. For couples “too poor to pay an income tax,” Surrey continued, “HUD would pay nothing to the bank, leaving the couple to pay the entire interest cost” (Surrey, 1973b: 37).

By stating the effect of the MID in these unqualified terms, Surrey laid bare its gross inequities. Unfortunately, the inequities have only worsened during the ensuing 40 years. When Surrey first conceived of restating tax expenditures as direct expenditures in the 1960s, considerably more taxpayers had a chance to enjoy tax savings from the MID, because more taxpayers itemized their deductions. Itemizers averaged 42.18 percent of all tax filers from 1960 to 1969 compared with 31.84 percent in 2011 (IRS, 2013c).

Despite overwhelming evidence to the contrary, defenders of the MID continue to push their campaign of misinformation on an unwitting public, touting their pet subsidy’s false benefits. Given such intransigence, it is worth restating this article’s summary findings: The MID provides no benefit to more than 75 percent of all taxpayers; no benefit to 100 percent of nonitemizing taxpayers, reflecting more than two-thirds of all taxpayers; no benefit to more than 20 percent of the taxpayers who *do* itemize; no benefit to more than 50 percent of all homeowners; and no benefit to nearly 30 percent of mortgaged homeowners.

Acknowledgments

The author thanks the editors of *Cityscape* for expert comments and suggestions.

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