T11-0271
Options to Replace Mortgage Interest Deduction (MID) with Tax Credit
Impact on Individual Income Tax Revenue (billions of current dollars), 2012-21 [1]

	Fiscal Years										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-21
Baseline: Current Law											
Option 1: Replace MID with 15 percent nonrefundable credit; cap deductible interest [2]	15.1	39.4	44.0	49.6	55.4	61.2	67.0	73.4	80.0	87.5	572.6
Option 2: Phase down MID over 5 years, then eliminate; 15% credit; cap deductible interest [3]	6.8	18.1	24.1	35.5	49.4	60.8	67.0	73.4	80.0	87.5	502.6
Option 3: Option 2 but phase in cap on deductible interest over 5 years [4]	5.6	15.2	21.2	33.2	48.3	60.8	67.0	73.4	80.0	87.5	492.3
Option 4: Phase down MID over 10 years, then eliminate; 15% credit, cap deductible interest [5]	6.7	17.7	20.6	24.4	29.8	37.3	46.4	57.1	69.0	82.7	391.8
Option 5: Option 4 but phase in cap on deductible interest over 10 years.[6]	5.5	14.6	17.1	20.6	25.7	33.2	42.4	53.6	66.5	81.6	360.7
Baseline: Current Policy [7]											
Option 1: Replace MID with 15 percent nonrefundable credit; cap deductible interest [2]	9.9	25.8	28.7	32.8	37.0	41.0	44.7	48.6	52.5	57.0	378.0
Option 2: Phase down MID over 5 years, then eliminate; 15% credit; cap deductible interest [3]	5.1	13.4	16.3	23.1	32.5	40.3	44.7	48.6	52.5	57.0	333.4
Option 3: Option 2 but phase in cap on deductible interest over 5 years [4]	4.1	10.7	13.7	20.9	31.5	40.3	44.7	48.6	52.5	57.0	324.0
Option 4: Phase down MID over 10 years, then eliminate; 15% credit, cap deductible interest [5]	5.1	13.2	15.0	18.0	21.4	25.4	31.1	38.0	45.3	53.6	266.2
Option 5: Option 4 but phase in cap on deductible interest over 10 years.[6]	4.0	10.4	11.9	14.6	17.7	21.6	27.5	34.7	42.9	52.6	238.0

Source*:* Urban-Brookings Tax Policy Center Microsimulation Model (version 0411-2).

(1) Fiscal years. Estimates assume a 40-60 fiscal split. Proposals are effective 01/01/12. Estimates include a microdynamic behavioral response and assume that taxpayers would adjust their investment portfolios and optimally pay down their mortgage balance if their tax benefit from mortgage interest were reduced.

(2) Proposal would replace the current mortgage interest deduction with a 15 percent non-refundable credit, effective 01/01/12. The credit would be limited to interest on the first $500,000 of a mortgage on a primary residence only, not indexed for inflation.

(3) Proposal would reduce the value of the mortgage interest deduction to 15 percent over five years, and then eliminate. Effective 01/01/12, in lieu of the deduction, taxpayers could elect to claim a 15 percent nonrefundable tax credit for mortgage interest. The deduction and the credit would be limited to interest on the first $500,000 of a mortgage on a primary residence, not indexed for inflation.

(4) Proposal would phase in the limit on eligible interest over 5 years. Effective 01/01/16, the limit would be interest on the first $500,000 of a mortgage on a primary residence only, not indexed for inflation.

(5) Proposal would reduce the value of the mortgage interest deduction to 15 percent over ten years, and then eliminate it. Effective 01/01/12, in lieu of the deduction, taxpayers could elect to claim a 15 percent nonrefundable tax credit for mortgage interest. The deduction and the credit would be limited to interest on the first $500,000 of a mortgage on a primary residence, not indexed for inflation.

(6) Proposal would phase in the limit on eligible interest over 10 years. Effective 01/01/21, the limit would be interest on the first $500,000 of a mortgage on a primary residence only, not indexed for inflation.

(7) Current policy makes 2011 tax law permanent with the exception of the temporary 2 percent reduction in Social Security payroll taxes.