

T11-0294

**Option 2: Phase Down Deduction Over 5 Years, Immediate \$500,000 Mortgage Cap**  
**Benefits from Mortgage Interest Deduction and 15-Percent Non-Refundable Credit, 2015 <sup>1</sup>**  
**Baseline: Current Law**

Cash Income Level (thousands of 2011 dollars)	Tax Units (thousands) <sup>3</sup>	Current Mortgage Interest Deduction				Proposal: 15 Percent Non-refundable Credit <sup>2</sup>			
		Tax Units with Benefit		Average Benefit (dollars)		Tax Units with Benefit		Average Benefit (dollars)	
		Number (thousands)	Percent within Class	All Tax Units	Tax Units with Benefit	Number (thousands)	Percent within Class	All Tax Units	Tax Units with Benefit
<b>Less than 10</b>	18,828	0	0.0	0	0	0	0.0	0	41
<b>10-20</b>	26,753	214	0.8	3	416	1,043	3.9	9	233
<b>20-30</b>	20,164	665	3.3	24	716	2,500	12.4	53	430
<b>30-40</b>	16,562	1,457	8.8	67	765	4,588	27.7	146	525
<b>40-50</b>	13,738	2,459	17.9	180	1,005	5,468	39.8	293	735
<b>50-75</b>	24,031	7,762	32.3	509	1,573	12,184	50.7	538	1,061
<b>75-100</b>	14,893	7,238	48.6	1,164	2,395	8,489	57.0	911	1,599
<b>100-125</b>	10,050	5,829	58.0	1,753	3,023	6,221	61.9	1,204	1,943
<b>125-150</b>	6,907	4,421	64.0	2,243	3,506	4,538	65.7	1,448	2,204
<b>150-175</b>	4,215	2,807	66.6	2,703	4,057	2,845	67.5	1,647	2,441
<b>175-200</b>	2,715	1,917	70.6	3,257	4,613	1,928	71.0	1,712	2,413
<b>200-500</b>	7,059	4,532	64.2	4,034	6,278	4,574	64.8	1,892	2,921
<b>500-1,000</b>	1,187	613	51.6	4,950	9,598	626	52.7	1,937	3,674
<b>More than 1,000</b>	603	204	33.9	3,720	10,972	215	35.7	1,488	4,162
<b>All</b>	168,946	40,209	23.8	732	3,080	55,245	32.7	500	1,530

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

(1) Calendar year. Estimates 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 reduce mortgage interest deduction to 15 percent over five years and then completely replace this deduction with a 15% non-refundable credit for mortgage interest. Deduction would be limited to 19 percent for 2015. The option of the credit would be available immediately. Both the credit and the deduction will be limited to the first \$500,000 of a mortgage on primary residence only.

(3) Includes both filing and non-filing units but excludes those that are dependents of other tax units.