

T11-0295

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 ¹
Baseline: Current Policy

Cash Income Level (thousands of 2011 dollars)	Tax Units (thousands) ³	Current Mortgage Interest Deduction				Proposal: 15 Percent Non-refundable Credit ²			
		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
Less than 10	18,828	0	0.0	0	0	0	0.0	0	25
10-20	26,753	214	0.8	2	289	963	3.6	7	192
20-30	20,164	665	3.3	20	601	2,198	10.9	43	391
30-40	16,562	1,342	8.1	56	697	3,958	23.9	117	490
40-50	13,738	2,129	15.5	144	930	4,891	35.6	245	688
50-75	24,031	6,681	27.8	379	1,362	11,751	48.9	483	987
75-100	14,893	6,478	43.5	762	1,751	8,414	56.5	809	1,431
100-125	10,050	5,638	56.1	1,271	2,267	6,201	61.7	1,088	1,764
125-150	6,907	4,358	63.1	1,918	3,039	4,524	65.5	1,384	2,114
150-175	4,215	2,794	66.3	2,393	3,611	2,832	67.2	1,608	2,394
175-200	2,715	1,903	70.1	2,786	3,975	1,917	70.6	1,676	2,373
200-500	7,059	4,532	64.2	3,860	6,016	4,560	64.6	1,745	2,702
500-1,000	1,187	616	51.9	4,096	7,899	627	52.8	1,659	3,142
More than 1,000	603	210	34.8	3,441	9,897	215	35.7	1,212	3,399
All	168,946	37,506	22.2	602	2,708	53,049	31.4	455	1,448

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.