NAR Issue Summaries

Federal Tax / Mortgage Interest Deduction

NAR Committee:

Federal Taxation Committee

What is the fundamental issue?

Individuals are permitted to deduct interest paid on mortgage debt of up to $750,000. If the mortgage was taken out prior to December 16, 2017, and otherwise qualifies, the maximum amount is $1 million. The deduction is available for interest on mortgages for a principal residence and one additional residence. The $750,000 (or $1 million) limitation represents the combined allowable debt on two residences. Prior to the enactment of the Tax Cuts and Jobs Act of 2017, mortgage interest on up to $100,000 of debt on home equity loans or lines of credit also qualified for the deduction, even if the proceeds of the loan were used for personal reasons, such as a vacation or to pay off bills. However, since 2018, interest on home equity loans are deductible only to the extent the proceeds are used to substantially improve the home that secures the loan and the total of all mortgage loans for the first and second home do not exceed the limitation.

I am a real estate professional. What does this mean for my business?

For many decades, the mortgage interest deduction was a remarkably effective tool that facilitated homeownership. Before the changes made by the Tax Cuts and Jobs Act of 2017 took effect, about a third of all taxpayers in any given year itemized their deductions, and a high percentage of them were homeowners making mortgage payments. Thus, the tax law encouraged homeownership by incentivizing it. However, since 2018, only about one in ten taxpayers itemize their deductions. So, for the majority of homeowners, the tax code no longer encourages Americans to own a home instead of rent one. Many of those who still are able to itemize receive the benefit of the mortgage interest deduction, but these are most often not first-time buyers but taxpayers with higher incomes. Therefore, the deduction has been criticized as not targeting its benefits where they are most needed.

NAR Policy:

NAR strongly opposed the changes in the 2017 Act that limited the use of the mortgage interest deduction. And NAR continues to strongly support the mortgage interest deduction for those who can itemize. However, because it is quite unlikely Congress will reverse the change that led to the deduction being eliminated for most homeowners, NAR also supports a tax credit for buying and owning a home that is not based on the mortgage interest deduction. Rather, such a credit would be designed for those who want to purchase a home but are finding it difficult to afford one.

Opposition Arguments:

Opponents of NAR policy will say that only about a tenth of taxpayers itemize and thus benefit from the MID, and that the deduction encourages people to buy larger and more expensive homes than what they need. Some will also claim that it primarily benefits high-income Americans. For these reasons, opponents

will say, the MID should be repealed.

Legislative/Regulatory Status/Outlook

The majority of the changes made by the Tax Cuts and Jobs Act of 2017, including the new limits on the mortgage interest deduction, and the near doubling of the standard deduction that greatly minimized the use of itemized deductions such as the MID, were scheduled to expire at the end of 2025. However, the One Big Beautiful Bill Act of 2025 made many of the changes made in the 2017 Act permanent, including the changes to the mortgage interest deduction.

Now that these changes have been permanently set into law, there is increased doubt that many members of Congress would support a reduction in the standard deduction. Indeed, the 2025 tax act further increased the standard deduction. Many taxpayers believe a higher standard deduction was a positive change, and even some homeowners and policymakers do not appreciate the connection between a higher standard deduction and a decreased tax incentive to purchase and own a home.

Current Legislation/Regulation (bill number or regulation)

US HR 1: One Big Beautiful Bill Act

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