Facts on the Mortgage Interest and Real Estate Tax Deductions in the United States

Of the approximately 75,023,000 owner-occupied houses in the United States in 2016, 47,295,000 or 63% had a mortgage.

In 2015, 32,261,700 taxpayers in the United States claimed a deduction for mortgage interest (MID). The total amount deducted was $277,835,282,000. This means that the average taxpayer claiming the MID subtracted $8,600 from taxable income in 2015 as a result of the MID.

At a marginal rate of 25 percent[1], this means that the average taxpayer saved $2,150 in taxes as a result of the MID. The total tax savings from the MID in the United States in 2015 was $69,458,820,500.

In 2015, 37,538,300 taxpayers in the United States claimed a deduction for real estate taxes. The total amount deducted was $187,385,681,000. This means that the average taxpayer claiming the real estate tax deduction subtracted $5,000 from taxable income in 2015.

At a marginal rate of 25 percent[2], this means that the average taxpayer saved $1,250 in taxes as a result of the real estate tax deduction. The total savings from the real estate tax deduction in the United States in 2015 was $46,846,420,250.

If the MID and real estate tax deductions were eliminated, the loss would not be a one-year event; homeowners lose out on these potential savings each and every year. The present value[3] of these lost savings could total nearly $3 trillion. The value of all owner-occupied real estate in the United States in 2016 was $21.9 trillion. If the lost tax savings are fully capitalized into the price of houses, the average decline in value in the United States could be 14%. From the individual perspective, the median priced home in the United States in 2016 was $233,800. A decline in value as projected could mean a loss in home value of $31,800 for the typical home owner.

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[1] Marginal rates range from 10 to 39.6 percent.
[2] Ibid.
[3] Present value calculation assumes 3.9 percent discount rate and 1000 year time horizon.

Sources for the data above include: Internal Revenue Service 2015, American Community Survey 2016, National Association of Realtors® 2016; All calculations are by the National Association of Realtors® Research Division, November 2017.