



Statement by Senator Dianne Feinstein:  
*President's Tax Panel Offers a Bad Deal for California*  
October 18, 2005

**“The proposal by the President’s Tax Panel today to cap mortgage deductions at approximately \$350,000 would be devastating for states like California where real estate values have skyrocketed and affordability is at its lowest levels. This proposal does not simply affect a small portion of wealthy homeowners, it would impact nearly the entire State, and worse, those who are living paycheck to paycheck may be forced to sell their homes.**

**Just last month, the median-priced home in California was \$568,890, and only 14% of California residents could afford to buy a one. Not only would this proposal further reduce affordability in California, but it could also trigger a devastating trend of mortgage defaults.**

**To put it simply, under this proposal, a family who purchases a median-priced home in California would face a loss of \$6,727 a year in tax deductions. This could be damaging to a family’s ability to pay their monthly mortgage, particularly given that many California homebuyers rely on the tax deduction in order to make ends meet.**

**In a study by the Public Policy Institute of California, moderate to low-income homebuyers are spending more than 30 percent of their income on housing and a third are spending more than 50 percent. For these homeowners, any additional cost is an enormous risk on their ability to fulfill their mortgage obligations, especially with increasing interest rates on the horizon.**

**The President’s Tax Panel is also proposing the elimination of the income tax deduction for state and local taxes. This would have the greatest impact on states like California with high income taxes. In fact, it would impose a \$17 billion tax on the people of California. I support tax reform, but it should not be on the backs of Californians.”**

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