Facts on the Mortgage Interest and Real Estate Tax Deductions in Vermont

Of the approximately 180,000 owner-occupied houses in Vermont in 2013, 113,000 or 63% had a mortgage.

In 2012, 72,800 taxpayers in Vermont claimed a deduction for mortgage interest (MID). The total amount deducted was $566,007,000. This means that the average taxpayer claiming the MID subtracted $7,750 from taxable income in 2012 as a result of the MID.

At a marginal rate of 25 percent[1], this means that the average taxpayer saved $1,940 in taxes as a result of the MID. The total tax savings from the MID in Vermont in 2012 was $141,501,750.

In 2012, 86,600 taxpayers in Vermont claimed a deduction for real estate taxes. The total amount deducted was $449,203,000. This means that the average taxpayer claiming the real estate tax deduction subtracted $5,200 from taxable income in 2012.

At a marginal rate of 25 percent[2], this means that the average taxpayer saved $1,300 in taxes as a result of the real estate tax deduction. The total savings from the real estate tax deduction in Vermont in 2012 was $112,300,750.

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 $6,679,013,158. The value of all owner-occupied real estate in Vermont in 2013 was $45,458,921,100. If the lost tax savings are fully capitalized into the price of houses, the average decline in value in Vermont could be 15%. From the individual perspective, the median priced home in Vermont in 2013 was $251,500. A decline in value as projected could mean a loss in home value of $36,950 for the typical home owner.

[1] Marginal rates range from 10 to 35 percent.
[2] Ibid.
[3] Present value calculation assumes 3.8 percent discount rate and 1000 year time horizon.

Sources for the data above include: Internal Revenue Service 2012, American Community Survey 2013, National Association of Realtors® 2013; All calculations are by the National Association of Realtors® Research Division, March 2015.