Big subsidy to buy a costly house

Few programs generate more outrage among Pottstown homeowners than Section 8 housing (officially known as the federal Housing Choice Voucher Program). Section 8 vouchers, administrated by the county housing authority, subsidize the rent for lucky low-income people. (There's a long waiting list.)

Although less than 10 percent of Pottstown's apartments are Section 8, they are often fingered as the No. 1 culprit in Pottstown's decline.

But Pottstown's declining tax base has many causes, of which none is greater than the loss of middle class and affluent residents, who for decades have moved out of town for big new houses on large lots.

The biggest housing subsidy of all goes to help these people to buy their expensive houses: the federal tax deduction for mortgage interest payments.

According to a study by the Center on Budget and Policy Priorities, the homeowner tax deduction costs the federal treasury about $70 billion annually, about twice the subsidy for low-income renters.

The tax deduction is designed to encourage home ownership. That is a good thing. It would be very reasonable if interest deductions were limited to, say, $100,000. But the deduction is capped at $750,000, and if you sell your house and buy another, you can start all over again. So the more expensive the house, the bigger the federal subsidy.

My wife and I bought our Pottstown home for $15,000 in 1973 ($85,000 in today's dollars). Most years, we took the standard deduction because we weren't paying enough interest to itemize. We paid off the house in the 1980s and never moved.

Last year, the average sale price of a home in Pottstown was $111,000. The median home price in the Coventries was $232,000 and $319,000 in the Collegeville area, which means a much bigger subsidy for people buying houses there.

The recent Republican tax cut will have a negative impact on many middle class homeowners without big mortgages. Because the standard deduction has been doubled, fewer taxpayers will itemize, eliminating their mortgage tax deduction.

But people who own the really expensive homes will continue to itemize and claim the subsidy.

There are lots of ways the government subsidizes the wealthy. The home mortgage deduction to buy a costly house is one of them.