Tax Expenditure Review Commission Member Evaluation Summary
1.3.05 Home Mortgage Interest Tax Deduction

Name of Expenditure:	Home Mortgage Interest Tax Deduction
Estimate of Annual Revenue Lost:	$90,900,000*
Year of Adoption:	1933
Sunset Date:	None

Tax Type:

- ☒ Individual Income Tax
- ☐ Corporate Franchise Tax
- ☐ Estate Tax
- ☐ General Sales and Use Tax
- ☐ Motor Vehicle Sales Tax
- ☐ Highway Fuels Excise Tax
- ☐ Alcoholic Beverage Tax
- ☐ Cigarette and Tobacco Tax
- ☐ Mortgage Registry Tax
- ☐ Deed Transfer Tax
- ☐ Lawful Gambling Tax
- ☐ Insurance Premiums Tax
- ☐ Property Tax
- ☐ Motor Vehicle Registration Tax
- ☐ Aircraft Registry Tax
- ☐ Cannabis Gross Receipts Tax

This expenditure is the result of state conformity to the Federal Code:

- ☐ Yes
- ☒ No

Commission Approved Objective:

The objective of the Minnesota Home Mortgage Interest Deduction is to recognize expenses incurred in generating personal income or wealth and to encourage homeownership at all levels of income.

Business (check all that apply):

- ☐ Job Creation & Maintenance
- ☒ Investment
- ☐ Competitiveness/Strategic
- ☐ Health/Environmental/Social Justice
- ☐ Other

Individual (check all that apply):

- ☒ Relief of Poverty
- ☒ Progressivity/Assistance to Low Earners
- ☒ Access to Opportunity
- ☐ Health/Environment/Social Justice
- ☐ Other

*The estimate is from the 2024 Tax Expenditure Budget published by the Department of Revenue for Fiscal Year 2027.

Measurement and Effectiveness Ratings Summary:

Statement	Strongly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree	Total
We can measure the overall benefit towards achieving the objective(s).	0	1	0	1	3	5
The expenditure's benefit justifies its fiscal cost.	0	3	0	0	2	5
The expenditure is claimed by its intended beneficiaries.	0	2	0	1	2	5
The expenditure is claimed by a broad group of taxpayers.	1	1	0	2	1	5
The expenditure amount claimed per taxpayer is meaningful as an incentive/benefit.	1	1	1	0	2	5
The expenditure is relevant today.	0	2	1	0	2	5
Business Only: The expenditure is primarily beneficial to smaller businesses.	2	0	0	1	0	3
Individuals Only: The expenditure is primarily beneficial to lower income taxpayers.	2	2	1	0	0	5

This tax expenditure is flagged for legislative review:

Continue	Repeal	Modify	Total
2	1	2	5

Comments:

"The deduction should be better targeted to lower and middle income homeowners or turned into a refundable credit. The money spent on this deduction could be used to provide more targeted property tax relief."

"This expense does not achieve its objective to "encourage home ownership at all level of income" as 6% of Minnesotan claim this deduction. The expense should either be repealed or modified. Additionally, there does not appear to be a "but for" this deduction people purchased a home - people appear to be purchasing home without regard to this deduction."

"The mortgage interest deduction appears to alleviate some costs related to homeownership. Unfortunately the people taking the deduction appear to be people at higher income levels. There are a number of homeowners that are low income and with a fixed income. It would be appropriate to consider how to modify this deduction to better capture those homeowners. Additionally, a direct payment program might be better utilized than a tax deduction."

Tax Expenditure Number: 1.3.05

Date Presented to Commission: 6/17/2026