



April 10, 2024

Honorable Christopher Ward
Chair, Assembly Committee on Housing and Community Development
1020 N Street, Room 156
Sacramento, CA 95814

RE: AB 1932 (Ward) – [All Home] – SUPPORT

Dear Chair Ward,

All Home is pleased to support AB 1932 (Ward), your bill that would provide an ongoing, dedicated state funding source for housing and homelessness prevention programs by eliminating the state mortgage interest deduction (MID) on vacation or second homes.

All Home advances solutions to disrupt the cycles of poverty and homelessness and to create more housing security and economic mobility for Californians with the lowest incomes. We know that without sustained investment in housing, the state can only address – but not truly solve – the housing and homelessness crises.

Today, the largest investment the state makes in housing is the MID – a deduction that disproportionately benefits those with higher incomes and larger mortgages, as filers who take the standard deduction get no benefit, even if they pay interest on a mortgage. In addition to the deduction taxpayers can take on their primary home, they can also deduct interest paid on a vacation home, for mortgages up to a cumulative \$1 million. The second home MID costs the General Fund about \$200 million every year. According to the Franchise Tax Board, tax filers that take a deduction on a second home receive approximately \$1,100 in tax benefit per filer.

Virtually no low-income Californians, who make up 38% of the state's population, can afford their local housing costs. Nearly 70% of low-income and very low-income households spend more than half of their income on housing costs. Those who lose their housing because of inability to pay are among the greatest numbers of those falling into homelessness for the first time.

This year, the state is facing a multibillion dollar deficit, which may continue in upcoming years. The Governor's 2024-25 State Budget proposes to eliminate \$1.2 billion in promised funding for programs that create affordable housing and homeownership opportunities. The most recent homelessness point in time count estimates that over 180,000 people are experiencing homelessness on any given night in our state, a number which has increased 6% from the previous year's count due to more individuals and families falling into homelessness.

Continuing to use state tax dollars to subsidize purchases of vacation homes will perpetuate an inequitable and wasteful tax expenditure that could instead meaningfully address the housing affordability and homelessness crisis facing our state. AB 1932 will align our funding with our priorities, by eliminating the vacation home MID and permanently investing resources saved – in the range of \$200 million annually – in programs that create greater housing stability for Californians with the lowest incomes.

For all the above reasons, we write in strong support of AB 1932 and thank you for your leadership on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Brett Andrews", written in a cursive style.

Brett Andrews
Interim Chief Executive
All Home