



Memorandum

TO: Rules Committee

FROM: Councilmember Ken Yeager

SUBJECT: SEE BELOW

DATE: October 14, 2005

Approved

Date

10-14-05

SUBJECT: MORTGAGE INTEREST DEDUCTION CAP RESOLUTION

RECOMMENDATION:

Add to the October 25 City Council agenda the adoption of a resolution opposing a recommendation to cap the mortgage interest deduction.

BACKGROUND:

The Advisory Panel on Tax Reform, a panel appointed by President Bush to make recommendations for overhauling the federal tax code, is considering a proposal to allow homeowners to deduct all of their mortgage interest only if they owe less than \$350,000 on their home.

The panel is expected to issue formal recommendations to the Treasury Department on November 1. It is anticipated that the President will use these recommendations to craft a proposal for revising the tax code next year.

ANALYSIS:

The median-priced home in Santa Clara County in August was \$714,000. Just 14% of Californians can afford to buy the State's median-priced home.

Given Silicon Valley's high housing prices, a proposal to cap the mortgage interest deduction at \$350,000 would be detrimental to homeownership in our region and put the Silicon Valley at a competitive disadvantage.

COORDINATION:

This memo has been coordinated with the City Manager's Office.

2005 OCT 14 A 11: 30

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San Jose City Clerk