

June 27, 2013

# THE HUFFINGTON POST

HUFFPOST'S **OFF THE BUS**

GROUND LEVEL COVERAGE OF CAMPAIGN '08

## John McCain Lives In Subsidized Housing

It's bad enough that John McCain doesn't know how many homes he and wife Cindy own. But does he realize that he lives in subsidized housing?

The McCains, like other wealthy homeowners, can take advantage of American tax laws that provide substantial tax breaks for the rich. The McCains can take deductions on the interest from outstanding mortgages up to a total of \$1 million on two homes. Because they are in the top (35%) tax bracket, they can get a tax break of as much as \$25,000 a year. (This assumes a fixed-rate 30-year mortgage at a 7% interest rate). In addition, they can get deductions on their property taxes and on capital gains (up to \$500,000) when they sell a home. (Since they file separate tax returns, and Cindy's the wealthy member of the couple, it's most likely that she gets the tax breaks).

According to recent reports, John and Cindy McCain own at least 10 houses in Arizona, California, and Virginia worth an estimated total \$13.8 million. These include two beachfront condos in Coronado, California, a condo in La Jolla, California, a two-unit condominium complex in Phoenix, Arizona, three ranch houses outside of Sedona, Arizona, a high-rise condo in Arlington, Virginia, a rental loft, and a loft they bought for their daughter.

Last year, according to a report (pdf) by the Congressional Joint Committee on Taxation, homeowner tax breaks cost the federal government \$119 billion. (Economists call these "tax expenditures"). These include \$73.7 billion in mortgage interest deductions, \$16.8 billion in property tax deductions, and \$28.5 billion in exclusion from capital gains taxes when homes are sold.

This would be OK if the tax breaks helped most middle- and working-class people, who need the cash. But they don't. Half of all homeowners, mostly those on the bottom-half of the income ladder, don't claim deductions at all. Among homeowners who itemize deductions, most get only a few hundred dollars a year in tax breaks. Renters, of course, don't even qualify.

But homeowners with the highest incomes and the most expensive homes (including second homes) get the largest subsidy. The richest 3% of Americans (those with incomes over \$200,000) get about 28% of the homeowner tax breaks. As a result, a wealthy corporate executive, or an heiress like Cindy McCain, is likely to receive a much bigger homeowner tax break than a nurse, a factory worker, or a school teacher. Many economists believe (pdf) that the current system is both inefficient and unfair. It subsidizes the rich to buy huge homes without helping most working families buy even a small bungalow. As a result, it has little impact on expanding homeownership, since wealthy families like the McCains can afford to buy expensive homes without getting a subsidy.

Most Americans think that federal housing assistance is a poor people's program. In fact, only about one-quarter of all low-income Americans (those who have Section 8 rental vouchers or who live in government-assisted developments) receive federal housing subsidies. In contrast, most wealthy Americans -- many living in mansions -- get housing aid from Washington.

While millions of American families are facing foreclosure, or struggling to buy a home or keep the one they own, multi-millionaires like the McCains get a "mansion subsidy" from the government.

A few years ago, President George W. Bush's Advisory Panel on Federal Tax Reform recommended scaling back the tax breaks for very wealthy homeowners. One suggestion was to scrap the mortgage interest deduction and replace it with a 15 percent tax credit. Another idea, recommended for years by the Congressional Budget Office, was to lower the ceiling on mortgages eligible for tax breaks. But Bush nixed these proposals under pressure from the real estate industry.

John McCain has released his 2007 federal tax forms, but Cindy has refused to do so. (She did release her 2006 form). These forms are available on the Tax Analysts website: It is impossible to tell from the McCains' forms which of their many homes they use to receive mortgage interest and property tax breaks, or whether they've gotten any tax breaks from the sale of their homes. Indeed, with so many homes at their disposal, perhaps only their accountant knows which houses they report as their principle residence and which they use to obtain tax breaks. (This would be a good project for some investigative reporters). Barack and Michelle Obama, who file jointly, get a tax deduction on the one home they own in Chicago.

Throughout his presidential campaign, McCain has opposed providing government help for families facing foreclosure. He is against a mortgage tax credit for families who don't itemize deductions, which Obama has endorsed. But McCain hasn't said anything about the huge tax breaks that multi-millionaires like he and Cindy get on their huge homes. He does favor, however, extending Bush's tax breaks for the very wealthy. According to an analysis by the Los Angeles Times, under McCain's tax plan, the wealthiest 1% of Americans (those with incomes over \$619,561), would get an annual tax cut of \$31,943. Under Obama's plan, they'd get a tax increase of \$114,238. (Obama's plan would give much larger tax cuts than McCain to the bottom 80%, those with incomes under \$117,000).

Both McCain and Obama hope that next January they'll get to live rent-free in the White House. But both candidates already live in subsidized housing, courtesy of our regressive tax policies. So, while McCain can't remember how many mansions and luxury condos he owns, most Americans are struggling to hold onto or purchase a modest home. The Republican nominee's indifference to the housing woes of many Americans, while he jets from one McCain McMansion to another, is a perfect symbol of how out-of-touch he is with the daily realities of ordinary people.