Washington, DC – Today Congressman Earl Blumenauer (D-Ore) managed floor debate on the Mortgage Forgiveness Debt Relief Act of 2007 (HR 3648), which would eliminate the tax that families must pay when their houses are foreclosed on or the terms of their loans are renegotiated. Earlier this week, Congressman Blumenauer represented the Committee on Ways and Means in testifying before the Rules Committee on H.R.3648, a bill he strongly supports. The bill passed the full House today 386-27.

"The subprime lending crisis is hitting families hard in Oregon and across the country," said Congressman Blumenauer. "There is no reason why a family, having had their house foreclosed or their loan renegotiated, should have to pay the additional penalty of income tax on income they never earned. It's an outrageous double-whammy when families not only lose their home but also face a steep tax bill. The Ways and Means Committee has acted quickly to help bring some relief to families caught in this mess, and we will continue working to help resolve the mortgage meltdown."

Many observers believe that the subprime problem will only worsen in the coming months, estimating that nearly 2 million American families will lose their homes to foreclosure before the housing slump is over. Given the seriousness of the problem, failing to adopt a sufficiently aggressive response poses great risks not only to the housing market, but to the economy.

H.R.3648, the Mortgage Forgiveness Debt Relief Act of 2007, amends the Internal Revenue Code of 1986 to exclude discharges of indebtedness on principal residences from gross income, and for other purposes. The Committee on Ways and Means passed the Mortgage Forgiveness Debt Relief Act unanimously. It would:

End Taxes on Mortgage Debt Forgiveness: The bill will end the tax on phantom income when a lender forgives some part of a families' mortgage in foreclosure. Under current law, the debt forgiven following mortgage foreclosure or renegotiation is considered income for tax purposes, resulting in tax liability for individuals and families. The bill provides tax relief by permanently excluding this mortgage debt forgiven under these circumstances from taxes. To prevent abuse, there is a $2 million cap on the maximum amount of forgiven debt that would be eligible for tax relief.