

OPINION

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Scandalous suggestion from debt commission

VIEWPOINT



LINDA CHAVEZ
 Syndicated Columnist

As if the collapse in the housing market had not done enough damage to the U.S. economy, the president's debt commission is now proposing changes that could take the industry off life support. Among the recommendations in the commission's 65-page report is one to eliminate the tax deduction for mortgage interest on homes over \$500,000 (the current limit is \$1 million) and restrict it to primary residence only. The recommendation would also eliminate interest deductibility for home equity loans (which are currently capped at \$100,000). The effect of these changes would be to immediately reduce the value of all homes by as much as 15 percent. Here's why.

Homeowners currently are allowed to take an itemized deduction for the interest they pay on their home mortgages. With conventional loans, most of the payments in early years go to pay interest on the loan, with only a tiny fraction going to principal. Although most home purchasers may not think of it this way, when they buy the house under our current tax system, they've invested not only in a place to live but also in buying an asset. The value of that asset will be determined by its future appreciation — or in recent years, its depreciation — but also in the value of the tax deduction they receive on the mortgage interest.

Under the current tax code, homeowners get a large tax break. A family that pays a \$3,000 mortgage payment each month will likely get at least a \$2,300 per month deduction in the early years of owning the home. Depending on the individual's tax bracket, the deduction can result in a significant savings in taxes owed. Of course, this is why the debt commission wants to take away this benefit. But to do so would have unintended consequences,

namely, lowering the current value of home real estate.

As Carlos Bonilla wrote recently for the American Action Forum, a center-right policy group, "Absent the deduction we can expect that housing prices will fall by the present value of that stream of tax savings that is in force today." Homebuyers don't get the tax deduction for nothing — they've actually paid for it in the cost of the house they purchased.

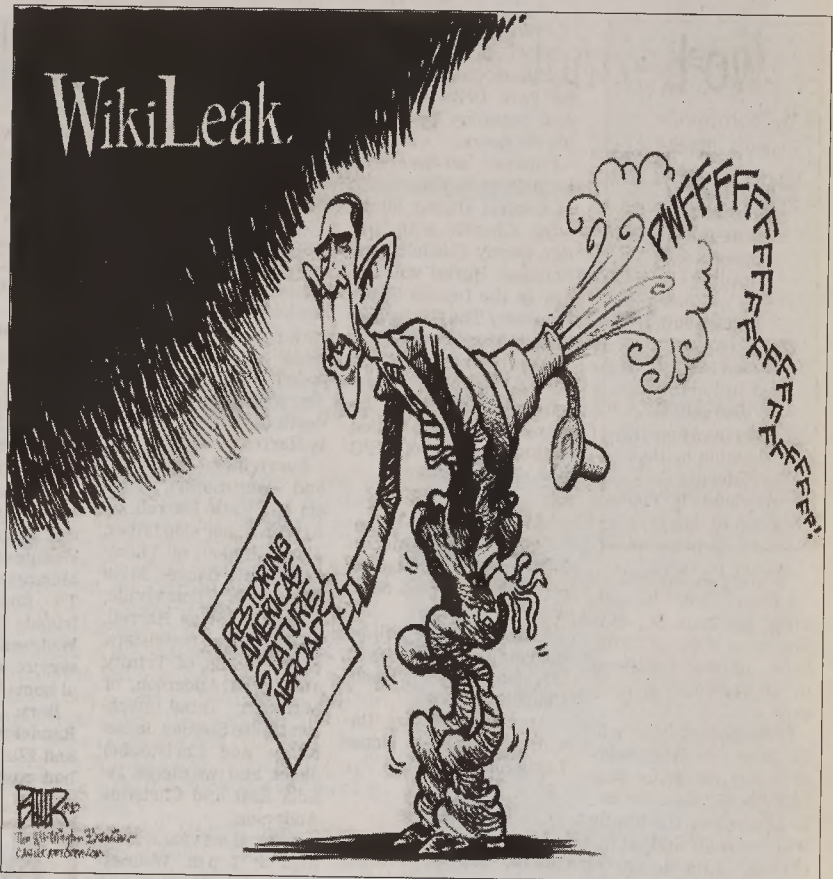
It has simply been capitalized over the years they will be paying their mortgage. He estimates the present value of those deductions on a \$625,000 home to be worth more than \$72,000 in today's dollars. Take away the deduction, and the house is now worth only \$553,000. In other words, we've reduced its value by almost 12 percent.

This would result in an enormous blow to the 60 percent of Americans who presently own their homes. We've already experienced double-digit home value declines in the past few years; do we really want to see them drop another 10-15 percent instantly because of a change in tax policy?

There is also a fundamental question of fairness. Individuals who purchased homes under the assumption that they could deduct interest up to \$1 million should not now be told that because the government can't control its own spending, the rules have changed. What would we think if a bank decided it should retroactively change interest rates or increase the principal on a loan because it wasn't making enough money on its investment?

Proposals to eliminate the deductibility of home mortgage interest have been floating for years — the idea was considered and dropped during President Reagan's 1985 tax overhaul and has been brought up periodically ever since. But the only conditions that would make any such proposal feasible would be a low, flat tax in which all deductions were eliminated — and even then, it would only make sense when the real estate market had fully recovered.

Linda Chavez is the author of "An Unlikely Conservative: The Transformation of an Ex-Liberal." To find out more about Linda Chavez, visit the Creators Syndicate web page at www.creators.com.



Don't ask, Don't tell' on way out

VIEWPOINT



DEBRA SAUNDERS
 Syndicated Columnist

On Tuesday, Defense Secretary Robert Gates released a long-awaited Pentagon working-group report on the repeal of the "don't ask, don't tell" policy enacted under President Bill Clinton. Most troops, the review found, would not object to a repeal.

Some troops made strong arguments in favor of repeal. As one service member noted, "We need all available men and women who are willing to serve their country, no matter what their sexual orientation is." Another said, "We shouldn't turn people away because of things they do in their private life."

One gay service member noted that a repeal would "take a knife out of my back." Amen to that. They have our back; we should remove the knife pointing at theirs.

Besides, I have to agree with the gay service member who predicted, "If it is repealed, everyone will look around their spaces to see if anyone speaks up. They'll hear crickets for a while. A few flamboyant guys and tough girls will join to rock the boat and make a scene. Their actions and bad choices probably will get them kicked out. After a little time has gone by, then a few of us will speak up. And instead of a deluge of panic and violence ... there'll be a ripple on the water's surface that dissipates quicker than you can watch."

That doesn't mean that there won't be problems. As Sen. John McCain, R-Ariz., noted during Thursday's Senate Armed Services Committee hearing, the review also found that 58 percent of Marines in combat units and 48 percent of Army combat

troops feared that repealing "don't ask, don't tell" would have a negative or a very negative impact on the ability of their units to work together. America is at war and Washington has to address the concerns of combat troops.

"Morale wins battles," said Joe Davis, spokesman for the Veterans of Foreign Wars, which opposes a repeal. Like McCain, Davis objects to the fact that the Pentagon review never polled troops on whether they wanted to end the policy. "I wish that the question was asked point-blank — repeal, yes or no."

The Department of Defense, for its part, is very aware that civilians control the military, not the other way around. Hence, its resistance to polling troops. But I must pass on Davis' observation that although most civilians favor ending "don't ask, don't tell," most civilians have not enlisted. "You're telling someone else what to do, but you would never ever consider joining the military. That's pretty hypocritical in my humble opinion," he said with military precision.

While he understands societal change, Davis added, "The military is about the team; repeal is about the individual."

Fair enough, but there are practical reasons why McCain, the VFW and others who question the wisdom of repeal might want to get behind this document.

Two words: "judicial fiat." As Gates warned, either Washington can repeal "don't ask, don't tell" or the courts can do it for Washington.

If the Ninth Circuit Court of Appeals in San Francisco decides the matter — in the wake of a federal judge's ruling suspending the policy — you probably can kiss goodbye recommendations designed to protect troops who have religious or moral objections to ending "don't ask, don't tell."

The panel, for example, understood that troops might oppose repealing "don't ask, don't tell" out of the fear that it will be "only a matter of time before the military censors the religious expression of chaplains and marginalizes denominations that teach what the Bible says about

homosexual behavior." Having seen San Francisco polls go after religious groups, I understand that fear.

The report made clear that a repeal should not try to control how military personnel think: "In the event of repeal, we cannot and should not expect individual Service members to change their personal religious or moral beliefs about homosexuality, but we do expect every Service member to treat all others with dignity and respect, consistent with core values that already exist in each Service." Treat everyone with respect. It's common sense.

The working group also recommended against creating a "protected class" for gays and lesbians. Aubrey Sarvis of the pro-repeal group, Servicemembers Legal Defense Network, told me he is on board with that language. We're "not seeking any special privileges," he said. "All they're asking is to be who they are without losing their jobs."

Republicans have resisted allowing a vote in the lame-duck Congress. As Sarvis admitted, "It's no secret, one of the reasons we're pushing for the lame-duck, it's only going to get tougher in the new Congress."

But if repeal fails, Sarvis promised, "We will continue with our allies." And then he mentioned the Ninth U.S. Circuit Court of Appeals, which will rule on a September decision by U.S. District Judge Virginia Phillips of Riverside, Calif., that found the policy to be unconstitutional.

Everyone knows that "don't ask, don't tell" eventually will be repealed. It's only a matter of time. So the question is: Will it be repealed by people who care about the military and the rights of dissenters, or will it be repealed by an arrogant judge with a political agenda? That is the choice before the Senate.

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