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December 16, 2016

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
1233 Longworth House Office Building
Washington, D.C. 20515

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
301 Cannon House Office Building
Washington, DC 20515

Dear Speaker Ryan and Chairman Brady,

As the 115th Congress prepares to convene next month, our Nation and its economy face tremendous challenges as well as unprecedented opportunities for enacting changes to improve and secure the lives of the American people. This is certainly true in the case of tax reform, which is high on the list of priorities for you and the incoming Trump Administration.

On behalf of the over 1.1 million members of the National Association of REALTORS®, I express great concern with one aspect of the House Republican Tax Reform Blueprint. The interaction of two specific features of the plan, which are designed to simplify the tax system, would have the unintended consequences of nullifying the long-standing tax incentives of owning a home for the great majority of Americans who now are, or who aspire to become, homeowners.

Specifically, the Blueprint calls for the standard deduction to be almost doubled from its current levels. The plan also includes the repeal of the deduction for state and local taxes paid, as well as the elimination of most other itemized deductions. Either of these monumental changes alone would marginalize the value of the current-law tax incentives for owning a home. Unfortunately, the combination of these two revisions would cripple the incentive effect of the federal tax law for all but the most affluent of taxpayers.

We anticipate two potentially devastating problems in the aftermath of these modifications. First, the impact on the first-time homebuyer could be enormous. For many, the current-law tax incentives make the crucial difference in being able to afford to enter the ranks of homeowners. At a time when the rate of first-time home-buying is well below the average of the past few decades, this could be particularly debilitating for the housing industry and the entire economy.

Second, the decimation of the mortgage interest and real property tax deductions would very likely cause a significant plunge in the value of all houses. At a time when the housing sector has not fully recovered from the thrashing it took during the Great Recession, this drop, even if temporary, could be calamitous. Millions of homeowners could again wake up to learn that the value of their largest financial asset has dived below the amount of debt that is owed on it.

NAR realizes that a driving principle behind the Blueprint is a great desire to modify our tax system to supercharge economic growth in our Nation. We commend you for this and acknowledge that many features of the plan are likely to lead in this direction. However, it will take years for the full growth effects of these changes to permeate



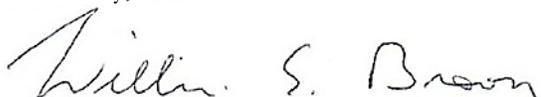
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through the economy and for these hoped-for effects to offset the deleterious short- to mid-range effects mentioned above. And many homeowners, particularly those who are middle-aged or older and are planning to use the equity in their home for retirement or to pay for the education of their children, simply will not have time to wait for the recovery.

Therefore, we ask that you reconsider the aspects of the Blueprint that would eliminate the incentive effects of the tax law on owning a home. These provisions have been a feature of our tax system for over a century and have stood the test of time. Suddenly removing them could jar the economy and have many unintended financial and societal consequences.

Thank you for your tireless dedication to improving our economy, our tax system, and the Nation. Our tax system stands in great need of positive changes, and we commend you for being willing to take on the difficult and gargantuan task of leadership in this worthy effort. But we also strongly urge that in so doing, we not discard the features of our tax system that provide the bedrock for homeownership in America.

Sincerely,

A handwritten signature in cursive script that reads "William E. Brown". The signature is written in dark ink and is positioned above the printed name.

William E. Brown
2017 President, National Association of REALTORS®

cc: Members of the U.S. House of Representatives
Members of the U.S. Senate