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HEARING BEFORE THE

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS

ENTITLED

HOUSING CRISIS: IDENTIFYING TAX INCENTIVES TO STIMULATE THE ECONOMY

WRITTEN TESTIMONY OF

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Oral Testimony

Madame Chairman and Members of the Committee: My name is Jim Helsel. I am here in my capacity as the elected Treasurer of the National Association of REALTORS®. NAR has 1.25 million members engaged in every facet of the real estate industry. I am also a Partner in the full service real estate brokerage known as RSR Realtors, located in Lemoyne, Pennsylvania. Thank you for this opportunity.

The ugly dimensions of the housing crisis have been covered extensively in the media. Despite today's challenges, it is still true that more than 90% of homeowners are current on their mortgages. Generally, their mortgages are not underwater. Home values continue to appreciate in about one-third of U.S. markets and in even more neighborhoods. The decline in property values has not changed Americans' basic perception that homeownership is good for families and good for communities.

Our members continue to report that traffic at open houses and property showings has been steady enough, but that a "No, thanks, just looking" mentality dominates. The "just looking" comment is really a code for "How low will prices go and how long will it take?"

In February, some of NAR's current and former Tax Committee leaders met to explore approaches that might help to create a floor under market prices. Their discussion included property tax holidays, special property tax deductions, tax-exempt bonds, investor incentives and a homebuyer tax credit. They easily agreed that the most beneficial incentive would be a temporary tax credit that would change the "Just looking" mood to "I'm ready to buy." Part of their support for a homebuyer credit was based on the success of a 1975 temporary tax credit designed to clear an over-supply of newly-constructed homes during an economic downturn.

We note three critical features for an optimal homebuyer tax credit. *First*, it would apply to ***all*** residential real estate, not solely foreclosed property. *Second*, a *temporary* credit would assure that prospective purchasers would have to act within a relatively short time. *Third,* the House-imposed income limits should be increased, particularly for single individuals. After all, there is no difference between the purchasing power of a single individual and a married couple with the same amount of income. Moreover, housing policy seems inconsistent when current law offers higher FHA or conforming loan limits to borrowers in high-cost housing areas but then makes them ineligible for a tax credit because of income limits.

We urge Congress to move quickly to conference and final passage of this tax incentive. Failure to act quickly could further stall the market as prospective purchasers wait to see if they will qualify for the benefit. (Further detail about the tax credit is provided in a chart attached at the end of our written testimony.)

The housing crisis is not limited to homeowners and buyers and sellers. It also affects the individuals who work in any facet of the real estate business. We want to note for the record that many of our members and other self-employed folks (such as carpenters, landscapers and other construction workers) will not receive the $600 stimulus check this year.

NAR's real estate sales agent members are compensated solely on a commission basis, so when the number of sales declines along with the prices of the properties sold, commission income also drops. By the time sales agents deducted their allowable expenses from their 2007 real estate sales revenues, many had no net income to reflect on their 2007 Form 1040. These folks won't get the kick of the $600 rebate until they file their 2008 tax returns next year.

Bringing Back the Small Investor: The so-called "small investor" is a class of real estate owners that has all but disappeared. ***We must bring them back***. These are individuals who might own one or two single family homes or condos that they offer for rent. The reason for their disappearance traces back to the 1986 Tax Reform Act.

In 1986, Congress enacted the so-called "passive loss" rules to shut down abusive, syndicated, tax-shelter projects that were marketed for their tax benefits rather than for the appreciation and income stream from the investment. The passive loss rules included an exception to assure that individuals with moderate incomes could continue to invest in real estate as individual owner-landlords. The exception criteria were expressed in dollar amounts that were not indexed for inflation. Individuals who earned less than $100,000 qualified to take advantage of the exception.

In 1986, the median price of a home was $72,000 – much less than the $100,000 investor threshold. Today, the median price of a home hovers around $200,000, but the investor income threshold still is $100,000. Had the limits for the small investor exception been indexed for inflation, individuals with income of nearly $185,000 could more readily invest in residential rental real estate. NAR urges Congress to adjust the thresholds for the passive loss exception and index them for inflation. The return of the small investor would no doubt help shrink the current over-abundance of real estate inventory.

Our written testimony provides additional information on each of these matters. Thank you again for this opportunity to provide our thoughts. I look forward to answering your questions.

Written Testimony of the National Association of REALTORS®

Madame Chairman and Members of the Committee: My name is Jim Helsel. I am here in my capacity as the elected Treasurer of the National Association of REALTORS®. NAR has 1.25 million members engaged in every facet of the real estate industry, including brokerage, sales, leasing, development, professional education and property management. I am also a Partner in the full service real estate brokerage known as RSR Realtors, located in Lemoyne, Pennsylvania. Thank you for this opportunity.

The ugly dimensions of the housing crisis have been covered extensively in the media: home prices declining, foreclosures at unprecedented levels, community distress, high food and energy costs pinching the mortgage payment. The institutions that specialize in housing finance are in disarray as they struggle to clear the wreckage of subprime lending. Capital for new mortgages is suddenly in short supply and lenders are now combing loan applications with rigorous care. State and local governments have been hard hit as property tax revenues and service and permit fee income have declined. The scope of government services has diminished too, as their costs have increased but revenue has declined.

Despite today's challenges, it is worth noting that more than 90% of homeowners are current on their mortgages. Generally, their mortgages are not underwater. Home values continue to appreciate in about one-third of U.S. markets and in even more neighborhoods. The decline in property values has not changed Americans' basic perception that homeownership is good for families and good for communities.

<u>Breaking the Fall: A Homebuyer Tax Credit:</u> Our members continue to report that traffic at open houses and property showings has been steady enough, but that a "No, thanks, just looking" mentality dominates. The "just looking" comment is really a code for "How low will prices go?" and/or "How long will it take?" Currently, no one can answer those questions because today's combination of nationwide falling prices and tight credit are without precedent in the post-World War II economy.

In February 2008, some of NAR's current and former Tax Committee leaders met to explore tax proposals that can help to create a floor under market prices. In the current environment, they have viewed new tax incentives as playing a supporting, but nonetheless important, role in the housing market. At a threshold level, the problems in the housing market are principally financial and the corrections needed are primarily financial and regulatory. Nonetheless, providing tax incentives and correcting the operation of punitive tax provisions can offer many individuals a very consumer-friendly benefit.

The Tax Committee leaders' discussion included property tax holidays, special property tax deductions, tax-exempt bonds, investor incentives and a homebuyer tax credit. They easily agreed that the most beneficial incentive would be a temporary tax credit that would change the "Just looking" mood to "I'm ready to buy." Part of their support for a homebuyer credit is based on the success of a 1975 provision that was designed to clear an over-supply of newly-constructed homes during an economic downturn.

One of the deeper recessions of the past 40 years occurred from 1974 – 1975. At the beginning of that period, home construction had been booming, but the sluggish economy had resulted in a glut of newly-constructed homes. To help clear that inventory, a $2000 homebuyer tax credit for the purchase of newly-constructed homes (but not existing homes) was enacted. That credit was temporary, with a twenty-month duration between March 1975 and January 1, 1977. The credit was available to all purchasers who bought homes that had been constructed within the specified eligibility period. The tax credit incentive worked: New home sales rose as a result to 549,000 in 1975 from 519,000 in the prior year. Momentum and confidence continued the following year and new home sales rose to 646,000 in 1976.

By mid-February this year, work had begun on crafting a homebuyer tax credit that could attract buyers – not just browsers – into the market. Our members believed that if a tax credit could be enacted swiftly, the market might rebound during the spring and summer. Those are typically the most active quarters for residential sales.

Congress had corrected a serious problem for distressed homeowners at the end of 2007 with the enactment of mortgage cancellation relief. The 2007 legislation provided that individuals who either lost their homes through foreclosure or sold at a loss would not be required to pay income tax on any debt that their lenders had forgiven (see discussion below). That relief was a critical first step. That relief, however, was not a tool designed to keep people in their homes or to bolster slumping sales.

As the spring sales season began this year, existing home sales did not demonstrate their usual spurt and have not yet, as of this date, rebounded. The softness in the market was apparent when members of Congress visited their districts in late March during the spring district work period. When Congress returned from the work period, lawmakers initiated a quick and useful response. The Senate passed its version of a homebuyer tax credit in April 2008; the House passed its version in May. As of today, the two versions of H.R. 3221 have not moved to conference. A chart that compares the House and Senate versions of H.R. 3221, a major housing policy bill, is attached as Appendix A.

We note three critical features for an optimal homebuyer tax credit.

First, it would apply to *all* residential real estate, not solely foreclosed property. The Senate version applies only to foreclosed property. This limitation will distort prices in the neighborhoods that have foreclosed properties. Individuals who are trying to sell their homes and who have kept current in their payments would be at a price disadvantage compared with lenders trying to sell off their foreclosed properties. Moreover, the economic benefit of selling a foreclosed property will accrue to the lender who took the property back. A tax incentive for acquiring a foreclosed property from the lender does nothing to soften the loss to the individual who did not or could not make the mortgage payments. Thus, in order to treat all *sellers* fairly, it is critical that all prospective *buyers* be permitted to choose from among all available properties.

Second**,** a *temporary* credit would assure that prospective purchasers would have to act within a relatively short time. We believe that a homebuyer credit should be available for at least one year, but probably for no longer than 15 to 18 months. The virtue of a temporary provision

is that it would force activity. As consumers perceive additional sales activity, they may feel some comfort that the floor for price declines has been reached. There is no way to guarantee such a result, of course, but a tax credit does seem the most efficient mechanism for generating transactions. Market activity is the best way to stabilize prices.

Third, the House-imposed income limits should be increased, particularly for single individuals. After all, there is absolutely no difference between the purchasing power of a single individual and a married couple who have the same amount of income. Moreover, housing policy could presently be viewed as inconsistent. For 2008, Congress has significantly increased the size of loans that the Federal Housing Administration (FHA) can insure and that can be acquired by Fannie Mae and Freddie Mac (the government-sponsored entities, or GSEs.) (NAR urges Congress to make those loan limits permanent.) Under these 2008 provisions, loans of up to as much as $729,000 will qualify under the FHA and GSE rules. We believe that it is inappropriate that current law offers higher FHA or conforming loan limits to borrowers in high-cost housing areas but then makes them ineligible for a tax credit because of income limits. Income limits that apply to the proposed tax credit will make many borrowers in high-cost housing ineligible for the tax credit. NAR believes that this is punitive and will unduly burden high cost areas.

Other Tax Credit Issues: The House version of the tax credit proposal includes a novel repayment feature. The economic effect of this feature is that it converts the credit into what amounts to an interest free loan. Buyers who qualify for the $7500 credit would be required to repay the credit over 15 years, or roughly $500 a year. No mechanism is provided specifying who will collect this payment. Currently, the tax laws have no comparable mechanism that suggests how the IRS will monitor or assure compliance with the repayment feature.

Critics of the repayment provision argue that utilizing the tax credit would actually have the odd result of impairing the cash flow of the new buyers in subsequent years. They argue that the repayment feature turns an incentive on its head because a benefit given in one year is lost in subsequent years. These critics are met with a response that the repayment requirement is a way of assuring that the tax credit is not perceived as a type of bailout provision.

NAR finds the repayment provision odd and complex. While it is not a "deal breaker" for us, we do believe that for the proposed tax credit to act as an incentive, it should be structured as an incentive, not a loan. In addition, the income limits in the House bill make it clear that the House intends for the credit to assist moderate income taxpayers. The policy of limiting the utility of the credit and then also asking for repayment could be burdensome for that group of taxpayers. We therefore are hopeful that the conferees will carefully review this provision.

Some have criticized the homebuyer tax credit proposal because they believe it will provide a perverse incentive. These critics argue that a tax credit will bring additional unqualified borrowers into the market. To those critics NAR would respond: The subprime market is dead. Underwriting standards have gone from ridiculously lax to rigorous almost overnight. Individuals who purchase homes today will be subject to careful scrutiny.

The purpose of a homebuyer tax credit is to shore up a lagging market. Nine of the past eleven months have shown declining existing home sales. We are not advocating a return to the

recent market that was characterized by as much as 20% annual appreciation and by something like a feeding frenzy. The total sales volume of 2005 (both new and existing homes) was 8.3 million. That is not sustainable and we do not seek a return to that market. We do, however, aspire to a pre-2002 market volume. Today, we project existing home sales of less than 5 million units. This is somewhat lower than the pre-boom (pre-2002) level. We believe that a homebuyer tax credit can help restore home sales to their pre-boom, i.e., more "normal," level.

Time is of the essence. We urge that Congress move quickly to conference and final passage of this tax incentive. Failure to act quickly could further stall the market as prospective purchasers wait to see if they will qualify for the benefit.

Other Tax Incentive Proposals: When NAR's Tax Committee leaders met in February to discuss tax incentives, several other worthwhile proposals were on the agenda. NAR would likely support any of them, given the opportunity. Our leadership group chose a homebuyer tax credit as the most efficient, but not the exclusive, incentive that could help create a floor for declining housing prices. A summary of the discussion about the remaining proposals follows.

Property Tax Holiday: Property taxes are solely the domain of local governments (and, rarely, of state governments.) The group operated from the premise that they were discussing only Federal remedies that could be considered and enacted through the Congressional tax-writing committees. Accordingly, NAR could see no Federal role in creating a property tax holiday. In addition, our leaders were mindful of the growing fiscal pressures on both state and local governments as a result of the subprime crisis, so did not want to advocate any property tax policy changes that might have different types of impact on different communities.

Special Property Tax Deduction or Special Mortgage Interest Deduction: Both the House and Senate versions of H.R. 3221 include a special property tax deduction. This deduction would be available to individuals who do not otherwise itemize their deductions on Schedule A of Form 1040. The special deduction would be in addition to the standard deduction. (The standard deduction for 2007 was $10,700 on a joint return, $5,350 on a single return.) The House bill provides a so-called "above the line" deduction of up to $350 ($700 on a joint return) for property taxes paid in 2008. The Senate version allows a special deduction of $500 ($1000 on a joint return), but only if state and local taxes are not increased after April 2, 2008 or before January 1, 2009.

NAR certainly shares the view that any special deduction will serve the beneficial purpose of putting more cash into people's pockets. In this instance, property tax amounts are easily ascertainable and the deduction would impose no new compliance burden. This proposal did, however, generate some policy questions that remained unresolved in the group.

The standard deduction is probably one of the most taxpayer-friendly provisions of current law. It is a significant tax simplification device. Indeed, in any particular year, only about 28 – 33 % of taxpayers itemize their deductions. The others use the standard deduction. (Note that the composition of the universe of itemizers changes from year to year, depending on variables like health care expenditures, size of mortgage and amounts of charitable contributions and fixed circumstances like living in a high- or low- tax jurisdiction.) In any particular year,

nearly all the individuals who qualify to itemize their deductions do so. Those individuals who use the standard deduction when they could have itemized would have paid more tax than "required." Thus, for most taxpayers, the standard deduction gives them the "best" tax result possible.

The efficiency and simplification of the standard deduction generated the policy questions our members posed. They perceived the proposed "special" property tax deduction as an imprecise tool for targeting distressed homeowners. Some also believed that the special deduction could be seen as contrary to longstanding policy against so-called "double dipping." If the standard deduction is a proxy for deductions such as property tax or mortgage interest, then it was not clear why any special additional deduction for those items would not be equivalent to double dipping. Thus, NAR tax leadership chose not to seek this approach as their preferred option for a housing incentive. NAR does not oppose the provision; the provision merely seems a less direct incentive than a homebuyer tax credit.

Note that several members of Congress suggested that some portion of mortgage interest be deductible in addition to the standard deduction. While no legislation to create such a deduction was considered, similar policy questions would arise. As with the property tax deduction, a special mortgage interest deduction does not target distressed homebuyers. In addition, homeowners who have paid off their mortgages would not receive a cash flow benefit comparable with a special property tax deduction.

Tax-exempt Bonds: The House and Senate versions of H.R. 3221 provide that state housing agencies be given new authority to issue tax-exempt mortgage revenue bonds (MRBs) and use the proceeds from them to help individuals refinance their subprime loans. The provision would allow $10 billion of new MRBs to be issued for this purpose. This would be the first time that MRB proceeds could be used for refinancing.

NAR supports this provision and believes that it is an efficient mechanism for providing capital to serve a particularly bereft class of borrowers. State housing agencies have significant expertise both with the mechanics of issuing bonds and in working with borrowers of modest means. Local housing authorities are knowledgeable about their communities and the housing options within them. In addition, many of these local agencies have important capacity to provide counseling for borrowers. The constituency for mortgages funded with MRBs has always been first-time homebuyers who are often somewhat less knowledgeable about mortgage products and the duties of having a mortgage. Subprime borrowers attempting to refinance will share some of those characteristics and could be well served by these housing authorities.

<u>Bringing Back the Small Investor</u> One of the best ways to help clear the current over-supplied inventory of residential property is to look toward investors. The so-called "small investor" is a class of real estate owners that has all but disappeared. These are individuals who might own a duplex or one or two single family homes or condos that they offer for rent. The reason for their disappearance traces back to the 1986 Tax Reform Act.

In 1986, Congress enacted the so-called "passive loss" rules to shut down abusive, syndicated, tax-shelter projects that were marketed for their tax benefits rather than for the

appreciation and income stream from the investment. These stunningly complex rules were designed to deter large partnerships and developer groups from syndicating these large projects. Their target was not the small investor. Thus, to protect individual investors, the passive loss rules included an exception to assure that individuals with moderate incomes could continue to invest in real estate as individual owner-landlords. Under the exception, an individual with less than $100,000 of adjusted gross income (AGI) could deduct up to $25,000 of losses from rental real estate from other non-real estate income. The $100,000 income threshold was phased out at $150,000.

This exception was not indexed for inflation. Accordingly, fewer small investors enter the rental real estate marketplace today. Just as the failure to index *increased* the number of taxpayers caught up in the Alternative Minimum Tax, the failure to index the passive loss exception has the effect of *diminishing* the pool of likely real estate investors who would operate as "small" real estate investors or part-time landlords. The table illustrates what the value of the exception would be today if it had been indexed for inflation.

The $25,000 cap on allowable losses, if indexed for inflation, would be $45,624.

The $100,000 income limitation, if indexed for inflation, would be $182,495.

The $150,000 phase-out cap, if indexed for inflation, would be $273,742.

Some context is also useful in suggesting the relationship between housing prices and inflation. The median price of a home has increased much faster than inflation. This has the effect of increasing the cost of investment while diminishing the allowable tax benefit, thus further freezing small investors out of residential real estate. Note the following median price information.

In 1986, the median price of a single family home, stated in 1986 dollars, was $80,300. Indexed for inflation and stated in 2007 dollars, that median price would be $151,787. *In reality, the median price of a single family home in mid-2007 was actually $217,900.*

In 1986, the median price of a condo, stated in 1986 dollars, was $72,600. Indexed for inflation and stated in 2007 dollars, that price would be $137,232. *In reality, the median price of a condo in mid-2007 was actually $226,300.*

NAR urges Congress to adjust the thresholds for the passive loss exception and index them for inflation. The return of the small investor is essential to the marketplace.

Mortgage Cancellation Tax Relief: At the end of 2007, Congress passed important legislation that provided an incentive mechanism for distressed borrowers and lenders to re-configure existing mortgages and that granted important tax relief to borrowers who had sold their homes for less than they owed (the so-called "upside-down" mortgage) or who had lost

their homes through foreclosure. We believe the legislation was based on sound policy objectives and that it was very well crafted.

Before this legislation passed, if a lender did not require a borrower to pay some portion of a mortgage debt (i.e., forgave part of the debt), the borrower was treated as having received income up to the amount of the forgiven debt and to pay income tax at ordinary rates on that phantom income, even though no cash had been received. In the context of the loss of a home, subprime mortgages and record foreclosures, the taxation of this phantom income seemed remarkably unfair.

The relief that Congress provided was a model of fairness. NAR does not seek additional relief now, nor are we likely to seek additional relief in the foreseeable future. We do wish for the Committee to understand, however, that this very important relief does not cover all situations and that there are still individuals who will pay tax on phantom income.

First, the relief is limited to principal residences only. Owners of second homes that find themselves with underwater mortgages or who are foreclosed will not receive any relief from the tax on phantom.

A second problem that arises for some borrowers is that they have refinanced their properties for amounts that exceeded their original acquisition debt (the amount used for the initial purchase) plus the cost of any improvements. The 2007 relief provision *does* apply to a refinanced mortgage *that does not exceed* acquisition debt plus the cost of improvements, but the relief *does not* extend to so-called "cash out" refinancing by means including a new, larger first mortgage, a second mortgage or a home equity line of credit (HELOC).

We believe this treatment is fair. We do note, however, that this limitation has created administrative problems for both borrowers and lenders when they attempt to restructure an existing mortgage and either a second mortgage or HELOC. In those cases, Congress has applied the general policy that applies to most cancelled debt: if the mortgage debt or HELOC debt exceeds the acquisition and improvements cost limit, then the tax laws assume that the excess funds have been consumed and that relief is inappropriate.

Finally, some owners of rental properties have been concerned because the 2007 relief extends only to a principal residence. They have no cause for alarm. In 1993, Congress provided relief for debt discharge on mortgages secured by commercial and investment property. While the 1993 relief is not a complete elimination of tax liability, any tax liability can be deferred until the future sale of other investment property the investor might own.

Commission-based and Self-employment Income: Our final comment applies to the individuals who work within the housing industry. We wish to make the Committee aware that many of our members and many other self-employed individuals, including construction workers, will not receive the $600 stimulus check this year.

Unfortunately, some real estate sales agents had no net income in 2007. Real estate sales agents are compensated solely on a commission basis. Thus, when both the number of sales

declines along with the prices of the properties sold, commission income also declines. This does not mean that some of our members had no income; it simply means that by the time they deducted their allowable expenses from their real estate sales revenues, there was no net income to reflect on their 2007 Form 1040.

Similarly, many self-employed construction tradesmen such as carpenters and landscapers will not receive the rebate checks this year. All these groups will receive the economic benefit of the $600 rebate when they file their 2008 tax returns next year. We can all hope that by then the real estate market will be back on more solid footing.

Questions related to this testimony can be addressed to Linda Goold, Tax Counsel, National Association of REALTORS®, 500 New Jersey Ave., N.W. Washington, DC 20001. Ms. Goold can be reached at 202 383 1083 or at lgoold@realtors.org.

Tax Provisions – Mortgage Protection and Foreclosure Relief Legislation – H.R. 3221

Provisions in House and Senate Bills

Home Buyer Tax Credit – Both bills create a temporary tax credit that would be available to some individuals who purchase a principal residence.

Feature	**House-passed HR 3221** Passed full House May 8, 2008 Tax Title – 322 – 94 Full Bill – 256 - 160	**Senate-passed HR 3221** Passed full Senate 84 – 12 April 10, 2008
Amount of credit	$7500 in year of purchase	$7000 over 2 years ($3500 each year)
Eligible Property	Any single-family residence (including condos, co-ops) that will be used as a principal residence.	Foreclosed residences or previously unsold property being constructed on or before September 1, 2007. Must be used as buyer's principal residence.
Refundable	Yes	No. Carryforward permitted.
Income limit	Yes. Full amount of credit available for individuals with adjusted gross income of $70,000 ($140,000 on a joint return). Phases out above those caps.	None
First-time homebuyer only	Yes. May not have owned residence in previous 3 years.	No. All purchasers eligible.
Recapture	Yes. Portion (6.67 % of credit) to be repaid each year for 15 years ($500 a year). If home sold before 15 years, then remainder of credit recaptured.	Credit recaptured if property is sold within two years of purchase or if property not used as principal residence.
Impact on DC credit	DC credit not available if purchaser uses this credit.	Same as House
Effective Date	Purchases on or after April 8, 2008	Date of enactment (when President signs final legislation)
Termination	April 1, 2009	One year from date of enactment
Interaction with Alternative Minimum Tax	Can be used against AMT, so credit will not throw individual into AMT.	Same as House

Mortgage Revenue Bonds: State housing agencies are granted an additional $10 Billion (to be allocated among the states as under current law) for the purpose of refinancing specified subprime mortgages.

Feature	**HR 3221 -- House**	**HR 3221 -- Senate**
Use of Proceeds from Issue of Mortgage Revenue Bonds (MRB)	Proceeds from mortgage revenue bonds (MRBs) may be used to refinance certain subprime mortgages. (Current law does not permit proceeds to be used to refinance mortgages.)	Same as House
Eligible Mortgages	Eligible subprime mortgage: (1) Existing mortgage must have an adjustable rate (2)Balance within existing mortgage limits of MRB program (based on local criteria) (3)Eligible borrower need not have been first-time buyer (4) Loan originated between December 31, 2002 and January 1, 2008 (5) State housing agency must find that borrower will experience hardship if loan not refinanced	Same as House
Interaction with AMT	No provision	Tax-exempt interest from MRBs, Veterans Mortgage Bonds and facility bonds used for rental housing will not be included in AMT base
Effective Date	Proceeds from bonds issued after date of enactment may be used for refinancing. All proceeds must be used before December 31, 2010.	Same as House

Property Tax Deduction: Both bills provide an additional deduction amount for individuals who do not itemize their deductions.

Feature	HR 3221 -- House	HR 3221 -- Senate
Additional Standard Deduction for property tax payments	Up to $350 of property tax may be deducted in addition to the standard deduction. ($700 on a joint return.)	Up to $500 of property tax may be deducted in addition to the standard deduction. ($1000 on a joint return.)
Duration	Tax year 2008	Tax year 2008 only, and only if state and local taxes are not increased after April 2, 2008 or before January 1, 2009

Provisions in Senate Bill Only:

Net Operating Losses: The Senate bill provides that operating losses from tax years 2008 or 2009 may be carried back to offset taxes from the four previous years. (Current law limits carryback to 2 years.)

Provisions in House Bill Only

Feature	HR 3221 -- House
Low-income Housing Tax Credit	Legislation increases amount of tax credit each state may receive as an allocation. Includes numerous technical provisions to modernize the credit. Assures that neither this credit nor other housing-related credits and bonds generate AMT liability.
FIRPTA Reporting Requirements	Current law provides that a seller of any real property interest must provide disclosures to buyers that the seller is a US person. This generally requires the seller to provide his/her Social Security number to the buyer. Concerns about possible identity theft led the Committee to include a provision that would allow the seller to provide the necessary information to the real estate settlement officer (usually a title company or attorney who has fiduciary responsibilities to safeguard the information).
Real Estate Investment Trusts	Technical changes for taxable REIT subsidiaries, dealer rules.
Rehabilitation Tax Credit	Technical changes to interaction of historical rehabilitation tax credit and tax-exempt entities.

<u>Revenue Raisers:</u> No real estate provisions are used to "pay for" changes.

Revenue Raiser	**HR 3221 -- House**	**HR 3221 -- Senate**
Basis Reporting for Securities Dealers	Dealers are required to report not only the amount of gain (loss) on securities, but also the owner's basis in the security.	No provision: Senate package is treated as temporary "emergency" legislation, so no revenue raisers needed.
Multi-national Corporation Accounting Rule	Deferred effective date.	No provision.

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