



NATIONAL  
ASSOCIATION *of*  
REALTORS®

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## STATEMENT FOR THE RECORD OF

## THE NATIONAL ASSOCIATION OF REALTORS®

FOR THE

HOUSE WAYS AND MEANS

SELECT REVENUE MEASURES SUBCOMMITTEE

HEARING TITLED

**“TEMPORARY POLICY IN THE INTERNAL REVENUE CODE”**

ON

**MARCH 12, 2019**

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The National Association of REALTORS® thanks Chairman Thompson, Ranking Member Smith, and members of the Subcommittee for holding this important hearing today on the issue of temporary provisions in the Internal Revenue Code.

The 1.3 million members of the National Association of REALTORS®, urge you to support extending the group of important tax provisions that expired at the end of 2017<sup>1</sup>. In particular, I entreat you to consider the importance of extending the exclusion for cancellation of mortgage debt on a principal residence.

This vital tax relief provision is officially referred to as “Discharge of indebtedness on principal residence excluded from gross income of individuals.” Since it was first enacted in 2007, this relief measure has helped hundreds of thousands of American families all over the Nation at some of the most financially distressed periods of their lives.

Now, more than a decade after the housing crash that led to the Great Recession, there are unfortunately far too many homeowners who find themselves in foreclosure, completing a short sale, or attempting to have an existing home loan restructured. If the provision is not extended, retroactively to January 1, 2018, thousands of American families will have to pay income tax on non-cash or “phantom income.” They will owe tax on money they’ve already lost and will be required to pay that tax at a time of dire hardship, when they are least likely to have the means to pay it. The mortgage tax relief provision protects these homeowners (so long as they meet certain requirements) from facing a tax bill after an economic loss on what, for most, is their most valuable asset.

In many areas, the housing market has rebounded over recent years so that this excruciating problem is not as widespread as it once was. However, recent estimates by the real estate data analytics firm CoreLogic show that 2.2 million homes in the United States are still “under water” with their mortgage, meaning that more is owed on the mortgage than what the home is worth. This number is up from that of the prior quarter’s report and means that the owners of almost 5 percent of all mortgaged homes in the country potentially face the serious risk of having debt discharged. Often, it is a job transfer or a family illness that precipitates the need to move and triggers mortgage debt cancellation.

It is also important to note that, according to the Mortgage Bankers Association, there were more than 360,000 American homes in foreclosure last year. This is significantly lower than the approximately 2 million homes in foreclosure during the depth of the Great Recession, but the current number is still surprisingly high given the strength of today’s economy and job market. Moreover, more than 1.6 million mortgages were past due last year. While this is nearly half of the amount of delinquencies in 2011, these figures attest that the recovery is far from universal and that the exclusion is still very much needed for at least 2018 and 2019.

As the Ways and Means Committee considers the proposal to extend the expired tax provisions, including the exclusion for mortgage debt cancellation, we hope you will keep in mind that this critical relief is still badly needed by many of your constituents.

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<sup>1</sup> Members of the National Association of REALTORS® are real estate professionals engaged in activities including real estate sales and brokerage, property management, residential and commercial leasing, and appraisal. The business approach of REALTORS® is a highly personal, hands-on, face-to-face model, focused on helping fulfill a family’s fundamental need for shelter. NAR has long prided itself as a voice for not only its members, but for America’s 78 million homeowners, as well as the tens of millions more Americans who aspire to own their home one day.