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House Committee on Ways and Means

Subcommittee on Select Revenue Measures

Entitled

"Tax Relief to Support Workers and Families during the COVID-19 Recession"

Statement for the Record of

THE NATIONAL ASSOCIATION OF REALTORS®

June 18, 2020

On behalf of the 1.4 million members of the National Association of REALTORS® (NAR), thank you for holding today's hearing, "Tax Relief to Support Workers and Families During the COVID-19 Recession."

We are heartened and grateful that the Congress and Administration have already joined together to enact urgent economic relief legislation to provide critical assistance to millions of independent contractors, small and large businesses, homeowners, renters, and families across the nation. Unfortunately, it is clear that more needs to be done to support workers and families grasping to regain a handhold from this year's economic avalanche. As the Committee considers additional measures or negotiates with the Senate over possible changes to provisions the House has already passed, NAR recommends that the next package include the following tax provisions.

NAR appreciates the tax support offered to self-employed individuals and business owners experiencing a significant loss of income and business for pandemic-related closures through the refundable individual income tax credit and the refundable payroll tax credit. For those businesses utilizing PPP loans, clarifying the allowance of payroll tax deferrals and loan forgiveness provisions, in addition to maintaining the business expense deductions, will provide needed certainty in the wake of delayed guidance on how these loans may operate.

Because the economic devastation from the pandemic has been particularly difficult for many underserved and repressed areas of the nation, we strongly urge consideration be given to expanding the Opportunity Zone program. Some ways that this could be done to make the program even more effective in attracting new investment to areas where suffering is particularly acute would be to:

- **Allow non-capital gain rollovers to also receive tax-favored status.** Currently, only gains from long-term capital assets that are rolled over into an Opportunity Fund within 180 days of sale are eligible for tax-favored incentives under the OZ program. This would allow other money to also get tax-favored treatment (although not as favored as capital gains rollovers, which get deferral as well as potential exemption).
- **Allow real estate inside an Opportunity Zone investment to be considered have been substantially improved if 50% of the cost of the property is spent on improving it (down from 100% under the current law).** This would make it less costly for an investor to meet the requirements for improving real property.
- **Provide that the capital gain tax rate that applies to the deferred gain on the prior rollover is the same as today's tax rate.** Under the current rules, if the capital gains rate increases between now and the end of 2026, the tax that must be paid on the deferred gain would increase. This has caused some potential investors to hesitate.
- **Resetting the holding periods for excluding a partial gain from the rollover of current capital gains.** The original program provided strong incentives by allowing the exclusion of 5% of the previous gain if the new investment is held for five years and 10% if it is held for seven years. However, we are already past the point where the 5% exclusion is possible (investments would have had to be made by the end of 2019 for this) and we will reach the end point for the 10% exclusion at the end of 2021. Thus, we propose restarting these incentives by extending the recognition dates of the old investment by two years.

The housing sector will be instrumental in leading the economy out of the current downturn. With every two home sales generating one new job in this country, it is more imperative than ever to support real estate activity, which accounts for nearly 20 percent of U.S. GDP. Therefore, consideration should be given to legislation to incentivize the purchase of homes, especially by those whose rate of homeownership has not recovered from the housing crash of the last decade. Three groups have been particularly lagging in this regard – minorities, millennials, and middle-income households. Unfortunately, these same groups are the ones least likely to be able to access assistance from the current tax system. Therefore, we urge you to consider the merits of a tax credit for those who purchase a home but do not itemize their deductions.

While the temporary repeal of the limit on the State and Local Tax (SALT) deduction may be controversial, there is a bipartisan solution that already exists to further incentivize homeownership (see H.R. 2624 and S. 2762). With the current SALT cap including a marriage penalty, doubling the SALT deduction limit to $20,000 for married couples filing a joint return would provide significant relief for millions of families, be far less costly, and be much more focused on supporting middle-income households than would outright repeal of the limit.

Thank you again for your continuing work on behalf of the workers, independent contractors, and families of America who are struggling to regain their footing as the pandemic continues to wreak economic havoc throughout the land.