

NAR Issue Update

Mortgage Cancellation Tax Relief

Issue Background: On December 31, 2013 the Mortgage Cancellation Tax Relief will expire. NAR has been working with Congress since early this year to extend this important real estate tax provision. Without an extension, homeowners who have any amount of a mortgage forgiven by a lender either in a short sale or foreclosure would be subject to paying “phantom income tax” on the amount of the forgiveness. Homeowners shouldn't be forced to pay tax on money they've already lost with cash they never received - and never will receive.

Current U.S. Senate Legislation: S. 1187 the “Mortgage Forgiveness Tax Relief Act” introduced on June 19, 2013 by **Senators Stabenow (D-MI), Menendez (D-NJ) Isakson (R-GA) and Heller (R-NV).**

Current U.S. House Legislation: H.R.2994 “Mortgage Forgiveness Tax Relief Act of 2013” introduced on August 2, 2013 by **Congressmen Reed (R-NY) and Rangel (D-NY)**

NAR has aggressively sought co-sponsors for both the House and Senate bills, currently 19 Senators have cosponsored S.1187 and 48 Members of Congress have cosponsored H.R.2994

Where we stand today, House: The United States House of Representatives adjourned the first session of the 113th Congress without taking action on H.R. 2994.

Where we stand today, Senate: Earlier today, December 19, 2013, Senator Debbie Stabenow (D-MI) lead a discussion, known as a colloquy, with Senators Brown (D-OH), Schumer (D-NY) and Wyden (D-OR) on the Senate Floor to underscore the importance of passing this legislation. After the colloquy concluded, Senate Majority Leader Harry Reid (D-NV) came to the floor to request Unanimous Consent to bring up and pass a number of expiring tax provisions, including Mortgage Cancellation. Under Senate rules only one Senator has to object to stop the process, and Senator Reid's request was objected to. Senator Reid then announced his intention to work with Republicans to pass a **tax extenders bill – including mortgage cancellation, early in 2014 that would be retroactive.** Yesterday, **Senate Finance Committee Chairman Max Baucus (D-MT) also expressed his intention to move the bill, along with a limited number of other tax provisions early in 2014.**

What comes next: While Congress will not act before December 31st to extend the Mortgage Debt Forgiveness Act, Chairman Baucus' comments along with Majority Leader Reid's actions on the Senate Floor today indicate for the first time publically that ***Congress will most likely address individual tax provisions retroactively in 2014.*** While there are still many procedural obstacles to overcome, NAR is confident Congress will move on an extension of Mortgage Cancellation relief in 2014. As was the case with a previous extension, Congress is expected to retroactively apply Mortgage Cancellation relief to include transactions between January 1, 2014 and the enactment of the extension. While the Senate has pledged to act early in 2014, the timing of a house vote is far less certain as House Republicans contemplate a vote on a larger tax reform package.

What can REALTORS® do to help? Continue to **express the importance of this issue to your Senators and Member of Congress** and how it is causing uncertainty in the market. REALTORS® with **clients** involved in a **distressed transaction**, such as short sale, should **encourage clients to speak with a tax professional** for advice on their particular situation.