

NAR Issue Brief

Legislative Update: Tax Reform

On June 27th the Chairman of the Senate Finance Committee, Max Baucus (D-MT) and Ranking Member Orrin Hatch (R-UT) announced their plan for tax reform legislation in the United States Senate. A letter to all Senators announced their intention to “mark-up” (create legislation in the committee) a tax reform bill this fall and that they would be starting with a “blank slate.” This proposal mirrors the path outlined by Ways and Means Chairman Dave Camp (R-MI) in the House of Representatives.

What is the blank slate?

A “blank slate” means that as a starting point, all tax expenditures (including tax deductions such as the mortgage interest deduction, tax exemptions such as the capital gains exemption on the sale of a primary residence, and tax credits such as energy efficiency tax credits) will be removed from the tax code. Senators will have to request tax expenditures be added to the reform legislation. Using the “blank slate” approach allows the Senate Finance Committee to highlight just how much tax rates could be reduced by eliminating all the tax expenditures. Adding any tax expenditures back into the code would ratchet the rates up.

Next Steps

Each Senator has been asked to submit, in writing, any tax expenditures they wish to see kept in the code. Senators have until July 26th to submit the requests to the Finance Committee. Once all submissions are received, we believe, the professional staff of Senate Finance Committee will begin drafting a tax reform package. The drafting of the package will occur during the August congressional recess. The expected goal is for the Committee to present a completed draft for review and possible legislative action in September.

How will this process affect REALTORS®

There are a wide range of provisions in the tax code that affect residential, investment, and commercial real estate. NAR will be taking the lead in ensuring that each of those tax provisions is defended. In the coming days we will work with our friends in the United States Senate, as well our allies in other real estate associations to identify champions for each provision. Additionally, we will be on offense working to improve certain provisions or make some temporary provisions permanent.

Media Noise

In the coming days there will be a lot of chatter in the media, social media, blogs and commentary that provisions like the mortgage interest deduction are being eliminated. **REALTORS® should know that NAR is working hard to make sure that real estate tax provisions are maintained in any rewrite of the tax code.** Passage of tax reform is far from certain. Many of the reports you see will be attempts to **predict what might happen. There will be lots of speculation and it is important to remember that it is just speculation.** That being said, NAR is not taking anything about tax reform for granted.