

# NAR Issue Brief

## Mortgage Debt Cancellation Relief

July 9, 2014

### NAR Issue Brief Mortgage Debt Cancellation Tax Relief

On April 3, 2014, the United States Senate Finance Committee approved a bipartisan bill that, if enacted, would reinstate more than 50 tax provisions that expired at the end of 2013. **Among the real estate provisions included in the “extenders” package are tax relief for mortgage debt forgiveness, 15-year cost recovery for qualified leasehold improvements, election to expense certain qualified real property, and the deduction for energy efficient commercial buildings. Under the bill, all of these provisions would be retroactively extended to cover a period from January 1, 2014, to December 31, 2015.**

In May, the tax extenders bill moved to the floor of the Senate where, unfortunately, it became bogged down over partisan election-year politics. Essentially, the Republicans and Democrats in the Senate came to a standoff regarding whether or not certain amendments should be allowed to be offered to the legislation. When the Democratic Majority Leader of the Senate refused to allow an open amendment process, Republicans exercised their rights to prevent the bill from moving to a vote. After almost two weeks of this wrangling, the Leader indicated that there is almost no hope of this bill being passed until after this fall’s elections.

NAR has been working on enactment of an extension of these important provisions since the previous temporary extension was passed on New Years’ Day 2013. The approval of the tax extenders bill by the Finance Committee demonstrated that these provisions have lots of support on both sides of the political aisle. However, the impasse on the Senate floor also shows that even bipartisan legislation can be held hostage to election year politics.

The lack of action on this issue in the House of Representatives is just as frustrating as the stand-off in the Senate. The House Ways and Means Committee, led by Chairman Dave Camp (R-MI), has decided to take a different approach than the Senate towards dealing with the expired tax provisions. Camp and his Republican colleagues have decided to concentrate on passing permanent extensions of only a few expired tax provisions that they believe are worthy of being made a perpetual part of the tax law. Unfortunately, the mortgage debt cancellation tax relief provision is seen by most as a temporary measure, which should be allowed to expire once the housing crisis has fully worked itself out.

**NAR will continue to encourage Senators to find a way to break their impasse on the tax extenders bill, and is also meanwhile working tirelessly to get more support for stand-alone legislation in the House that would extend only the mortgage debt cancellation tax relief provision.** NAR lobbyists are in daily meetings with Senators and Members of Congress, pressing for swift action on an extenders package. NAR is providing the most up to date data on short sales and foreclosures to continue to highlight the mortgage debt forgiveness as a top priority for

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REALTORS<sup>®</sup>. In addition, NAR is leading a coalition of over 20 organizations that is pressing for extension of mortgage debt forgiveness relief and is engaged in a large coalition of commercial real estate stakeholders in pushing for an extension of commercial investment provisions.

**What can you do? First, you can contact your Senators** to urge them to act on the Finance Committee Tax Extenders Bill, and contact your Representative to encourage him or her to cosponsor H.R. 2994, the Mortgage Forgiveness Tax Relief Act. **Second, if you have clients in distressed situations, urge them to weigh in with their Members of Congress so as well.** The more Members hear from their constituents, the better.

NAR cautions REALTORS<sup>®</sup> against giving clients tax advice, as every situation is different, but at this point our best estimate is that Congress will pass some extension of this law, probably late in 2014, and make it retroactive. There is precedent for Congress doing this, but no guarantee.