



NATIONAL
ASSOCIATION of
REALTORS®

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March 24, 2014

The Honorable Ron Wyden
Chairman, Senate Finance Committee
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member, Senate Finance Committee
104 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Hatch:

On behalf of the more than one million members of the NATIONAL ASSOCIATION OF REALTORS®, I am writing to urge you to act swiftly to eliminate confusion and uncertainty facing hundreds of thousands of business owners and individual taxpayers.

The Senate Finance Committee is moving toward a possible markup of legislation to extend a number of expired tax provisions in this work period. As the Committee prepares for and commences this action, I respectfully ask that you help ensure that certain tax benefits vital to distressed homeowners and to real estate investment are included. Specifically, REALTORS® report the following expired tax provisions are among the top concerns of clients in the field.

- **Tax Relief From Mortgage Debt Forgiveness.** Since 2007, the tax law has provided that “phantom income” from the discharge of mortgage debt on a personal residence is excluded from gross income. This now-expired benefit has provided vital tax relief for millions of homeowners who suffered financial setbacks in connection with the loss of what for most was their greatest financial asset – their home. Unfortunately, millions of families still find themselves underwater on their home mortgages and, absent the relief a retroactive extension of the provision can provide, are finding it easier in the short run to simply walk away from their homes and obligations rather than enter into short sales. This result harms families, neighborhoods, communities and indeed the entire economy.
- **15-Year Cost Recovery For Qualified Leasehold Improvements.** Improvements made by or for tenants of commercial real property have an economic life of far less than the 39 years over which the costs of nonresidential commercial real estate must be recovered. This is why Congress enacted the provision allowing the costs of such improvements to be recovered over 15 years. Unfortunately, this provision was not made permanent in the tax law, and despite wide and deep support from both sides of the political aisle, the 15-year cost recovery period has again expired, making capital investment decisions harder for many businesses.
- **Election to Expense Certain Qualified Real Property.** Until its expiration at the end of 2013, Section 179 of the Internal Revenue Code allowed for first-year expensing of certain real property used in an active trade or business that was (1) qualified leasehold improvement property; (2) qualified restaurant property; or



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(3) qualified retail improvement property. This provision, part of a larger tax incentive that has made a tremendous difference in terms of business investment, offered a very attractive encouragement for business owners to improve such real property, and by so doing, created many jobs and gave a jolt to economic growth throughout the nation.

- **Deduction for Energy Efficient Commercial Buildings.** Another recently-expired tax provision allowed a tax deduction to incentivize high levels of energy efficiency in the nation's commercial and larger multifamily buildings. The provision, found in section 179D, encouraged owners to install high performance heating, lighting, windows, roofs, and other systems that exceed baseline requirements imposed by building energy codes. The upfront expenses of such systems impose significant costs on real estate owners. A report by the American Council for an Energy-Efficient Economy concluded that section 179D ranks at the top of a list of incentives that provide taxpayers with the most "bang for the buck" to achieve important energy policy goals with a modest absolute impact on the federal budget.

We urge you to act swiftly to extend each of these important provisions for at least one year and make the extension retroactive January 1, 2014. Thank you in advance for your consideration of these important provisions. We sincerely appreciate your recognition for and ongoing commitment to the important of real estate in our economy and society.

Sincerely,

A handwritten signature in blue ink that reads "Steve Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Steve Brown
2014 President, National Association of REALTORS®

cc: Senate Finance Committee Members