



Gary Thomas
2013 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION

Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-3837580
www.REALTOR.org

July 16, 2013

Dear Senator:

On behalf of the one million members of the National Association of REALTORS® I am writing to urge you to consider the vital role that real estate, whether residential, commercial, or investment property, plays in the American economy and our way of life.

As you and your colleagues contemplate what a reformed and modernized tax system should include, we ask that you please remember that tax incentives matter, both to individual families in your state, and to the business enterprises and industries that provide the jobs and opportunities upon which we all depend. “Blank slate” style tax reform can bring a refreshing and important approach to modernizing the tax system, but we believe it must be balanced with an eye towards preserving the most effective provisions that Americans have utilized for a century.

Our current tax system contains many provisions that encourage real estate ownership and investment, and have contributed greatly to economic growth, job creation, homeownership, and a more stable society. Each provision deserves careful consideration, not only for its positive contributions, but in light of what negative effects its repeal or alteration might cause. The first rule in tax reform should be “Do No Harm.”

Toward this aim, we ask that you preserve, and in some cases enhance, the following provisions in any tax reform effort:

- **Mortgage Interest and Real Property Tax Deductions.** These deductions have been part of our tax system since its introduction 100 years ago and are among the most popular and widely utilized in the tax code. The values of these tax benefits are both directly and indirectly embedded in home prices, and home prices will fall significantly if the deductions are eliminated. Moreover, these deductions primarily benefit the middle class. Ninety percent of taxpayers claiming the mortgage interest and property tax deductions earned less than \$200,000 per year.
- **Exclusion of Capital Gain on Sale of Principal Residence.** Real estate is the most widely-held category of assets that American families own, and for the great majority, it is the family home that comprises their real estate. Not only is the current-law exclusion a major simplification measure for millions of taxpayers, it also greatly enhances their saving toward retirement. The exclusion of capital gains on the sale of a principal residence should be preserved and the limits indexed for inflation.
- **Exclusion for Mortgage Debt Cancellation.** Even though the housing market has greatly improved, many areas of the nation are still staggering from a devastating multi-year decline, and there are too many homeowners who find themselves in foreclosure, completing a short-sale, or attempting to have an existing loan restructured. The current law’s temporary provision keeps American families from having to pay income tax on



“phantom income” at a time when they are least likely to have the means to pay it. The exclusion is an important anti-recessionary measure and should be made a permanent part of the tax law.

- **Depreciation of Real Estate.** Investment in real estate is a cornerstone of our economy, and plays a critical role in growth and job creation. In order to enhance the ability of the economy to deliver its best possible results, the depreciation periods of commercial and residential buildings should be shortened to reflect the true useful lives of these assets. Also, the temporary provision allowing faster write-off for leasehold improvements should be made permanent.
- **Deferral of Gain on Like-kind Exchanges.** Our current tax law has long recognized that when an investor in real estate exchanges one property for another of like kind, economically, nothing has changed. Indeed, allowing capital to flow more freely among investments is critical to economic growth and job creation. Provisions that allow for the deferral of gain on the like-kind exchange of real property should be maintained.

Our nation’s real estate markets are finally on the road to recovery. One of the surest ways to halt this recovery is to create uncertainty about whether the current tax treatment will be eliminated or impaired for real estate owners and investors. Congress must be mindful of the broad impact that the overnight elimination of long-standing and widely utilized tax provisions may have on our nation’s economy.

I hope you will express your support for the vital role real estate plays in our economy to the leaders of the Senate Finance Committee, as well as to your colleagues, by urging them to retain and improve these important parts of our tax system. Now is the time for you to be a voice for America’s seventy-five million homeowners, as well as the tens of millions of Americans who are directly or indirectly invested in commercial real estate!

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Thomas", written in a cursive style.

Gary Thomas
2013 President, National Association of REALTORS®