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Dear Senator:

On behalf of the more than one million members of the NATIONAL ASSOCIATION OF REALTORS®, I write to ask your support for H.R. 5771, the “Tax Increase Prevention Act of 2014” when it is considered by the Senate later this week.

Specifically, we appreciate the inclusion of, and support the following provisions in the “Tax Increase Prevention Act of 2014.”

- **Section 102. 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 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 mortgages or unable to meet their obligations due the struggling economy. Lenders, investors, servicers and REALTORS® often work together execute a short-sale, which allows a family to move without going to foreclosure. This is a better result for the owner, the lender, and the communities where these homes are located. Failure to provide certainty on this relief leaves many unwilling to complete the short-sale as they fear a tax bill they cannot afford. We believe the tax code should not penalize doing the right thing, and we encourage a longer-term extension of this provision.
- **Section 122. 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. A long-term or permanent extension of this provision would make capital investment decisions clearer for many businesses.
- **Section 127. 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 (3) qualified retail improvement property. This provision, part of a larger tax incentive that has made a tremendous difference in terms of business investment, offers 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.



- **Section 158. Deduction for Energy Efficient Commercial Buildings.** This provision provides 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.

While it is unfortunate that the President and Congress were unable to agree on a bill that would provide more long-term certainty for American taxpayers, it would be a travesty if millions of Americans entered the 2014 tax filing season without clarity of the rules, or facing the possibility of punitive tax increases. We urge a yes vote on H.R. 5771.

Thank you for your consideration of this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Polychron". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chris Polychron
2015 President, National Association of REALTORS®