

Chris Polychron, CIPS, CRS, GRI
2015 President

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Chief Executive Officer

**GOVERNMENT AFFAIRS
DIVISION**

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

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-383-7580
www.REALTOR.org

July 20, 2015

The Honorable Orrin G. Hatch
Chairman
United States Senate
Committee on Finance
104 Hart Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
United States Senate
Committee on Finance
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of the more than 1 million members of the NATIONAL ASSOCIATION OF REALTORS®, I am writing to urge your continued support for the original bill to extend various expired tax provisions the Finance Committee plans to mark up on Tuesday, July 21, 2015.

As you know, in today's economy, uncertainty over how our tax system will treat various transactions is of great concern to taxpayers, and can detract from economic growth and job creation. Included among the more than 50 important provisions that have expired are some that are vital to distressed homeowners and to real estate investment. Specifically, the following provisions are important to hundreds of thousands of Americans, including many of your constituents:

- **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. Even though many real estate markets around the nation have improved, millions of families still find themselves underwater on their home mortgages. Absent the relief a retroactive extension of the provision would give them, many distressed borrowers find it expedient in the short run to simply walk away from their homes and obligations rather than enter into short sales or other solutions. This result harms families, neighborhoods, communities, and the entire economy. Please make sure the extension of this provision is near the top of your priority list, and also please support the small but important amendment to be offered by Senator Stabenow and others to ensure that homeowners who have a written agreement with their lender by the date of the expiration of the extension are covered by the provision.
- **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 depreciated 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. Please show your support for this commonsense provision by pushing for its inclusion in the extenders bill.



- **Election to Expense Certain Qualified Real Property.** Until its expiration at the end of 2014, Section 179 of the Internal Revenue Code allowed for first-year expensing of certain real property purchased by smaller businesses 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, 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. As you renew the section 179 provision, please make sure the qualified real property component is also included.
- **Deduction for Energy Efficient Commercial Buildings.** Another 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 believe it deserves to be extended, and urge you to do so.

Thank you in advance for your consideration of these important provisions. We sincerely appreciate your recognition for and ongoing commitment to the importance of real estate in our economy and society.

Sincerely,



Chris Polychron
2015 President, National Association of REALTORS®

cc: Members of the United States Senate Committee on Finance