NATIONAL ASSOCIATION *of* REALTORS®

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March 11, 2019

United States House of Representatives
Washington, D.C. 20515

Dear Representative:

On behalf of the 1.3 million members of the National Association of REALTORS®, I urge you to support extending the group of important tax provisions that expired at the end of 2017. This is the topic of a hearing in the Select Revenue Measures Subcommittee of the Ways and Means Committee tomorrow entitled "Temporary Policy in the Internal Revenue Code." In particular, I entreat you to consider the importance of extending the exclusion for cancellation of mortgage debt on a principal residence.

This vital tax relief provision is officially referred to as "Discharge of indebtedness on principal residence excluded from gross income of individuals." Since it was first enacted in 2007, this relief measure has helped hundreds of thousands of American families all over the Nation at some of the most financially distressed periods of their lives.

Now, more than a decade after the housing crash that led to the Great Recession, there are unfortunately far too many homeowners who find themselves in foreclosure, completing a short sale, or attempting to have an existing home loan restructured. If the provision is not extended, retroactively to January 1, 2018, thousands of American families will have to pay income tax on non-cash or "phantom income." They will owe tax on money they've already lost and will be required to pay that tax at a time of dire hardship, when they are least likely to have the means to pay it. The mortgage tax relief provision protects these homeowners (so long as they meet certain requirements) from facing a tax bill after an economic loss on what, for most, is their most valuable asset.

In many areas, the housing market has rebounded over recent years so that this excruciating problem is not as widespread as it once was. However, recent estimates by the real estate data analytics firm CoreLogic show that 2.2 million homes in the United States are still "under water" with their mortgage, meaning that more is owed on the mortgage than what the home is worth. This number is up from that of the prior quarter's report and means that the owners of almost 5 percent of all mortgaged homes in the country potentially face the serious risk of having debt discharged. Often, it is a job transfer or a family illness that precipitates the need to move and triggers mortgage debt cancellation.

It is also important to note that, according to the Mortgage Bankers Association, there were more than 360,000 American homes in foreclosure last year. This is significantly lower than the approximately 2 million homes in foreclosure during the depth of the Great Recession, but the current number is still surprisingly high given the strength of today's economy and job market. Moreover, more than 1.6 million mortgages were past due last year. While this is nearly half of the amount of delinquencies in 2011, these figures attest that the recovery is far from universal and that the exclusion is still very much needed for at least 2018 and 2019.

As the Ways and Means Committee, and then the full House, considers the proposal to extend the expired tax provisions, including the exclusion for mortgage debt cancellation, we hope you will keep in mind that this critical relief is still badly needed by many of your constituents.

Sincerely,

John Smaby
2019 President, National Association of REALTORS®