



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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July 23, 2009

The Honorable Max Baucus  
United States Senate  
511 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Baucus,

*On behalf of the 1.1 million members of the NATIONAL ASSOCIATION OF REALTORS® (NAR), I must restate in the strongest possible terms our opposition to proposals that would limit the value of itemized deductions, including the deductions for mortgage interest and property taxes.*

Limiting the value of itemized deductions to either the 28% or 35% bracket is a backdoor rate increase. It would fall unevenly on individuals, depending on the cost of housing in their communities and the tax burdens where they live. A limitation on itemized deductions coupled with a surtax such as the House has proposed in HR 3200, would cause both marginal and effective tax rates to increase dramatically, particularly when coupled with the scheduled reversion to pre-2001 tax brackets in 2011.

A limitation on itemized deductions based on tax brackets would also add considerable complexity to tax compliance. Affected taxpayers would likely be faced with long worksheets and new schedules that would rival Schedule D (Capital gains and losses) in complexity.

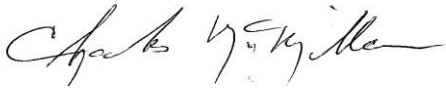
The deduction for state and local taxes, including property tax, is the most widely-utilized Schedule A itemized deduction. Property tax revenues in many communities have declined dramatically because of falling property values and foreclosures. Limits on the value of those deductions would likely add to existing pressure on local governments as they seek to shore up their revenue bases.

The mortgage interest deduction may be the most easily understood and most widely known provision in the tax law. While it is true that in any particular year only about one-third of taxpayers use the deduction, it is also true that, over time, most homeowners will have used the deduction. No matter what the income category of homeowners, no matter who the proposed limitations affect, we believe that reducing mortgage interest deductions would have a chilling effect on future investment in homeownership.

This chilling effect would be felt most keenly among prospective first-time homebuyers. Few individuals who qualify to use the \$8000 tax credit would likely be directly affected by proposed limits to itemized deductions. Still, we are fearful that they would perceive enactment of a limitation on these deductions as a portent of things to come. The current housing market is far too fragile to create even a perception that the rules related to homeownership could be less beneficial in the future.

Among NAR's highest priorities for the past six years has been health reform that would make insurance more widely available and more affordable. More than one-quarter of REALTORS® (28%) have no health insurance. They are eager to be in a position to support the useful market reforms included in the HELP and House bills. Financing those welcome changes by limiting itemized deductions, however, will significantly undermine that support. *We urge you to retain current law for itemized deductions.*

Sincerely,

A handwritten signature in black ink, appearing to read "Charles McMillan". The signature is fluid and cursive, with a large initial "C" and a long, sweeping tail.

Charles McMillan, CIPS, GRI  
2009 President, National Association of REALTORS®