



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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September 25, 2007

Honorable Charles Rangel, Chairman
Committee on Ways and Means

Honorable Jim McCrery, Ranking Member
Committee on Ways and Means

U.S. House of Representatives
1100 Longworth House Office Building
Washington, DC 20515

Dear Messrs Rangel and McCrery:

On behalf of 1.3 million members of the NATIONAL ASSOCIATION OF REALTORS® (NAR), I wish to thank you for your leadership in stepping forward with a proposal that would relieve tax burdens for many families in financial distress. The NATIONAL ASSOCIATION OF REALTORS® supports the legislation you have crafted to provide permanent mortgage cancellation tax relief.

Regrettably, communities all over the country face declines in property values and increases in foreclosures. While the reasons for these trends vary from community to community, the affected homeowners face a very undesirable outcome. They must pay tax, at ordinary income rates, on the phantom income they realize when a lender forgives some part of a homeowner's mortgage. Such forgiveness might occur on a sale of a home for less than the outstanding balance on the mortgage (a "short sale"), in a foreclosure or when the amount of a mortgage obligation is reduced in a workout designed to keep the homeowner in the home.

Your relief proposal restores fundamental fairness for homeowners in financial and economic distress by eliminating the requirement that they pay tax on phantom income. At the same time, your bill provides important safeguards so that the provision cannot be abused by those who would "game" the system.

NAR also will support the offset that accompanies the relief proposal. The offset does not eliminate any tax benefit, but rather tightens the requirements for utilizing some tax benefits associated with the \$250,000/\$500,000 exclusion (the exclusion). Owners of vacation homes or rental properties will still be able to convert such property into a principal residence, but, on a prospective basis, will no longer be able to utilize the exclusion as frequently as under current law.

We look forward to working with you to secure the timely enactment of this legislation.

Sincerely,

Pat V. Combs, ABR, CRS, GRI, PMN
2007 President, National Association of REALTORS®

cc: House Committee on Ways & Means

