NATIONAL ASSOCIATION OF REALTORS®

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June 4, 2020

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

On behalf of the more than 1.4 million members of the National Association of REALTORS®, thank you for your continued work to support Americans facing unforeseen financial challenges as a result of the COVID-19 pandemic. Previous economic relief packages have provided crucial lifelines to millions of independent contractors, small businesses, homeowners, and renters across the country. As additional legislation is considered, NAR supports the inclusion of provisions that will accelerate our nation's economic growth.

To further support millions of American small business owners and self-employed individuals, NAR supports the Small Business Administration (SBA) loan programs - the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loans (EIDL). The extension of the PPP loan period and rehire exemption, along with additional EIDL funding will provide much needed financial security to business owners. Modifications to the requirement that 75 percent of the PPP loan be designated for payroll to qualify for forgiveness would offer more flexibility to borrowers to cover expenses like rent, mortgage interest and utility costs, relief which may prove more beneficial in the long-term to sustain businesses and employee jobs. As many PPP borrowers approach the end of their covered period, guidelines on forgiveness from the Small Business Administration and Treasury Department should be clear and consistent to avoid undue burdens on the small business owners and independent contractors who followed the program's requirements in good faith. Furthermore, the expansion of PPP eligibility to 501(c) organizations will result in additional support for struggling business owners relying on these organizations to navigate this pandemic.

The Federal Reserve Main Street Lending Program is another option for many businesses who seek financial support. The minimum loan amount of $500,000 should be lowered to allow more small businesses and non-profits to access yet another avenue of financial assistance that may better fit their business needs.

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Business owners and operators also welcome narrowly tailored liability protections to safeguard against unfair lawsuits so that they can continue to contribute to a safe and effective recovery from this pandemic. Litigation and the associated legal costs could devastate businesses that are just beginning to reopen their doors or have kept them open throughout the crisis.

Renters and property owners continue to be at risk as a significant number of residents are affected by furloughs or job loss. It is critical for the federal government to provide relief for renters as well as property owners. For example, while prohibitions on evictions is good for renters, Congress and federal regulators must ensure that forbearance protections for housing providers are in place for the same length of time as any local, state, or federal eviction moratoriums. An emergency rental assistance program is needed to provide relief for the missed rental payments that have cascading effects not only on the rental housing industry but on state and local governments and the broader economy. This assistance should be made available at properties for future rent payments, unpaid rent arrearages, and to a limited extent, utility payments and unforeseen operating costs associated with responding to the COVID-19 pandemic.

Expanding forbearance provisions for homeowners would also provide an invaluable, optional safety net for countless Americans, including the millions filing for temporary unemployment. The expansion of financial assistance programs to replace lost income also remains a useful backstop for many self-employed and small business owners facing unanticipated drops in business due to the ongoing closures or declines in operations.

NAR appreciates the tax support offered to self-employed individuals and business owners experiencing a significant loss of income and business for pandemic-related closures through the refundable individual income tax credit and the refundable payroll tax credit. For those businesses utilizing PPP loans, clarifying the allowance of payroll tax deferrals and loan forgiveness provisions, in addition to maintaining the business expense deductions, will provide needed certainty in the wake of delayed guidance on how these loans may operate.

Because the economic devastation from the pandemic has been particularly difficult for many underserved and repressed areas of the nation, we strongly urge consideration be given to expanding the Opportunity Zone program. Some ways that this could be done to make the program even more effective in attracting new investment to areas where suffering is particularly acute would be to:

- **Allow non-capital gain rollovers to also receive tax-favored status.** Currently, only gains from long-term capital assets that are rolled over into an Opportunity Fund within 180 days of sale are eligible for tax-favored incentives under the OZ program. This would allow other money to also get tax-favored treatment (although not as favored as capital gains rollovers, which get deferral as well as potential exemption).
- **Allow real estate inside an Opportunity Zone investment to be considered have been substantially improved if 50% of the cost of the property is spent on improving it (down from 100% under the current law).** This would make it less costly for an investor to meet the requirements for improving real property.
- **Providing that the capital gain tax rate that applies to the deferred gain on the prior rollover is the same as today's tax rate.** Under the current rules, if the capital gains rate increases between now and the end of 2026, the tax that must be paid on the deferred gain would increase. This has caused some would-be investors to hesitate.
- **Resetting the holding periods for excluding a partial gain from the rollover of current capital gains.** The original program provided strong incentives by allowing the exclusion of 5% of the previous gain if the new investment is held for five years and 10% if it is held for seven years. However, we are already past the point where the 5% exclusion is allowed (investments would have had to be made by the end of 2019 for this) and we will reach the end point for the 10% exclusion at the end of 2021. Thus, we propose restarting these incentives by extending the recognition dates of the old investment by two years.

The housing sector will be instrumental in leading the economy out of the current downturn. With every two home sales generating one new job in this country, it is more imperative than ever to support real estate activity, which accounts for nearly 20 percent of U.S. GDP. Therefore, consideration should be given to legislation to incentivize the purchase of homes, especially by those whose rate of homeownership has not recovered from the housing crash of the last decade. Three groups have been particularly lagging in this regard – minorities, millennials, and middle-income households. Unfortunately, these same groups are the ones least likely to be able to access assistance from the current tax system. Therefore, we urge you to consider the merits of a tax credit for those who purchase a home but do not itemize their deductions.

While the temporary repeal of the limit on the State and Local Tax (SALT) deduction may be controversial, there is a bipartisan solution that already exists to further incentivize homeownership (see H.R. 2624 and S. 2762). With the current SALT cap including a marriage penalty, doubling the SALT deduction limit to $20,000 for married couples filing a joint return would provide significant relief for millions of families, be less costly, and be more focused on supporting middle-income households.

As negotiations towards a consensus legislative package continue, NAR also urges the inclusion of the bipartisan Securing and Enabling Commerce Using Remote and Electronic Notarization Act (SECURE Act; H.R. 6364), which would provide immediate support to America's homebuyers and ensure transactions can continue to close safely and efficiently. Investments in infrastructure, such as increased funding for broadband, will further facilitate these online transactions while helping to ensure Americans working from home have the tools they need to operate under these new circumstances.

NAR thanks you for your continued work toward commonsense solutions that provide relief during these trying times. We look forward to working with you to provide additional insight on how these specific issues impact REALTORS® and the consumers and communities they serve.

Sincerely,

Vince Malta
2020 President, National Association of REALTORS®

cc: Larry Kudlow
Chairman
National Economic Council

Tim A. Pataki
Deputy Assistant to the President
Director, Office of Public Liaison