

December 7, 2007

United States Senate  
Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Senator:

As Congress winds down for the year, we urge you to pass one piece of essential unfinished business that is of critical importance to families and neighborhoods all over the country. We urge you to consider and pass the mortgage cancellation tax relief provisions that passed the House in H.R. 3648 (a stand-alone bill) and as a separate title of H.R. 3996. The stand-alone measure passed by a vote of 386 – 27.

Under current law, a lender that forgives some portion of a mortgage debt is required to provide a Form 1099 to the IRS and to the borrower. The borrower must include the forgiven amount in income and must pay tax on it. This is fundamentally unfair. The mortgage cancellation relief in the two bills cited above relieves the individual of the burden of paying that tax.

Mortgage cancellation tax relief has been proposed in every Congress since 1996. Over the past 25 years, various regional markets have experienced serious downturns and home prices have fallen. Short sales have been a problem in markets as varied as Houston (early 1980's), Denver (mid 1980's), Boston (early 1990's), Southern California (early 1990's) and Phoenix (mid 1990's).

The current foreclosure environment is unprecedented and should not be the sole consideration in decisions about providing this relief. The relief would apply not only to foreclosures, but also to short sales (where the borrower is more likely than not to be current on his/her payments) and workouts with lenders. (Workouts allow the borrower to stay in his/her home.)

While the current rate of foreclosures is without precedent, there is precedent for providing tax relief to owners of troubled properties. The 1993 Clinton tax bill provided tax relief for mortgage cancellations that involved commercial real estate. That relief was permanent. There is no evidence that the relief led to casual abandonment of commercial property as the market recovered during the late 1990's. Any relief for homeowners should be permanent, as well, and is not likely to be abused. People do not acquire real estate for the purpose of losing money.

There is no obvious path to Senate consideration and passage of the mortgage cancellation relief. We urge you to support efforts to clear the way for this important provision that is aimed at families and individual taxpayers. Passage this year is essential in order that the relief may be reflected in 2007 tax returns that will be due April 15, 2008.

This legislation is a very high priority for our organizations. Please act quickly.

Sincerely,

**NATIONAL ASSOCIATION OF REALTORS®**  
**NATIONAL ASSOCIATION OF HOME BUILDERS**