



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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December 12, 2007

The Honorable Judd Gregg  
393 Russell Senate Office Building  
Washington, DC 20510

Dear Senator Gregg:

The 1.3 million members of the NATIONAL ASSOCIATION OF REALTORS® (NAR) thank you for creating an opportunity for the Senate to vote on *a provision that is among NAR's highest legislative priorities for 2007.*

Senator Gregg's amendment to the farm bill (S.Amdt. 3674) is a temporary version of a tax provision that has passed the House twice this fall. The amendment would provide a 3-year window of tax relief for individual homeowners who have been forgiven some part of their mortgage debt. This mortgage cancellation tax relief is the primary provision of H.R. 3648, a free-standing bill that passed the House in October on a 386 – 27 vote. The provision is also a title of the House-passed AMT/extender package (H.R. 3996). It is based on legislation introduced in the Senate by Senators Stabenow and Voinovich and ten other bipartisan cosponsors. Similar legislation passed both the House and Senate in 1999 and 2000 but did not get to conference.

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 but the value of the home has decreased) and workouts with lenders. (Workouts allow the borrower to stay in his/her home.)

While the rate of foreclosures is without precedent, there *is* precedent for providing tax relief to owners of some troubled properties. The 1993 Clinton tax bill provided tax relief for mortgage cancellations that involved *commercial and investment real estate*. That relief was permanent. There is no evidence that the relief led to casual abandonment of commercial property as the commercial and investment market recovered during the late 1990's.

While tax relief exists for commercial property and depreciable investment property, current law requires that individuals recognize and pay income tax on the amount of any forgiven debt associated with their principal residence. We believe this is fundamentally unfair. While we would prefer a permanent rule, we nonetheless are pleased that Senators will have an opportunity to express their support for this much-needed relief.

Sincerely,

Richard F. Gaylord, CIPS, CRB, CRS, GRI  
2008 President, National Association of REALTORS®