



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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July 15, 2010

United States Senate
Washington, DC 20510

Dear Senator:

The 1.1 million members of National Association of REALTORS® urge the Senate to renew debate on H.R. 5297, the "Small Business Lending Fund Act of 2010." This legislation would make additional capital available to small businesses and enhance the capacity of credit unions to provide small business capital. In addition, bonus depreciation and new expensing rules are important revisions to current tax provisions. Our members also support a major change to the calculations for payroll taxes paid by the self-employed.

Two new tax provisions in the bill are of great interest to our members. Realtors® are generally self-employed individuals who are also investors in real estate and/or advisors to those who invest in real estate. These two tax provisions enhance the real estate business and provide fairness.

The existing rule allowing the expensing of otherwise depreciable assets is, for the first time, expanded to include the category of real estate assets known as "leasehold improvements." Allowing small businesses to expense these improvements will create jobs and improve property values. The provision is a substantial incentive for small investors who wish to upgrade their real estate properties.

A second valuable tax provision puts the self-employed on a level playing field with other businesses. Under current law, an employer may deduct from both its income tax base and its payroll tax base the cost of health insurance premiums made on behalf of employees. By contrast, self-employed individuals may deduct health insurance premiums for themselves and their families for income tax purposes, but not for payroll tax purposes. The new provision provides a temporary rule that will permit the self-employed to deduct health insurance premiums when calculating self-employment taxes. This new provision creates equity between firms and the self-employed.

We remain opposed to the provision requiring all landlords to provide Form 1099 information returns to contractors to whom they make payments of more than \$600. While we understand the compliance objective for this proposal, we nonetheless believe that it is a trap for the unwary.

NAR has previously noted the importance of the increased capital that the proposed lending fund would generate. We have also expressed our support for the increased cap on credit member business lending (MBL) that would allow credit unions to have up to 27.5% of total assets devoted to this category of borrowers. We reiterate our opposition to the proposal that would require credit unions to have at least 5 years of MBL experience in order to qualify for the higher limit and urge you to modify it so that newer, well-capitalized credit unions will be able to utilize the 27.5% cap.

The lending, capital formation and credit union changes, along with the new tax rules will help spur small business hiring and growth. NAR urges you to renew the debate and to pass this important legislation.

Sincerely,

Vicki Cox Golder, CRB
2010 President, National Association of REALTORS®