



NATIONAL ASSOCIATION OF REALTORS®

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GOVERNMENT AFFAIRS
Jerry Giovaniello, Senior Vice President
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November 16, 2005

U.S. House of Representatives
Washington, DC 20515

Dear Representative:

When former Treasury Secretary James A. Baker III testified before the President's Advisory Panel on Tax Reform earlier this year, he both made formal comments and responded to questions about "political realities." In that context, he made this observation about tax reform and the mortgage interest deduction: "[I]f you're going to reform the current income tax code, you will not get there if you think that you're going to be able to eliminate that deduction." (See transcript of hearings held on March 3, 2005, at page 43, posted at www.taxreformpanel.gov.)

We couldn't agree more. Secretary Baker served President Reagan at Treasury during the arduous deliberations over what became, after nearly two years of debate, the Tax Reform Act of 1986. His observations about tax reform and mortgage interest are based on experience. We underscore them for you.

We are hard pressed to make any connections between the President's directive that the Advisory Panel "recogniz[e] the importance of homeownership ... in American society" and the recommendations the Panel made relative to homeownership. The Panel recommends that the mortgage interest deduction be changed to a tax credit, that it not apply to second homes and that the deduction be tied to a cap that, for some, would cut allowable deductions by more than two-thirds. With these proposals, the Panel strikes a blow *against* homeownership. The Panel apparently wishes to use the tax system for an experiment in social engineering, as it notes that its proposed Home Credit is designed to regulate the *size* of homes that will be eligible to use it. (Panel report at p. 73.)

We are providing you with the comments that our 2005 President, Al Mansell, sent to the Panel when it first announced its tentative recommendations on October 11, 2005. Those comments offer the Panel some points to ponder. We urge you to take them into consideration, as well.

Sincerely,

A handwritten signature in cursive script that reads "Jerry Giovaniello".

Jerry Giovaniello
Senior Vice President & Chief Lobbyist