NAR Issue Analysis
Federal Debt Ceiling Agreement

The debt ceiling agreement signed into law on August 2, 2011 has **NO DIRECT IMPACT ON REAL ESTATE TAX RULES OR SPENDING PROVISIONS.** No tax laws of any kind were changed, nor were any housing programs cut. The debt ceiling bill has passed the House and Senate on strong bipartisan votes: 269 – 161 in the House and 74-26 in the Senate. Therefore, a default has been averted – for now.

The legislation (S. 365, the Budget Control Act of 2011) increases the debt ceiling in two steps. The first is automatic through the end of the year. The second increase is contingent on (a) votes on balanced budget amendment in both House and Senate, (b) report of the "Super Committee" (see below) and (3) a unique procedure in which Congress disapproves the second increase. The President would then veto the disapproval motion, thus allowing the second step of the debt ceiling increase to occur.

The legislation provides very broad dollar targets for overall spending reductions over 10 years, through 2021. The broad categories of reduced spending are defense and some so-called "discretionary" domestic spending. Beyond the target dollar amounts, no specifics are provided. Thus, the various committees of jurisdiction will determine what particular programs will be cut and by what amounts. The agreement therefore has no direct effect on authorizations or appropriations related to any particular program.

Even though the package has no revenue provisions and makes no changes to MID, carried interest or any other tax/revenue rule, we're not out of the woods yet. In fact, new authority has been created that could make it easier for Congress to make tax law changes.

What to Watch For -- The Super Committee

The new legislation creates a new "Super Committee," to be comprised of 12 members (6 from the House and 6 from the Senate). The two parties will have equal representation, so the group will have 6 Republicans and 6 Democrats. The respective leaders of each body will appoint the members.

The Super Committee (formally identified as the Joint Select Committee on Deficit Reduction) is directed to identify up to $1.5 Trillion in additional deficit reductions over 10 years. *These may be either spending cuts or revenue increases.* Failure to achieve agreement on the $1.5 Trillion target means that automatic spending cuts will be triggered.

Timeline -- When to Watch

A compressed timetable for the Super Committee's action is designed to assure that the additional deficit reductions needed to move the second phase of the debt ceiling increase are achieved before the end of 2011. ***The schedule is tight, with significant penalties for failing to meet the prescribed targets.***

October 14, 2011 – Every House and Senate Committee *may* provide the Super Committee with recommendations for reducing the deficit *no later than* October 14. (The committees are not *required* to make recommendations.) Deficit reduction can be achieved through *either* spending cuts or new revenues. If the committees do not provide adequate recommendations to achieve the prescribed deficit reduction, the Super Committee can make its own recommendations.

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November 23, 2011 – The Super Committee *must vote* on a report making recommendations to the House and Senate no later than this date. The report must include the Super Committee's findings and must provide statutory language. The Congressional Budget Office must provide deficit reduction scores to accompany the report.

The report is adopted if 7 or more members of the Super Committee agree to it. It would then be sent to the House and Senate. If the Super Committee is deadlocked or otherwise unable to make this report, defense and other spending cuts will automatically be activated.

December 2, 2011 – The Super Committee must present its report to the President, the Vice President, Speaker of the House and the majority and minority leaders of the respective bodies no later than this date. No less than 2 days after the report is released, legislation reflecting its contents must be introduced in the Senate. (The House does not have a similar directive.)

December 9, 2011 – The House and Senate committees of jurisdiction must review their respective sections and report them (without amendment) to the House or Senate no later than this date.

December 23, 2011 – The House and Senate must have disposed of the legislation no later than December 23, 2011.

January 31, 2012 – Authority for the Super Committee expires and it is disbanded.

Bottom Line
The next 100 days could be the most important part of the battle over Mortgage Interest Deduction and Carried Interest. NAR will be actively engaged in lobbying Congress and will be reaching out to state and local associations, as well as REALTOR® members directly to engage their Members of Congress on the importance of preserving real estate tax provisions.