



**NATIONAL
ASSOCIATION OF
REALTORS®**

**HEARING BEFORE THE
HOUSE WAYS AND MEANS COMMITTEE**

ENTITLED

**“THE NEED TO MAKE PERMANENT THE TRUMP TAX CUTS
FOR WORKING FAMILIES”**

WRITTEN COMMENTS

BY

THE NATIONAL ASSOCIATION OF REALTORS®

JANUARY 14, 2025

Chairman Smith, Ranking Member Neal, and members of the Committee, thank you for holding this important hearing today on the need to make permanent the tax cuts for working families enacted by the Tax Cuts and Jobs Act (TCJA) of 2017, which are commonly referred to as the “Trump Tax Cuts.” I greatly appreciate the opportunity to comment on this important issue.

On behalf of the more than 1.5 million members of the National Association of REALTORS®, I urge the Committee to make permanent key tax-reduction provisions in the Tax Cuts and Jobs Act that have been vital to the growth of the economy, the creation of new jobs, and the well-being of millions of American households over the past seven years.

In particular, we support the permanence of the lower income tax rates, the permanent extension of the 20 percent qualified business income deduction, and the renewal and expansion of Opportunity Zones.

By reducing income tax rates for both individuals and businesses, the TCJA boosted the economy by increasing incentives to work, save, and invest. It also resulted in a lower cost of investment for businesses, which has and will result in higher output and the creation of jobs. Further, lower income tax rates make it easier for prospective homeowners to afford to purchase a first home.


The Tax Cuts and Jobs Act also included section 199A of the Internal Revenue Code, which created a 20 percent deduction from qualified business income for self-employed entrepreneurs and owners of pass-through businesses. This new deduction helped to equalize the tax rate between large corporations and small businesses and independent contractors – including the vast majority of real estate professionals. With this provision set to expire at the end of this year, NAR strongly believes it must be extended. An expiration of this provision would disproportionately harm America’s small business owners and negatively impact crucial economic sectors, including real estate, which makes up nearly 20 percent of the U.S. economy.

Opportunity Zones have been especially important, not only in the revival of the economy, but also in providing extra incentives for the creation of new housing units. However, to gain the maximum growth potential from this innovative program, the OZ capital gains incentives should be reset and extended to attract even more new capital to distressed areas where it can be the most useful.

Along with the necessity of extending these tax cut provisions on a permanent basis, there is another crucial element for America’s families that we believe must also be addressed in tax reform in 2025. This is to address the lack of availability and affordability of housing in our Nation, both of which have reached crisis levels.

Based on various studies, the United States faces a critical shortage of as many as 7 million homes. Over the past several years, America’s supply problem has worsened, and housing has grown increasingly expensive and out of reach for more and more Americans. As champions serving at the front of the housing cause, REALTORS® can attest that most areas of the Nation remain in a housing crisis.

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According to NAR's Housing Affordability Index for November 2024, the ability of typical families to afford to purchase a median-price home is still below 100, which means that a family with a median income had less than the income required to afford a median-priced home, even if such a home can be found that is for sale. The index spent much of 2024 below this level.

A June 2024 study by the Joint Center for Housing Studies of Harvard University concluded that the U.S. home price index is 47 percent higher than it was in 2020, with the median sales price of homes at about five times the median household income. In the rental market, meanwhile, rents are up 26 percent since 2020 and are rising in most markets. Also, the number of people experiencing homelessness is still increasing, according to a 2023 HUD report.

Unfortunately, there is no one simple “magic bullet” solution to America's housing plight. Rather, policymakers at every level of government must pursue changes in different areas to increase the affordability and availability of homes. NAR believes Congress can begin to turn around the housing availability and affordability crises by including in the Internal Revenue Code through tax reform various measures designed to improve the supply of housing units and facilitate increased homeownership possibilities for Americans.

Specifically, to increase the supply of homes for rent and sale, we recommend that any tax reform package this year include the following legislative proposals:

- The bipartisan **Affordable Housing Credit Improvement Act** would encourage investment in creating and preserving affordable housing by expanding the low-income housing tax credit (LIHTC).
- The bipartisan **More Homes on the Market Act** would alleviate the home sale inflation tax and incentivize more longer-term owners to sell their homes by increasing the maximum amount of capital gains a homeowner can exclude on the sale of a principal residence and annually adjusting it for future inflation.
- The bipartisan **Neighborhood Homes Investment Act** would attract private investment for building and rehabilitating owner-occupied homes by offering tax credits that create a pathway to neighborhood stability through sustainable homeownership. Providing this powerful incentive to build and rehabilitate homes for low- and moderate-income homeowners can fill the gap in areas where it is often more expensive to develop or rehabilitate than appraisal values will support.
- The bipartisan **Revitalizing Downtowns and Main Streets Act** would encourage the development of new housing units by incentivizing the conversion of under-used commercial buildings to residential properties with a tax credit for qualified property conversion expenditures. Many commercial properties in both rural and urban areas can be adapted to better suit the needs of communities and create job opportunities, including adding multifamily and affordable housing as well as mixed-use spaces.
- A proposal to increase the supply of starter homes by reducing the capital gains tax rate for small investors of rental houses who sell to owner-occupants instead of another landlord. If provided a higher after-tax return by selling to a first-time buyer, many selling investors would move them to the top of the list of bidders, thus making it much easier for them to buy a home.

Also, because the price of homes has increased so rapidly, many prospective home buyers are having trouble saving enough money for the necessary down payment and closing costs and to afford the monthly mortgage payments, even if more properties were available to purchase. To assist them, we believe that tax reform should also include:

- Tax incentives to make it easier for those saving for a first home to amass the funds necessary for a sufficient down payment. This could include tax-preferred savings plans similar to Individual Retirement Accounts or 529 educational accounts where funds can grow faster and possibly be matched by contributions from parents, employers, or others.
- A homeownership tax credit for those who do not itemize and are thus not able to utilize tax incentives such as the mortgage interest and property tax deductions. Unlike the situation for most of the past century, the vast majority of today's prospective home buyers get no assistance from the current tax law in buying a home.
- Increasing the \$10,000 limit on the state and local tax (SALT) deduction and eliminating the marriage penalty for taxpayers filing jointly, who have the same maximum deduction as single filers. This change would help current and prospective homeowners who are facing increased property tax payments that have gone up simply because the value of their home is higher.

NAR is committed to working with the Ways and Means Committee to create new and innovative ways that our Federal tax law can help ensure the American Dream of homeownership remains within reach for millions who are presently at risk of not attaining it. We believe tax reform is an ideal place and time to take major steps to turning around the housing crisis.

Sincerely,



President, National Association of REALTORS®