NATIONAL ASSOCIATION OF REALTORS®

ADVOCACY GROUP
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Chief Advocacy Officer

November 23, 2026

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
1129 Longworth House Office Building
Washington, DC 20515

Dear Chairman Smith and Ranking Member Neal:

As the House Ways and Means Committee contemplates what beneficial tax changes might be possible before the end of the 119th Congress, the more than 1.4 million members of the National Association of REALTORS® urge you to consider the critical need to increase housing availability and affordability for Americans across the nation.

One straightforward, simple, and bipartisan way this could be done with almost immediate benefits would be to pass H.R. 1340, The "More Homes on the Market Act." This bill, which now has 160 bipartisan cosponsors, would simply correct a problem that was not addressed in 1997 when Congress so beneficially changed the way principal residences are taxed when they are sold.

For many years prior to the passage of the Taxpayer Relief Act of 1997, gain from the sale of a homeowner's primary residence was not taxed so long as the seller purchased a replacement home for an amount at least equal to the selling price of the former home. For sellers over the age of 55, a maximum amount of $125,000 could go untaxed even if the former home were not replaced. The effect of these rules was that for the vast majority of home sales, there was no federal capital gains tax due. This served to promote homeownership and made it easier for families to move because of job changes and for seniors who had outgrown their homes to downsize, thus increasing the vitality of our economy and the availability of homes for first-time and move-up buyers.

There was a major problem with these previous tax rules, however, which the 1997 change corrected. The old rules placed an onerous burden on homeowners, who effectively were required to keep records for both the original purchase price of their home as well as to track the cost of every major improvement over their years of ownership. In short, this created a recordkeeping nightmare for millions of American families.

This is why the 1997 Act's capital gains exclusion amounts of $250,000 for single filers and $500,000 for married couples were greeted with such enthusiasm by millions. It was one of the most taxpayer-friendly and commonsense changes to the tax law since the advent of our modern Internal Revenue Code. And, at these levels of exclusion, only a tiny fraction of home sales in 1997 resulted in tax being owed on a sale. Despite the significant benefits of these reforms, the 1997 Act contained a major flaw that would become increasingly apparent over time: the maximum capital gains exclusion thresholds were not indexed for inflation. For the first few years, this problem was barely noticeable, but the insidious nature of inflation eventually began to take its toll, and over time, the $250,000/$500,000 limits wore away in real terms to where they are today worth just a fraction of their original values. Within a decade or so after 1997, the rising prices in the highest-home-cost

areas of America started to cause the gains on sale for many to routinely exceed the exclusion amounts, meaning owners were left with tax due, which was never intended. More recently, a growing number of regions around the nation have seen the problem spread. And with the record jumps in home values across the country since the pandemic, the issue is approaching crisis stage in many areas. This is especially true for older owners who have experienced decades of inflationary growth in the nominal value of their homes.

Unfortunately, this issue has exacerbated the acute shortage of available homes to purchase. Not only are new homes being constructed in inadequate numbers, but a growing number of current owners, and especially elderly ones who have lived in their homes for many years, are not selling them, even when the homes no longer suit their needs due to age or health concerns. The reason is that they refuse or cannot afford to pay the high capital gains tax due if they sold. The result is that there are fewer homes available for younger and move-up homebuyers, thus driving up demand and prices even more.

According to a recent study, since the capital gain exemption thresholds were set in 1997, home price inflation has cumulatively been 291 percent, with nearly half that price increase coming since 2020. The study estimates that enacting the More Homes on the Market Act would eliminate capital gains liability for over 19 million homeowners and reduce the tax liability for an additional almost 10 million homeowners if they were to sell their home. Moreover, the study estimates that this change would have major price impacts to both sellers and buyers of homes. The result would be an after-tax increase in proceeds for sellers and a purchase price decrease for buyers resulting in more than 638,000 additional homes sold, a 21 percent increase.

The correction in late 2026 of a left-out inflation adjustment from 1997 could have vast positive consequences for millions of Americans who are currently unable to buy their first home or move up to a much-needed larger one. The positive macroeconomic benefits of a notable increase in home sales adds further reasons for quick legislative action. NAR estimates that just one typical home sale can generate over $134,000 in additional economic impact for the nation.

Thank you for your leadership and for considering this idea.

Sincerely,



Christine Hansen
2027 President, National Association of REALTORS®