NATIONAL ASSOCIATION of REALTORS®

Real Estate Services

REAL ESTATE SERVICES
Jeff Barnett, 2018 RES Chair
Mark Woodroof, 2018 RES Vice-Chair
Christina Pappas, 2018 Large Firm Liaison

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194
WWW.NAR.REALTOR

November 14, 2017

The Honorable Paul D. Ryan
Speaker of the House
U.S. House of Representaives
1233 Longworth House Office Building
Washington, DC 20515

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representaives
233 Cannon House Office Building
Washington, DC 20515

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1011 Longworth House Office Building
Washington, DC 20515

The Honorable Richard E. Neal
Ranking Member
House Committee on Ways and Means
341 Cannon House Office Building
Washington, DC 20515

Dear Speaker Ryan, Democratic Leader Pelosi, Chairman Brady and Ranking Member Neal:

On behalf of the Real Estate Services Advisory Group of the National Association of REALTORS®, we express our opposition to H.R. 1, "The Tax Cuts and Jobs Act" as reported by the Ways and Means Committee on November 9, 2017. NAR's RES Advisory Group is comprised of leaders of the largest diversified residential real estate firms whose firms represent over 500,000 real estate agents nationwide. While we support tax reform's goal to spur greater economic growth, we believe this bill will have a negative impact on the housing sector, which represents a sixth of the economy.

Homeownership is critical to American middle-class wealth creation, strong and stable communities, and as a driver of our nation's economy. This legislation would place the American Dream further out of reach for millions of Americans at a time when our homeownership rate is at a 50-year low while also raising taxes directly on millions of homeowners.

By nearly doubling the standard deduction while eliminating most itemized deductions, H.R. 1 would remove or limit the incentive value of the mortgage interest deduction (MID) for the great majority of current and prospective homebuyers, and sap the incentive value of the property tax deduction for millions more. The direct result of these changes would be a reduction in home values across America in excess of 10 percent, and likely more in higher cost areas. Provisions in the bill that limit the deductibility of interest on new mortgage loans to $500,000, cap property tax deductibility at $10,000 for those who can still itemize, and eliminate the deduction altogether for second homes would exacerbate the effect. Many of these changes are not indexed for inflation, which will increase the pain for more and more homeowners over time.

The Tax Cuts and Jobs Act will actually encourage renting because it allows investors in residential property to continue to be eligible for full deductions of all interest and property taxes, while homeowners are denied these benefits.

The bill's effect on many current homeowners is harmful and unfair. Homeowners currently pay 83 percent of all Federal income taxes. This percentage is likely to

EQUAL HOUSING OPPORTUNITY

increase significantly under the Tax Cuts and Jobs Act. Millions of middle-class homeowners would immediately face tax increases, and those who do see a tax cut will see significantly less tax relief if they own a home than if they rent a home. To make things worse, the relatively small tax cuts that many middle-class homeowners receive from this proposal would vanish after just a few years.

Further, a limit on the capital gains exclusion for real estate purchases in H.R. 1 layers on additional negative consequences for the Nation's housing markets. Under current law, homeowners can sell their homes and exclude up to $500,000 in profit from capital gains tax if they have lived in a home as their principal residence for two of the previous five years. H.R. 1 increases this timeframe for eligibility to five out of the previous eight years and offers the benefit only once every five years. This change will discourage homeowners from selling their homes in an already tight-inventory market. It may also negatively affect corporate transferees or members of the military who do not have a choice but to move more often.

In sum, it appears that America's homeowners, and owner-occupied real estate in general, are the biggest losers in this legislation. We do not believe vanishing tax cuts, coupled with vanishing home equity, are a formula for economic growth. We hope you will recognize the important role housing plays in our economy, and will oppose this bill, which penalizes taxpayers simply for choosing to own their own home.

Sincerely,

Jeff Barnett, 2018 RES Chair and Vice-President, Alain Pinel REALTORS®
Mark Woodroof, 2018 RES Vice-Chair and Partner, Better Homes and Gardens® Gary Greene
Christina Pappas, 2018 Large Firm Liaison and Broker, Keyes Company
Steve Baird, President and CEO, Baird & Warner
Gino Blefari, CEO, HSF Affiliates LLC
Phyllis York Brookshire, President, Allen Tate REALTORS®
Steve Brown, President, Crye Leike, REALTORS® Residential
Mary Frances Burleson, President and CEO, Ebby Halliday, REALTORS®
Craig Cheatham, President and CEO, The Realty Alliance
Sherry Chris, President and CEO, Better Homes and Gardens® Real Estate LLC
Jeffery Detwiler, CEO, The Long & Foster Companies
Dan Elsea, President of Brokerage Services, Real Estate One Family of Companies
Larry Flick V, President, The Trident Group
Gerard Griesser, Vice-Chairman, Berkshire Hathaway HomeServices Fox & Roach, REALTORS®
Kent Hanley, CEO, Coldwell Banker Howard Perry and Watson
Helen Hanna Casey, CEO, Howard Hanna Real Estate Services
Dottie Herman, President and CEO, Douglas Elliman
John Paul Horning, Executive Vice-President, Shorewest, REALTORS®
Thomas Hosack, President and CEO, Northwood Realty Services
James Imhoff, CEO, First Weber
Kevin Levent, President and CEO, Better Homes and Gardens® Real Estate Metro Brokers
Geoff Lewis, President, RE/MAX, LLC
Rei Mesa, President and CEO, Berkshire Hathaway HomeServices Florida Realty
Robert Moles, Chairman, Intero Real Estate Services
Pam O'Connor, CEO, Leading Real Estate Companies of the World
Michael Pappas, President and CEO, Keyes Company/Illustrated Properties
Ron Peltier, Chairman and CEO, Homeservices of America, Inc.
John Peyton, President and CEO, Realogy Franchise Group
Alex Perriello, Chairman Emeritus, Realogy Franchise Group
Bill Plattos, Executive Vice President, First Team Real Estate
Ryan Raveis, Co-President, William Raveis, Inc.
Lennox Scott, Chairman and CEO, John L. Scott Real Estate
Denise Smith, President, Affiliated Services Group, Weichert, REALTORS®
Merle Whitehead, Chairman, RealtyUSA