

NAR Issue Brief

Mortgage Debt Cancellation Tax Relief

On April 3, 2014 the United States Senate Finance Committee agreed to a bipartisan bill to reinstate close to 50 tax provisions that expired at the end of 2013. **Among the real estate provisions included in the “extenders” package are tax relief for mortgage debt forgiveness, 15-year cost recovery for qualified leasehold improvements, election to expense certain qualified real property, and deduction for energy efficient commercial buildings. All of these provisions are retroactively extended to cover a period from January 1, 2014 to December 31, 2015.**

NAR has been working on an extension of these provisions since the previous extension was passed on New Years’ Day 2013. While this is an important first step toward having the 2-year extension enacted into law, there are some significant hurdles left to overcome.

The extension of the tax relief “costs” money to the Treasury. The Joint Committee on Taxation estimates that a two-year extension of the mortgage debt cancellation relief would cost \$5.4 billion. This will create significant push-back by some Members of Congress and Senators who will insist that amount be offset by raising taxes elsewhere or cuts in spending – an ongoing debate in Congress. Also, the House Ways and Means Committee Chairman Dave Camp has expressed a desire to make some of the “extender” provisions permanent, while allowing other provisions to expire. Reconciling which provisions are extended, for how long, and whether they are paid for, are still issues without consensus between the Senate and the House.

In sum, NAR has been working to pass an extension since the end of 2013. Now that the bill has cleared the Finance Committee, **NAR will continue to support the tax “extenders” package as it moves to the Senate floor for what we hope will be a rapid consideration. We are also working with the House of Representatives to take action on these important provisions that will help millions of Americans.**

What NAR is doing: NAR lobbyists are in daily meetings with Senators and Members of Congress, pressing for swift action on an extenders package. NAR is providing the most up to date data on short sales and foreclosures to continue to highlight the mortgage debt forgiveness as a top priority for REALTORS®. In addition, NAR is leading a coalition of over 20 organizations that is pressing for extension of mortgage debt forgiveness relief and is engaged in a large coalition of commercial real estate stakeholders in pushing for an extension of commercial investment provisions.

What can you do? First, you can contact your Senators to urge them to act on the Finance Committee Tax Extenders Bill. **Second, if you have clients in distressed situations, urge them to do so as well.** The more Senators hear from constituents, the better.

NAR cautions REALTORS® against giving clients tax advice, as every situation is different, but at this point our best estimate is that Congress will pass some extension of this law, probably late in 2014, and make it retroactive. There is precedent for Congress doing this, but no guarantee.