

### NAR Committee:

Federal Taxation Committee

### What is the fundamental issue?

The most recent “true tax reform” bill was enacted on December 22, 2017, when President Trump signed the “Tax Cuts and Jobs Act (TCJA),” in his first term in office. However, because a large number of provisions in this enormous tax bill were set to expire at the end of 2025, the topic of tax reform has continued to be a current and important issue since 2018.

The individual provisions of the measure were generally effective starting with the 2018 tax year and made many important changes to the tax law. NAR’s analysis of TCJA’s provisions impacting real estate can be found at "[The Tax Cuts and Jobs Act - What it Means for Homeowners and Real Estate Professionals](#)."

As the expiration of most of the tax benefits and other changes of the Tax Cuts and Jobs Act drew closer, NAR’s Advocacy Group increased its interaction with key members of Congress to ensure they understood the importance of the benefits of many of the changes made by the TJCA on real property investment and to real estate professionals as well as the harm being caused by certain other changes.

For example, the 20 percent qualified business income deduction has been a huge benefit to independent contractors and other self-employed or owners of pass-through businesses. At the same time, provisions such as the \$10,000 limit on the deduction of state and local taxes (SALT) has harmed current and perspective homeowners and others. These discussions laid the foundation for changes NAR was pushing when it was time for Congress to address the expiring provisions of the 2017 tax act.

As legislative action on tax reform heated up in 2024 and especially in early 2025, NAR developed its top priorities for tax reform in the bill that Congress needed to pass in order to keep the tax cuts from the TJCA from expiring, which would have been catastrophic to the economy and to millions of American families. These priorities included the following:

- **Permanent extension of 20 percent Qualified Business Income deduction**
- **Substantial increase in state and local tax (SALT) deduction limit**
- **Expansion / renewal of Opportunity Zone incentives**
- **Retaining the higher estate tax thresholds**
- Tax changes to address the housing supply crisis, including:
  - Doubling the exclusion on profit on sale of homes and index for future inflation
  - **Expansion of Low Income Housing Tax Credit**
  - Provisions to increase number of homes in distressed neighborhoods
  - Tax credit for converting unused/underutilized commercial property to housing units
  - Capital gains incentives for investors who sell rental homes to first-time owner-occupants
  - Tax-incentivized savings accounts to help prospective homeowners save for down payment and closing costs
  - **Maintain tax incentives for homeownership, such as mortgage interest deduction**
- Oppose changes that would harm real property investment, including the following:

# NAR Issue Summaries

## Federal Tax / Tax Reform

- **Preserve 1031 like-kind exchanges**
- **Increases in capital gains tax rates**
- **Estate tax increases**
- **Expansion of the net investment income tax**
- **Changes in the taxation of carried interests for commercial real estate developers**
- **New taxes on exempt organizations**

After a tumultuous period of legislating on what was to become the **One Big Beautiful Bill Act (OBBBA)**, the main purpose of which was to extend and expand the expiring tax benefits of the Tax Cuts and Jobs Act, NAR Advocacy was very pleased that most of our priorities were achieved in the new bill, which was signed into law by President Trump on July 4, 2025. Those individual items that are **highlighted** above are included in the final act.

Even better, most of the provisions listed above were made permanent in the OBBBA, which means there is much less chance that these tax benefits will be reversed than was the case with the Tax Cuts and Jobs Act, which provided a certain statutory end date for most of its benefits.

For those NAR tax reform priorities that were not included in the new tax reform act, the Advocacy Group continues to remind Congress that real estate investment, and particularly homeownership, in America is in a crisis and that the items on our priority list that have yet to be enacted are key solutions to expanding our housing supply and ensuring millions more families will have the opportunity to achieve the American Dream of homeownership.

### **I am a real estate professional. What does this mean for my business?**

Tax reform can involve high stakes for real estate professionals and those who own real estate. The current system is very efficient and generally favorable for real estate, especially since the changes made by the One Big Beautiful Bill Act. Future alterations to that system could change the economics of homeownership and of real estate investment as well as impact the bottom line of real estate businesses.

Tax reform based on a goal of lowering the tax rates as much as possible could mean that policymakers ignore the societal and economic benefits of important and long-standing deductions, such as the mortgage interest deduction, in favor of reaching the ultimate low tax rate. While lower rates could help take some of the sting out of lost tax benefits, and generally be positive for the economy, the trade-offs would create winners and losers among individuals, businesses, and entire industries. There is no assurance that tax reform would result in a net positive for real estate or for the economy. Indeed, the real estate sector could take a big hit.

### **NAR Policy:**

NAR embraces no single tax reform model such as a flat tax or a retail sales tax. Similarly, NAR does not adhere to any specific schedule of tax rates as a primary goal. Rather, NAR policy acknowledges the complexity of the current tax system and seeks tax changes that support the goals of homeownership and

freedom to buy, maintain and sell real estate.

### **Mortgage Interest and Real Property Tax Deductions:**

NAR supports the preservation of these deductions which have been part of the tax system since its inception well over a century ago.

### **Exclusion of Capital Gain on Sale of Principal Residence**

NAR supports the preservation of the exclusion of capital gain on the sale of a principal residence. Additionally, NAR supports doubling the current exemption, capped at \$250,000 for a single filer and \$500,000 for joint filers, and indexing it to future inflation to avoid its value eroding over time, as it has done since 1997. Real estate is the most widely held category of assets owned by American families. For the great majority, it is the family home that constitutes their real estate assets. Not only is the current-law exclusion a major simplification measure for millions of taxpayers, it also greatly enhances their saving toward retirement.

### **Deferral of Gain on Like-kind Exchanges: Federal Tax / Tax Reform**

NAR supports current tax law provisions which have long recognized that when an investor in real estate exchanges one property for another of like kind, economically, nothing has changed. Indeed, allowing capital to flow more freely among investments is critical to economic growth and job creation. Provisions that allow for the deferral of gain on the like-kind exchange of real property is vital to economic growth and should be maintained.

### **Opposition Arguments:**

Opponents of NAR policy argue that the current tax system is riddled with loopholes that benefit mostly high-income Americans. In the case of mortgage interest and property tax deductions, only about one-tenth of taxpayers itemize and are thus able to take advantage of these deductions, so the benefits should be spread out to more Americans. Further, some claim that the huge amounts spent through the tax code in subsidizing housing does little to increase the homeownership rate and largely rewards those who already have a home.

### **Legislative/Regulatory Status/Outlook**

Now that the One Big Beautiful Bill Act has been enacted, it is unlikely that Congress will consider major tax reform anytime soon. Rather, members of Congress of both parties are likely to want to assess the impact of the changes made in 2025.

However, when control of Congress changes again, and/or a new president is in office, tax reform discussions will likely heat up again, and those who opposed the changes made by OBBBA may push for changes to reverse or limit some of the impact of those revisions.

In the meantime, NAR Advocacy will continue to carefully assess the political climate and be on the lookout to push for more positive tax changes that could help increase the supply of homes to purchase and to live in and also to make it easier for first-time buyers to afford a home.

### **Current Legislation/Regulation (bill number or regulation)**

None at this time.

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