

2020 Advocacy Agenda

March 2020

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HOUSING AFFORDABILITY

GSE Reform

NAR supports the creation of government-chartered authority(s) subject to strict regulations on product types, revenue generation and expenditures. The new entity(s) will retain portfolio practices to ensure the mission of Fannie and Freddie continue to meet the needs of consumers with taxpayer safeguards. NAR recommends that the entity(s) be managed to encourage private capital participation in the secondary mortgage market.

NAR believes that the future housing finance system must ensure that there is mortgage capital in all markets at all times and under all economic conditions, and that there is an explicit government guarantee in the secondary market, which should ensure the availability of long term, fixed-rate mortgage products (i.e. 30-yr fixed-rate mortgage).

Qualified Mortgage

Currently, under qualified mortgage rule, any loan that receives an accept from the GSE's automated underwriting, is considered a qualified mortgage. However, come January of 2021, that provision will expire. That means that any loan that has a DTI over 43% will no longer be considered a qualified mortgage, and will be subject to higher prices, and limited availability. NAR proposes a new definition that creates a set of compensating factors that mimic those the GSEs currently use.

Federal Mortgage Programs

NAR believes that federal mortgage finance programs that have proven records for producing and preserving homeownership opportunities must not only be preserved, but also continuously strengthened. Programs administered by the Federal Housing Administration (FHA), the Department of Veteran Affairs (VA) and the Rural Housing Service (RHS) occupy a critical role in the nation's housing finance system. These federal agencies ensure access to mortgage credit that is available to all Americans, in particular groups traditionally underserved by the private market including low to moderate-income, minority, and first-time homebuyers.

Alternative Credit

NAR believes that homeownership is an integral part of the American Dream that shouldn't be out of reach for low-income, rural and minority borrowers who lack access to traditional forms of credit. Unfortunately, many responsible Americans with "thin" credit files have been kept out of the housing market. Thus, NAR supports alternative credit scoring models aimed to responsibly expand mortgage credit for millions of hardworking families.



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Student Loan Debt

NAR research indicates that student debt negatively impacts the ability of potential home buyers to save for or meet down payment requirements. Student debt is also having an impact on potential homebuyers' ability to qualify for a home due to high debt-to-income levels. These factors have limited their access to affordable mortgage options needed to purchase a home. NAR strongly supports policy proposals to allow student loan borrowers to refinance into lower interest rates and to streamline loan programs. Additionally, NAR supports policy proposals that promote student loan simplification, clarity and education. Further, NAR supports policies that provide tax relief to student debt holders, as well as to employers who choose to assist with their employees' student loan debt burdens. In addition, NAR supports policies that provide tax relief to those borrowers with forgiven student debt.

FEDERAL TAXATION

Tax Benefits for Property Ownership

Tax law changes in 2017 effectively eliminated the tax incentives for homeownership for millions of households. This marks an abrupt shift in federal tax policy after more than 100 years of supporting the dream of homeownership. This reduction in homeownership tax incentives prevents many middle-income, minority and millennial households from realizing a direct tax benefit to owning a home. These groups were already slowest to recover from the struggles of the Great Recession and continue to face the greatest headwinds to increased homeownership. NAR supports the enactment of a meaningful tax credit for homeownership for those who do not benefit from the mortgage interest and real property tax deductions because they no longer itemize their deductions.

State and Local Tax Deduction

The state and local tax (SALT) deduction allows taxpayers to deduct state and local tax payments on their federal tax returns. The new tax reforms of 2017 placed a cap on the SALT deduction. Starting from the 2018 tax year, the maximum SALT deduction that taxpayers are able to claim is limited to \$10,000. In contrast, before the new tax law, there was no limit. Furthermore, the unindexed SALT deduction cap of \$10,000 applies to both single filers and married; meaning that there is a marriage tax penalty for two people filing joint returns. NAR strongly supports the elimination of the marriage penalty, allowing joint filers to double their SALT deduction, as well as indexing the cap for inflation.



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Index to Inflation the Capital Gains Exclusion on Sale of Principal Residence

Current law provides sellers of a principal residence an exemption from capital gains tax of up to \$250,000 (\$500,000 for joint returns). This exclusion was never indexed for inflation, making it now worth only about half its original value. NAR is advocating this exclusion be indexed for inflation before the benefit shrinks more.

1031 Like-kind Exchange

Since 1921, U.S. tax law has recognized that the exchange of one investment or business-use property for another of like-kind results in no change in the economic position of the taxpayer, and therefore should not result in the immediate imposition of income tax. Real estate investors and commercial real estate practitioners place a very high priority on retaining the current like-kind exchange rules. In the ongoing debate about keeping or changing the 2017 tax reforms, some have suggested that the 1031 like-kind exchange is an unwarranted loophole and should be repealed. NAR is working with other interested stakeholders to oppose the repeal or limitation of the like-kind exchange provision and to educate Members of Congress and their staffs on the importance of this provision to the economy.

BUSINESS OPERATIONS ISSUES

Association Health Plans

NAR supports reinstating the final 2018 regulation by the Department of Labor (DOL) to expand access to Association Health Plans (AHPs) and offer more affordable health insurance options for working owners including real estate professionals. An AHP plan would be treated as a large employer plan under federal law, subject to different rules than plans in the individual and small group insurance markets that tend to be more costly and have fewer options. The DOL final rule also includes important consumer protections that could not make membership, payment, or coverage conditional on the health status of an enrollee and maintains protections put in place by the Affordable Care Act (ACA), including protections for pre-existing conditions. The rule, which has been the subject of litigation by a dozen state Attorneys General, was overturned last year and is currently under appeal. As a result, there remain potential conflicts with some state laws, which co-regulate health insurance with the Federal government. NAR supports the Administration's appeal and any action by Congress to codify the aspects of the rule to remove any uncertainty in state or federal law.



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Technology

Technology is flooding the real estate industry with innovation and continues to transform the way consumers buy, sell, rent and manage homes and the way that real estate brokerages operate. REALTORS® strongly support efforts to protect consumers' data privacy and security. REALTORS® support for data protection measures is bolstered by their day-to-day business activities where they see first-hand the damage that identity theft can do to a family's ability to rent an apartment or buy a home. NAR supports efforts to modernize federal rules to create a national framework for consumer privacy and data security.

Independent Contractor Status

Real estate sales agents have a statutory provision (Internal Revenue Code Section 3508) that provides clear directives about how a real estate broker may classify his/her sales agents as independent contractors. The rules have been in place since about 1984. NAR opposes any erosion of the statutory provision of the Internal Revenue Code Section 3508, which provides clear directives about how a real estate broker may classify his/her sales agents as independent contractors. NAR is also closely monitoring state worker classification laws that could potentially impact the status of independent contractors.

FAIR HOUSING

Reforms to the Fair Housing Act

REALTORS® recognize the significance of the Fair Housing Act and reconfirm their commitment to upholding fair housing law as well as their commitment to offering equal professional service to all in their search for real property. NAR's Code of Ethics requires REALTORS® to provide equal professional services without discrimination based on race, color, religion, sex, handicap, familial status sexual orientation, gender identity, and national origin. NAR supports amendments to the Fair Housing Act to prohibit discrimination based on sexual orientation and gender identity.

Funding for Testing and Enforcement

When President Lyndon Johnson signed the Fair Housing Act into law a half-century ago, he said, "We have come some of the way, not near all of it. There is much yet to do." In 2020, there remains much to do. The FHIP (Fair Housing Initiatives Program) and FHAP (Fair Housing Assistance Program) programs of the Department of Housing and Urban Development support testing and enforcement to investigate and eliminate discrimination in the housing market. NAR supports increased federal funding for these programs.



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INFRASTRUCTURE

Transit

Infrastructure improvements have been shown to enhance property values by creating livable communities and enhancing economic vitality. Poorly maintained streets and traffic congestion impose extra costs throughout the local economy. NAR supports spending for infrastructure and believes that funds should be sufficient to maintain the current physical condition and level of performance of highways and transit systems while making improvements to reduce congestion and foster economic growth. REALTORS® believe infrastructure investment should consider all transportation users along a transportation corridor.

Critical Systems

NAR supports infrastructure investment decisions that are all inclusive so that critical systems, such as water or ports, are also prioritized when maintaining a community's infrastructure.

Broadband

Between 14 and 24 million Americans still lack access to broadband internet service. Moreover, several international rankings indicate that the U.S. is lagging behind other nations in broadband accessibility, speed and cost. Americans pay more and get less for broadband service than many countries across the globe. REALTORS® support a comprehensive national policy to stimulate the deployment of broadband in underserved areas of the U.S., increase data speeds and lower broadband prices.

ENVIRONMENT

Flood Insurance

Congress must pass a long-term reauthorization of the NFIP and include meaningful reforms that open the door to private market flood insurance and modernize flood mapping and mitigation investments. Flood insurance is required for a mortgage in more than 20,000 communities nationwide. While there is a growing private market for flood insurance, millions of small business and home owners currently depend on the NFIP to protect their property against flooding, the most costly and common natural disaster in the United States. Without flood insurance, property owners would have to rely on the Federal government for taxpayer-funded disaster relief after major floods. The program is set to expire on September 30, 2020.



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179D Energy Efficient Commercial Buildings Deduction

The 179D deduction allows commercial building owners who improve the building's energy-efficiency to receive a deduction of as much as \$1.80/square foot in the year the upgrade goes into service, after receiving a proper third-party certification. This provision will again expire at the end of 2020. NAR supports making this provision permanent.

COMMERCIAL

Opportunity Zones

Monitor Implementation and Facilitate the Use of Opportunity Zones - The new tax law also provided a bold new initiative to encourage investment in economically depressed areas throughout the U.S. Opportunity Zones (OZs) are especially attractive to real property investments by providing significant deferral and exclusions in capital gains that are reinvested in qualified areas. NAR is working to help ensure the rules implementing the new OZs fulfill their promise.

SAFE Banking

Currently thirty-three states and the District of Columbia have legalized cannabis for medicinal or recreational use, but it remains a Schedule-I narcotic under the Controlled Substances Act. As a result, legitimate cannabis businesses in states that have legalized the substance, or businesses that derive any income from them - including real estate - can't work with federally-insured financial institutions due to anti-money laundering laws. This means that many such businesses have to operate on a cash-only basis, which creates difficulty collecting taxes and enforcing regulations, as well as increases safety risks to the communities they are in. NAR supports the SAFE Banking Act, that would create a safe harbor allowing financial institutions to work with legitimate cannabis businesses, thus resolving those issues.

