INDUSTRY NEWS

House Republicans pass tax reform bill

Real estate industry has expressed numerous concerns over the legislation

BY JOTHAM SEDERSTROM ★
NOV 16

A tax reform bill that would lower the mortgage interest deduction from $1 million to $500,000, eliminate deductions on moving expenses and severely reduce those on state and local property taxes passed with relative ease in the House of Representatives Thursday afternoon.

Republicans voted in favor of the "Tax Cuts and Jobs Act" 227-205, with every Democrat and 13 GOP members opposing the legislation, setting in motion a likely alignment with a bill now coursing through the Senate Finance Committee that could be brought to a vote within two weeks.

"For the first time in 31 years we are wiping the tax code clean and replacing it with one that is fairer and simpler for everyone," Representative Devin Nunes, Republican of California and a member of the Ways and Means Committee, told The New York Times on Thursday.

Under the current House legislation, taxes would be slashed by more than $1.4 trillion over the next decade, in part by reducing the corporate tax rate from 35 percent to 20 percent. It would also cut the number of tax brackets from seven to just four and recalibrate the tax code to work similar to an international system already used by foreign nations across the globe.

In New York, New Jersey, California and North Carolina, where taxes are high, Republicans voted against the bill, insisting it hadn't gone far enough to protect deductions on state and local taxes. The House bill caps property tax deductions at $10,000 while the Senate bill eliminates them entirely.

"I just have too many constituents who are going to see their taxes go up," U.S. Rep. Lee Zeldin, of Long Island, told The Times on Thursday. "You're taking more money from a place like New York in order to pay for deeper tax cuts elsewhere."

For real estate industry trade associations, both bills have raised concerns over numerous proposals — not least of all the limit placed on the mortgage interest deduction — that would either significantly raise taxes on middle-class homeowners or provide fewer cuts than for taxpayers who rent.

On Wednesday, National Association of Realtors Senior Policy Representative Evan Liddiard cited limits to a popular tax code provision that allows homeowners to exclude gains on the sale of a principal residence, the dilution of the Low-Income Housing Tax Credit and the repeal of student loan interest deductions and moving expense deductions as hurtful to homeowners.

"This is an assault on housing," said Liddiard. "This tax reform bill is bad news, especially for residential real estate — especially for home-owning families — and it should be defeated."

Following the vote, NAR President Elizabeth Mendenhall issued a statement, calling on Senators to reassess their own version of the bill before an upcoming vote.

"It's disappointing to see this legislation move forward, but the real work to shape this debate is just getting started," said Mendenhall. "Realtors will now look to the Senate as we make our case that the tax reform proposals pending before Congress overwhelmingly remove the tax incentive to purchase and own a home in America. This is about much more than a cap on the mortgage interest deduction. Rather, it is about whether homeowners will have the rug pulled out from under them with a tax system that suddenly favors renting over owning in a big way."

California Association of Realtors (C.A.R.) President Steve White also issued a statement expressing the trade organization's "disappointment" with the passage of the bill and thanking the members of California's Congress who opposed it.

"This bill is simply a direct attack on California housing and homeownership," White said. "Eliminating the incentive for people to buy homes and raising taxes on hundreds of thousands of California homeowners only puts the American dream further out of reach. We support fiscally responsible tax reform but lowering corporate taxes on the backs of middle-class families would be catastrophic."

The Senate's version of the bill, meanwhile, suffered a setback Thursday when the Joint Committee on Taxation, a bipartisan agency, reported that taxpayers earning less than $40,000 would be slapped with higher taxes, a finding that undermines GOP claims that the bill would help low-income families.

Editor's note: This story has been updated.

Email Jotham Sederstrom

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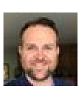

Nick Bouldin · Founder / Owner at Brokers Hub Realty

Vote for Trump they say...he is "one of us"....yea....how is that working for US now? Hopfully the Senate can be the adults in the room. I am all for tax reform, but not at the expence of normal working people to give billionaires tax breaks.

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Michael Sawtell · Irvine, California

Large corporations do not need a tax break. There are so many loopholes, no company pays 35%. The average effective tax rate for the Fortune 500 is 21%. Companies in this country are dripping with profits, check out Pharma and Oil not to mention Apple, who has $250 Billion stashed off shore according to the Paradise papers just released. Why is the stock market so high? Record profits!

This tax cut is to keep the Koch Brothers money flowing into the RNC (McConnel and Ryan) and this is all real good for our president even though he says it is not. It will probably be good for many individuals... See More

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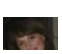

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sad case we need the senate to not vote for this insanity
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Reid Butterfield · Chevy Chase, Maryland
It should be called the "Screw Average Americans Act"
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Ryan Ginther · Real Estate Agent at NuHouz Realty
I am no Trumper, but I am dissapointed in Inman for putting out this partisan piece. It is blatenly obvious this does not make an attempt to shed light on the positive items in this bill, only the doom and gloom surface numbers that don't show the true impact long term. I like how everyone jumps to this being a tax break for the "billionaires". Hopefully this is just the first phase of tax cuts. Taxes should be collected at more of a local level via state, county, and city not federal. Do you realize that anywhere from 35-50% of all of your money goes to taxes between income, real estate, sales, etc...??? It's insaine. Just for nice roads, police, fire, military, and to pay for these terrible public schools that can't even teach our children how to balance a budget and compound interest! (one of many beefs with the public school system.

**I am not super happy about the bill either, but it is pointing us in the right direction.
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Jana Rice · Marketer at Marketing Professional
Please enlighten us with some of the positives.
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Maureen Green
Why on earth did the NAR, and the majority of Inman readers, endorse Trump. Did they not all this coming, as the rest of us? And then NAR endorsed Ben Carson as HUD Secretary. And where has he been through all of this? Haven't heard a peep from him. The damage to our industry from this Administration will be profound and lasting, and we have ourselves to blame.
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Wendy Wolf · Realtor/Agent at McGrew Home Team
Amen sister.
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RPAC dollars at work.... smh
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Jarod Marcus · Broker Associate, Realtor with RE/MAX Masters at Where have you worked?
Tyson T Reeves Since when do you expect good things from our RPAC dollars.... they are controlled bt NAR, who has already proven that they are nothing more than a worthless trade union lining their own pockets, protecting their own interests, while ignoring the needs of their members.
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Mary Murphy · Real Estate Consultant at Homes & Lifestyle of Burlingame, Millbrae & San Mateo
Many of my associates voted for Trump because he was the guy who was the 'business man' and real estate friendly. Hey guyes, how is that working out for you?
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Jonathan Lerner · CT & NY Licensed Real Estate Broker at Five Corners Properties
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