News & Updates

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IRS Adopts MHI Recommendation on Tax Deductions for the Industry

As a result of MHI's advocacy efforts, manufactured housing lenders will be eligible for key tax deductions. The Internal Revenue Services (IRS) issued final regulations implementing the new qualified business income deduction (Section 199A deduction), which was part of the Tax Cuts and Jobs Act of 2017, on January 18, 2019. This provision creates a 20 percent deduction for small businesses established as passthrough entities and clarifies whether certain business activities are eligible for the deduction or instead are considered "financial services" or "securities activities," thus making them ineligible.

Due to MHI's advocacy efforts, the final regulations do not discriminate against lenders, including manufactured housing lenders, that sell off or securitize the loans they originate. While the proposed rule originally included language that made both banks and the activity of "making a loan" eligible for the deduction, it also appeared to disqualify mortgage lenders who generally sell off or securitize their loans.

In its October comment letter to the IRS, MHI strongly argued that passthrough entities that engage in the lending and financing of residential property, including chattel financing of manufactured homes, should qualify for the Section 199A deduction. Specifically, MHI urged the IRS to remediate the error by adding language stating that such activity is not an ineligible "securities activity." The final IRS regulation did precisely that, confirming that when a lender originates a loan, the activity does not become ineligible simply because the loan is subsequently sold off or securitized. MHI recommends that each firm and its owners analyze their own tax situation and business activities to determine if they are eligible for the deduction.

If you have any questions, please contact MHI's Government Affairs Department at 703-229-6208 or MHIgov@mfghome.org.