**Tax Reform Update**

*via NAHB Chairman, Granger MacDonald*

As House and Senate conferees work to produce a final tax overhaul package, NAHB is urging congressional leadership to produce a conference report that provides the best outcome for home owners, renters and the small business community.

This report must:

* Adopt the Senate position on the mortgage interest deduction, which retains the principal cap for deductible interest at $1 million and the deduction for second homes.
* Continue to allow the deduction for interest on home equity loans for home repairs and improvements but under the $1 million mortgage interest cap. Both the House and Senate bills eliminate this deduction.
* Retain the deduction on property taxes paid up to $10,000, a provision that is in both the House and Senate bills.
* Maintain the exemption of capital gains tax from the sale of a primary residence, which requires home owners to live in their home for 2 of 5 years to qualify for the exemption. Both the House and Senate bills extend this time frame to 5 of 8 years. Moreover, the House bill includes an onerous and punitive income phase-out. If lawmakers will not accede to the 2-of-5-year time frame, NAHB will urge them to adopt the Senate version.
* Retain private activity bonds. While both the House and Senate bills retain the Low Income Housing Tax Credit (LIHTC), the House version eliminates tax-exempt private activity bonds, which would significantly reduce production of affordable rental housing and eliminate the mortgage revenue bond program that promotes homeownership. NAHB calls on lawmakers to adopt the Senate position.
* Accept the House position eliminating the Alternative Minimum Tax (AMT). The Senate bill maintains the AMT for individuals and corporations, albeit with higher income thresholds.
* Continue to ensure that pass-through businesses are treated fairly relative to C-Corps.

NAHB is also urging conferees to include an amendment to the conference report offered by Sen. Pat Roberts (R-Kan.) that fosters affordable housing development in rural areas. However, to pay for this, it would reduce from 30% to 25% the basis boost calculation for all LIHTC projects. NAHB is working with lawmakers to find a different method to fund it.