

# Priority Issues

August 2024

## HOUSING AFFORDABILITY AND AVAILABILITY

**Increase Housing Inventory Through Tax Incentives, Improve Access to Homeownership, Ensure Equal Access to Professional Representation, and Expand Economic Opportunities**

REALTORS® serve residential and commercial property buyers and sellers in every zip code, providing critical support to consumers and serving as a trusted advisor through one of the biggest financial decisions of their lifetime.

With current market challenges like rising prices and low inventory, as well as shifting trends in commercial real estate, those seeking to buy or sell a home or open or expand a business know they need a REALTOR® by their side.

Addressing housing affordability starts with adding to the nation's severely limited inventory. The U.S. is facing an **underbuilding gap of 5.5 million units**, translating to a **\$4.4 trillion underinvestment in housing**. America's tax law can and must do more to promote homeownership, build stable communities, and boost economic growth.

### REALTOR® Legislative Priorities

- **Cosponsor the bipartisan More Homes on the Market Act, which incentivizes more long-term owners to sell their homes** by increasing the amount of capital gains a homeowner can exclude on the sale of a principal residence and annually adjusting it for inflation.
  - H.R. 1321 is sponsored by Representatives Jimmy Panetta (D-CA) and Mike Kelly (R-PA).
- **Cosponsor the bipartisan Neighborhood Homes Investment Act, which attracts private investment for building and rehabilitating owner-occupied homes** by offering tax credits that create a pathway to neighborhood stability through sustainable homeownership. Providing this powerful incentive to build and rehabilitate homes for low- and moderate-income homeowners can fill the gap in areas where it is often more expensive to develop or rehabilitate than appraisal values will support.
  - S. 657 is sponsored by Senators Ben Cardin (D-MD), Todd Young (R-IN), Ron Wyden (D-OR), Jerry Moran (R-KS), and Sherrod Brown (D-OH).
  - H.R. 3940 is sponsored by Representatives Mike Kelly (R-PA) and Brian Higgins (D-NY).
- **Cosponsor the bipartisan Revitalizing Downtowns and Main Streets Act, which incentivizes the conversion of commercial buildings into residential units** by providing a temporary investment tax credit. Many older commercial properties can be adapted to better suit the needs of communities and create job opportunities, including affordable housing.
  - H.R. 9002 is sponsored by Representatives Mike Carey (R-OH), Jimmy Gomez (D-CA), and ten other bipartisan original cosponsors.

- **Cosponsor the VA Housing Loan Forever Act, which allows certain descendants of veterans to take advantage of their unused VA home loan benefit.**
  - H.R. 8607 is sponsored by Representatives James Clyburn (D-SC) and Seth Moulton (D-MA).
- **Cosponsor the bipartisan Yes In My Backyard (YIMBY) Act, which encourages state and local governments to remove barriers to housing development** by requiring communities receiving community development block grant (CDBG) funds to report to the Department of Housing and Urban Development (HUD) how they are implementing pro-growth policies.
  - S. 1688 is sponsored by Senators Todd Young (R-IN) and Brian Schatz (D-HI).
  - H.R. 3507 is sponsored by Representatives Derek Kilmer (D-WA), Mike Flood (D-NE), Emanuel Cleaver (D-MO), and Brittany Pettersen (D-CO).
- **Cosponsor the bipartisan Direct Seller and Real Estate Agent Harmonization Act, which ensures real estate agents maintain their independent contractor status** under the Fair Labor Standards Act and ensure their ability to choose their preferred business classification.
  - H.R. 5419 is sponsored by Representatives Tim Walberg (R-MI) and Tony Cárdenas (D-CA).

## FAQs

### Why should Congress update the capital gains tax exclusion on the sale of homes?

- U.S. tax law provides what was once a generous capital gains exclusion on the sale of a principal residence. Since 1997, this amount has been \$250K for singles and \$500K for those filing jointly.
- Over the past 27 years, home price inflation has eroded the value of these exemptions, especially for older homeowners who have lived in their home for 20 years or more.
- At a time when many of these homeowners are considering downsizing or moving to a retirement facility, they are facing gains well in excess of the exclusions, which can leave them owing many thousands of dollars in taxes and reduce their ability to afford their new home.
- When an older homeowner decides not to sell, it limits the number of homes on the market, causing first-time homebuyers to face higher prices and more competition.
- Increasing the exclusion and indexing it for inflation removes this disincentive for homeowners to sell, unlocking a segment of inventory previously unavailable to prospective buyers.

### How can Congress stabilize and revitalize struggling neighborhoods?

- Tax credits can help attract private investment to neighborhoods where property values are currently too low to support the cost of building or rehabilitating homes.
- Improving or replacing a critical number of homes in these neighborhoods would raise the appraised values of all homes in the neighborhood, thus turning around the look, feel, and desirability of the area.
- Congress can design the tax credits to directly help low-and moderate-income households earning less than 140% of area median income who want to purchase affordable, entry-level homes and live in them for at least 5 years.
- Assuming an average tax credit of \$40,000, results over 10 years would include:
  - 500,000 homes built or substantially rehabilitated,
  - 785,714 jobs in construction and related industries,
  - \$29.3 billion in federal, state, and local tax revenues and fees.



## **Why should Congress incentivize the conversion of commercial space into residential and mixed-use properties?**

- Converting properties into residential units would add thousands of units to the critically low housing supply.
- Many commercial buildings have not recovered from the Covid pandemic, which has in-turn harmed nearby small businesses and communities that have seen decreases in property tax income, higher crime, and more blight in many areas.
- Converting these properties into residential units would help stanch the flow of lifeblood from our urban, suburban, and rural business districts.
- Incentivizing the conversion of even a relatively small percentage of these buildings can bring new life to neighborhoods, create jobs, and generate revenues at every level of government.
- The commercial real estate sector faces some serious challenges in the near future as many partially vacant buildings, which have dropped in value, will need to be refinanced at higher interest rates than were on their original loans. Converting some of these buildings should increase the value of all commercial real estate in the area.

## **Why should Congress allow descendants of certain veterans to take advantage of an unused VA home loan?**

- Homeownership is one of the largest drivers of personal and familial wealth. The average homeowner's net worth is over twenty times that of an average renter.
- Veterans bravely served their country, and descendants should be able to take advantage of the benefits that were intended to help the veteran and their family achieve homeownership.
- Certain veterans can transfer their education benefits to spouses or eligible descendants. Very similarly, allowing the transfer of the VA Home Loan helps veterans' families take advantage of benefits aimed at helping advance their economic position.
- Many veterans were unable to use their VA home loan for several reasons. Some did not have the personal requirements needed for homeownership, while many passed on the opportunity due to economic circumstances. Following World War II, many Black veterans were unable to use their VA home loan due to discriminatory lending practices and redlining, creating one of the biggest factors that lead to the current homeownership gap.
- The VA Housing Loan Forever Act allows certain veterans' families absorb this benefit to help their families achieve homeownership in exchange for their family member's service to the U.S.

## **Why should real estate professionals be given a federal protection to remain independent contractors?**

- Real estate professionals are vital to thriving communities.
- Real estate represents 16.3% of U.S. GDP, supporting 2.8 million jobs and generating \$50 billion in tax revenue nationwide. Each home sale produces \$120,000 in local economic activity.
- 89% of REALTORS® are classified as independent contractors and choose to be classified as such because this work arrangement provides greater freedom, flexibility, and autonomy and allows for greater flexibility for consumers.
- The U.S. Department of Labor released a final rule on worker classification under the Fair Labor Standards Act (FLSA) that creates a risk that REALTORS® may be misclassified as employees instead of independent contractors if the rule is applied under certain facts and circumstances.
- The *Direct Seller and Real Estate Harmonization Act* would ensure that real estate professionals continue to have the ability to choose how they are classified for labor purposes and is supportive of real estate professionals being classified as independent contractors.



# FAIR HOUSING

## Ensure Fair Housing for All

As stewards of the right to own, use, and transfer private property, REALTORS® know an open housing market free from discrimination benefits consumers, communities, and the American economy. Yet, more than 50 years after passage of the federal Fair Housing Act, the homeownership rates for African Americans, Hispanic Americans, and Asian Americans lag behind that of White Americans. The LGBTQ+ community continues to face widespread discrimination in housing.

NAR is committed to the enforcement of fair housing laws and to policies that remove historic barriers to homeownership.

### FAQs

#### What efforts is NAR taking to close homeownership gaps among demographic groups?

- Housing supply and affordability challenges fall hardest on communities of color. Efforts to increase the supply of affordable homes for purchase is essential to closing racial and ethnic homeownership gaps.
- NAR continues to advocate for policies that increase access to mortgage finance, such as updated credit scoring models, special purpose credit programs, and down payment assistance for qualified buyers.
- NAR is a proud partner of the Black Homeownership Collaborative, which aims to add 3 million net new Black homeowners by 2030.

#### How will increasing funding for HUD fair housing programs reduce barriers to homeownership?

- Recent investigations show there is still widespread discrimination in the housing market.
- We must be more proactive in uncovering and investigating fair housing violations. An enforcement system that relies solely on complaints will miss most fair housing violations.

#### What solutions has NAR advocated for to confront appraisal bias?

- Like other REALTORS®, NAR's appraiser members are held to NAR's Code of Ethics, but more is being done.
- NAR has advocated for increased diversity in the appraisal profession by supporting alternative education requirements for appraisal licensure, and mentorship and recruitment programs.
- NAR supports a uniform Reconsideration of Value process for consumers to question an appraisal.
- NAR supports increased training and guidance from regulators to ensure appraisers are aware of their fair housing obligations and are held accountable for any violations.

#### How does NAR's ACT! Initiative advance accountability for real estate professionals?

- NAR's ACT! initiative, emphasizing Accountability, Culture Change, and Training, continues to advance fair housing in the industry.
- NAR has urged state associations to increase fair housing training requirements for licensure and is promoting best practices in fair housing enforcement by state-level real estate commissions.
- NAR has launched a self-testing program for real estate brokerages to check their agents' compliance with fair housing laws and take corrective action.



## Why should Congress adopt the Fair and Equal Housing Act?

- In 2009 and in 2013, REALTORS® adopted policy affirming that the right to buy or rent housing should not be abridged due to a home seeker's sexual orientation or gender identity.
- REALTORS® celebrated the Supreme Court's Bostock decision, holding that the prohibition on discrimination in employment "because of sex" included discrimination based on sexual orientation and gender identity.
- NAR applauded HUD's quick action to apply Bostock to the Fair Housing Act.
- By enacting the Fair and Equal Housing Act, Congress can codify what is effectively the law of the land.

## RESEARCH

### NAR Research Products Help Inform Policymaking

The NAR Research Group is a resource both for REALTORS® and the members of Congress who represent them. Our skilled economists produce and analyze a wide range of data, providing the best resources and information on real estate.

Research reports, papers, case studies, and surveys examine the latest trends and activities in real estate, as well as the impact national policies have or may have on this critical sector that makes up one-fifth of the nation's economy.

These resources are available to policymakers to use when considering legislation that affects real estate and real estate professionals. Here are a few recent NAR Research reports:

- [Congressional District and State Reports](#), [State Economic Impact Reports](#), and [Local Market Reports](#) provide data on housing and real estate trends affecting your constituents to inform policies supporting sustainable and affordable homeownership and a vibrant residential and commercial real estate market.
- Reports on home buying, such as [Home Buyers and Sellers Generational Trends](#), [Wealth Gains by Income and Racial/Ethnic Group](#), and [A Snapshot of Race and Home Buying in America](#) analyze market trends and show how homeownership can be a catalyst for building generational wealth.
- NAR Research and Realtor.com® partnered on [The Issue: Housing Affordability and Supply](#) to estimate how many homes are missing by income level, comparing the number of homes available and affordable for each level now versus what they should be able to afford in a balanced market.
- [Commercial Market Insights Reports](#) and [Commercial Real Estate Metro Market Reports](#) reveal the crucial role of commercial real estate in revitalizing communities.

Many more reports, surveys, and data collections are available on the [NAR Research page](#).

