

Hot Legislative Issues Around the Country

The Legislative Forum at this year's Leadership and Legislative Summit in Washington, D.C., May 1-5, provided an opportunity for IREM Members to hear about various state legislative issues around the country. These issues heavily impact IREM Members and range from state budget shortfalls to one of the hottest topics, health care reform:

State Budget Shortfalls

During the 2009 fiscal year, state tax revenues declined by \$87 billion, in large part due to the difficulty of funding public retirement funds. As a result, states are balancing their budgets through increasing taxes that negatively impact real estate professionals. Businesses in at least 35 states will have to pay more in unemployment insurance taxes this year, with the median increase of unemployment insurance tax at 27.5 percent. The governor of Virginia has proposed taxing property insurance premiums and some states have considered increasing licensing fees. Colorado's Governor recently signed nine bills into law that suspend or eliminate various tax exemptions for business, resulting in higher taxes for businesses.

Health Care Reform

In March, President Obama signed the Patient Protection and Affordable Care Act (HR 3590) into law, allowing the Senate to begin considering reconciliation language, which passed shortly after. Several provisions of the new law took effect immediately or will be in effect this coming fall: Health insurance companies are prohibited from placing lifetime caps on coverage, effective in September. Also effective this September, new private plans are required to cover preventive services with no copayments. Further, preventive services are exempt from deductibles.

States are also concerned about the expansion of Medicaid, a joint state-federal program for low-income individuals. The new law extends Medicaid coverage, beginning in 2014, to individuals under age 65 who are not entitled to or enrolled in Medicare and have incomes at or below 133 percent of the federal poverty line. Under the new law, the federal government will pay 100 percent of the cost of covering newly eligible individuals between 2014 and 2016. After 2016, states must fund Medicaid alone.

Several states' governors, attorneys general and legislators have vocalized their opposition to the law through lawsuits or legislation. Most opponents are concerned about states' rights, individual rights or funding.

Energy and Environment

Since February 2009, states have been receiving money from the federal government through the American Recovery and Reinvestment Act to promote energy independence. Local governments received a total of \$6 billion in energy efficiency and conservation grants for energy audits, retrofits and financial incentives. The Energy Efficient Appliance Rebate program received \$300 million; each state's rebate program will continue until it runs out of funds.

In regard to environmental regulation changes, real estate professionals should be aware of local building and energy codes that may be stricter than their state codes. Several cities have enacted green building ordinances to reduce buildings' greenhouse gas emissions and lower residents' energy use. In December 2009, New York City Mayor Bloomberg signed a four-part legislative package into law addressing Energy Conservation, Audits and Retro-Commissioning, Lighting Retrofits, and Energy and Water Use Benchmarks. He has set the ultimate goal of reducing the city's greenhouse gas emissions by 30 percent by the year 2030.

The legislative staff at IREM will continue to monitor and report any pertinent information regarding developing state and local energy-efficiency programs.

Vacant Property Ordinances

A growing number of cities have adopted or proposed ordinances increasing vacant building requirements and increasing the responsibilities of their owners. In 2009, almost 4 million foreclosures were filed, and many properties have been left vacant over the last two years. New ordinances have been enacted to regulate the increase of abandoned buildings and therefore increase the responsibilities of owners of vacant properties. The reasoning behind the ordinances is that abandoned buildings and vacant lots depress property values, reduce tax revenues and discourage development.



For more information on the National Vacant Properties Campaign, visit www.vacantproperties.org.

The American Recovery and Reinvestment Act of 2009

In response to the U.S. economic crisis, Congress passed the American Reinvestment and Recovery Act (ARRA) in February 2009, allocating \$787 billion in economic aid through spending and tax cuts.

Real estate professionals who manage federally assisted housing will be interested in ARRA's housing provisions. For instance, \$2 billion is available to property owners for rental assistance through an appropriation to Assisted Housing Stability. Also, the Neighborhood Stabilization Program receives \$2 billion to assist states, local governments and nonprofit organizations in purchasing and rehabilitating foreclosed, vacant properties in order to create more affordable housing and reduce neighborhood blight.

The ARRA included several tax incentives for individuals and businesses, most of which expired in 2009. Some tax benefit programs are still available, including a Small Business Capital Gains Exclusion provision, allowing a 75-percent exclusion for individuals on the gain from the sale of certain small business stocks held for more than 5 years. The change is for stock issued between Feb. 17, 2009 and Jan. 1, 2011.

For more information on how funds have been distributed and are being spent, visit www.recovery.gov.

Real Estate Licensing Trends

Supporters of separate state mandated certification or licensing for common interest development managers

have increased their efforts of late. Managing community or common interest developments (CIDs) encompasses all types of association management, including condominiums, cooperatives and homeowner's associations, as well as office, retail and industrial condominium management.

Four states—Illinois, Florida, Nevada and Virginia—require separate licensing or certification of CID managers. In addition, five states—Alaska, California, Connecticut, Georgia and the District of Columbia—have adopted statutory provisions that require the licensure of CID managers like other real estate professionals, impose a voluntary certification regime, or require the registration of CID managers with a state entity.

IREM believes the management of residential apartments, condominiums, cooperatives and homeowner's associations involves real estate activities and should require a license under existing state license laws. IREM supports professional CID management, but is opposed to a separate state mandated license or certification for CID management.

To learn more, please visit www.irem.org/publicpolicy and refer to the Policy Statements Web page. ■

IREM Public Policy Webpage

If you are interested in learning more about other hot issues in your state and around the country, please check out IREM's Public Policy Web page at www.irem.org/publicpolicy. This page has a plethora of information on various legislative issues and hot topics. Also, under the tab, "IREM State Legislative Database," you can input your member username and password and browse through state legislation, by either topic or state. This database is powered by StateNet and has up-to-the-minute proposed legislation on various issues pertaining to the commercial real estate industry. We encourage you to check this database often, as new bills are collected every day. If you have any questions on how to use this database or would like more information on a particular bill, please contact the IREM Legislative Liaison, Beth Price, at (800) 837-0706 ext. 6021 or bprice@irem.org.