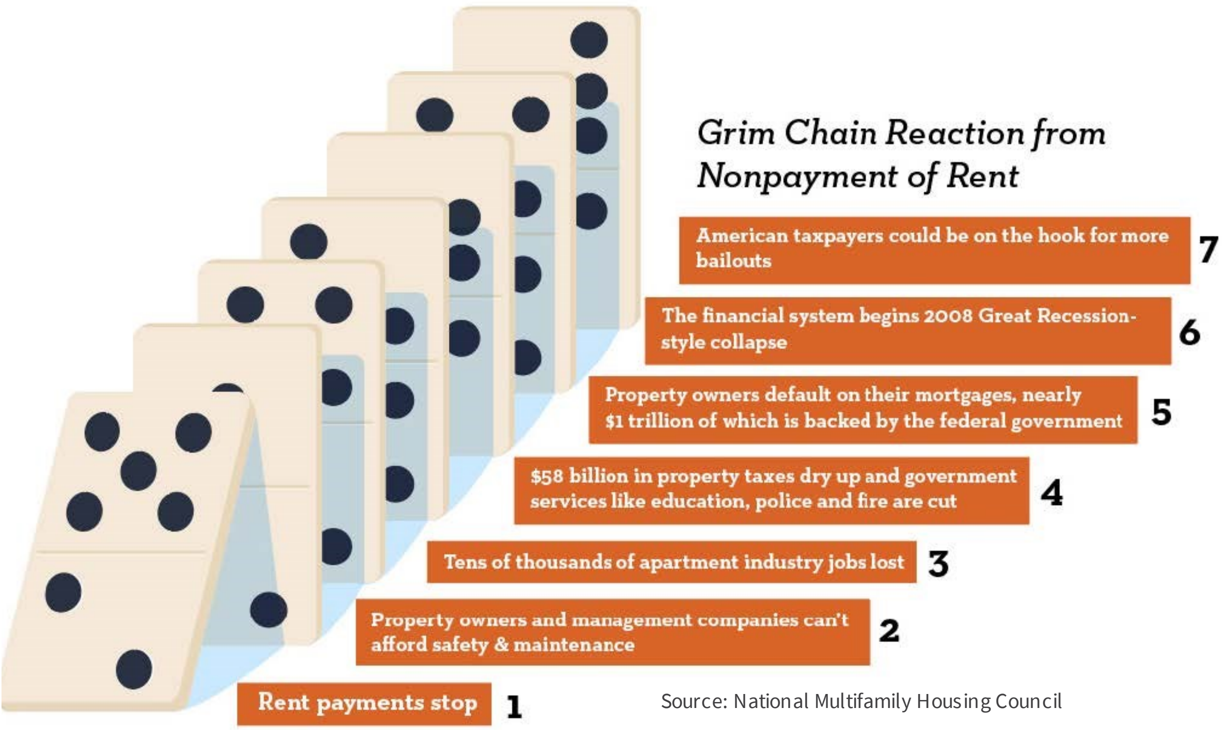
Support COVID-19 relief for the real estate industry and its residents

IREM INSTITUTE OF REAL ESTATE MANAGEMENT

Background

The real estate industry is on the front lines of the COVID-19 outbreak—millions of Americans are coming home to our properties as they shelter in place. While the Coronavirus, Aid, Relief, and Economic Security (CARES) Act included helpful provisions, further action is needed to ensure the financial viability and stability of the housing industry and its residents.

Many of the provisions included in the CARES Act expired on July 31st leaving millions of American families and businesses with nowhere to turn



Provisions needed in the next COVID-19 relief legislation

- Create an emergency rental assistance program for those who are impacted by the COVID-19 crisis
  Even with the assistance provided in the CARES Act, the pandemic has inhibited many residents' ability to pay their rent. Ensuring the viability of rental housing protects the millions of jobs in our industry and the communities around the country that we serve.
- Forgo any extension of the CARES Act eviction moratorium
  The CARES Act included a temporary eviction moratorium that responded to the immediate uncertainties at the outset of this crisis. A protracted eviction moratorium is unsustainable and does nothing to address a renter's underlying financial distress or risk of housing insecurity.
- Provide financial mitigation and mortgage forbearance protections
  With stay at home orders in place across the country, property owners continue to incur higher utility costs, maintenance, cleaning, and other expenses to support their residents. Increased costs coupled with rent payment shortfalls will impact the ability of rental property owners to satisfy their financial obligations.
- Provide financial assistance and protection for all property-level financial obligations such as property taxes, insurance payments and utility services
  To ensure viability of apartment and rental housing communities, financial assistance and protections should be expanded to other property-level financial obligations such as property taxes, insurance payments, utility services, and the like.

We hope you consider these requests as you continue the important work of mitigating risks associated with COVID-19.

For more information, contact Ted Thurn, Director Government Affairs at IREMLegislation@irem.org or (312) 329-6021

Retain the Section 1031 like-kind exchange

With a total value of approximately $5.26 trillion, commercial real estate's contribution to the nation's economy is enormous. Real estate activity accounts for nearly one-quarter of taxes collected at all levels of government (this includes income, property, and sales taxes). Our industry is one of the leading employers in the United States. Real estate assets and investment drive gains in economic productivity.

Background

The Section 1031 like-kind exchange provision is fundamental to the real estate investment sector. Like-kind exchanges under Section 1031 of the Internal Revenue Code allow property owners to defer taxes on gains realized from the sale of "like-kind" real property until a future date. Like-kind exchanges provide investors with flexibility in managing their real estate portfolio. Flexibility is needed to allow for the free movement of property and capital. This free flow of capital permits investors to buy into higher-priced and more productive properties, which increases tax revenue and drives economic growth.

Opposing views

Opponents contend that the tax code is too complex and that real estate investments receive unwarranted tax benefits. However, a 2015 study revealed that 88% of exchanged properties were later disposed of through a taxable sale (Ling and Petrova). Taxes paid are 19% higher when a property is exchanged then sold versus never having been exchanged.

The facts about 1031 like-kind exchanges

- **A like-kind exchange does not avoid taxation**
  Taxes are still paid in the great majority of cases, whether upon the sale of the replacement property, incrementally through increased taxes from forgone depreciation, or by inclusion in a decedent's taxable estate.

- **A like-kind exchange encourages development and spurs economic activity**
  Exchanges stimulate real estate transactions and encourage U.S. businesses to reinvest in their domestic operations, as domestic and foreign property are not like-kind. By avoiding a tax-induced "lock up" of properties, like-kind exchange rules increase the frequency of property transactions and ensure a more dynamic real estate sector that drives real estate reinvestment and construction activity.

- **Repealing the 1031 like-kind exchanges will reduce revenue**
  A 2015 study by Ernst & Young found that eliminating the 1031 like-kind exchange would negatively impact overall U.S. GDP by $8.1 billion each year.

- **Like-kind exchanges encourage investment during this economic downturn**
  Due to the pandemic, large amounts of retail and office space are expected to become vacant or underused. Like-kind exchanges encourage capital investment for the highest and best use of real estate, which improves communities and increases local and state tax bases

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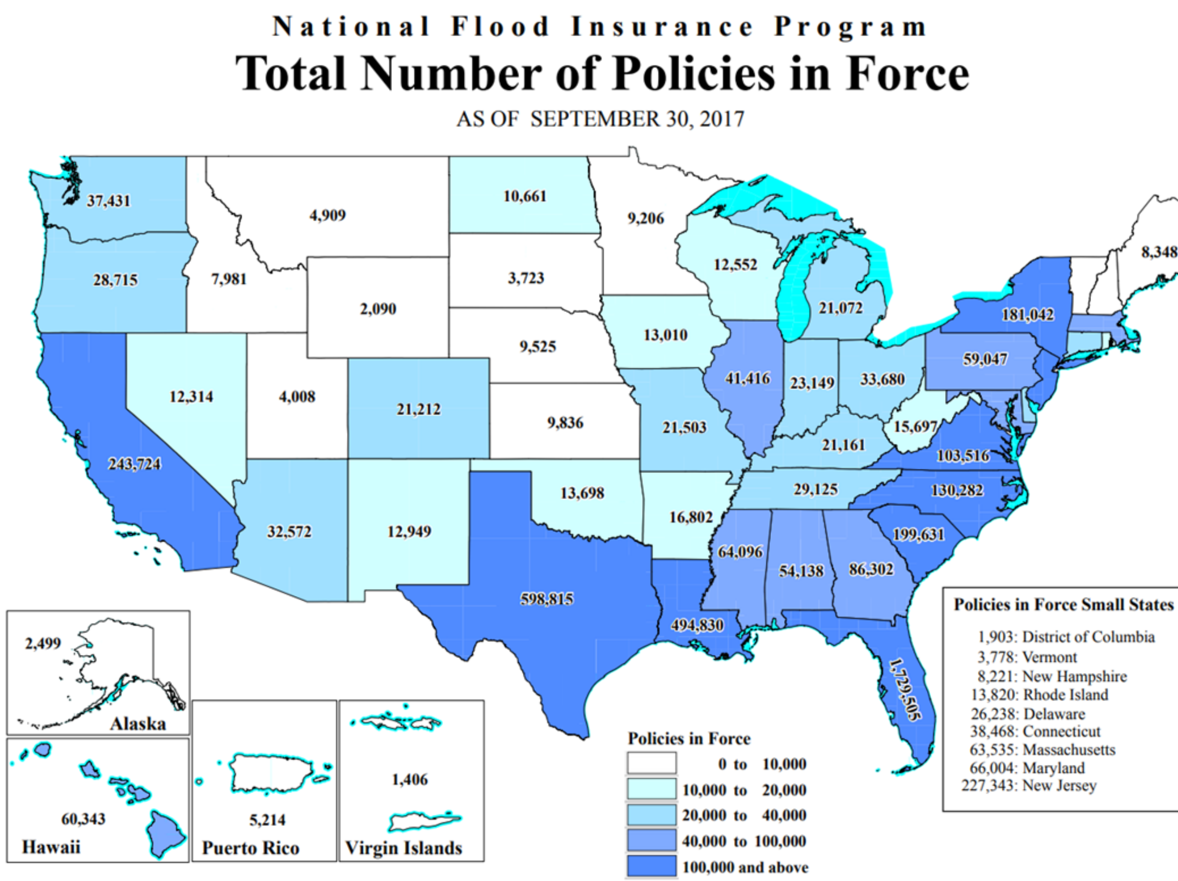
Support the reauthorization and reform of the National Flood Insurance Program

IREM® (Institute of Real Estate Management) supports reform of the National Flood Insurance Program (NFIP) to ensure its ongoing sustainability, encouragement of cost-effective private flood insurance options, and long-term reauthorization of NFIP so that it remains a viable option for property owners.

Background

- The NFIP is a partnership among federal, state, and local governments that helps mitigate flood risk and ensure the availability of flood insurance nationwide.
- If the program expires, flood insurance will not be available through the NFIP, which provides over 90% of flood insurance nationwide and close to 100% of flood insurance coverage for individually owned properties and small- to mid-size commercial properties.
- IREM is advocating for legislation that includes a long-term NFIP reauthorization, encourages growth in the private flood insurance market, and includes reforms such as allowing commercial properties to opt-out to make the program more sustainable.



Source Report: PIFW0902

NFIP reform & reauthorization legislation

- The NFIP's current extension expires September 30th, 2020.
- Support H.R. 3167, the NFIP Reauthorization Act, which extends the program for five years, includes significant reforms to mapping and mitigation, and provides private flood insurance options.

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