Legislation Affecting Property Ownership

KANSAS CITY REGIONAL ASSOCIATION OF REALTORS®

Today we'll discuss . . .

- How does legislation affect property ownership on the national, state and local level?
- How does legislation impact your relationship with customers and clients?
- What role can *YOU* play in shaping these laws and legislation?

“It’s Not Just About Selling Houses” – The Importance of Property Ownership

"It's Not Just About Selling Houses"

- Private property ownership is the foundation of our nation's free enterprise system.

- Homeownership is the cornerstone of the American Dream and deserves a preferred place in our system of values as it contributes to *community responsibility; civic, economic, business and employment stability; family security and quality of life*.

Property Ownership Leads to . . .
Higher Net Worth

Homeowners have an average net worth that is more than 44 times higher than renters ($231,400 versus $5,200).

Property Ownership Leads to . . . Better Educational Outcomes

Children who grow up in an owner-occupied home have significantly higher educational outcomes and are much less likely to drop out of school.

Property Ownership Leads to . . .
Civic Engagement

Homeowners are much more likely to participate in local elections, civic groups and neighborhood activities compared to renters.

Property Ownership Leads to . . .
Health and Happiness

Homeowners and children of homeowners are generally happier and healthier than renters, even after controlling for factors such as income and education.

Property Ownership Leads to . . .
Less Crime

Neighborhoods with higher levels of homeownership have significantly lower levels of both property and violent crimes.

"It's Not Just About Selling Houses" – The Importance of Realtor® Advocacy

Defending the Tax Benefits of Property Ownership

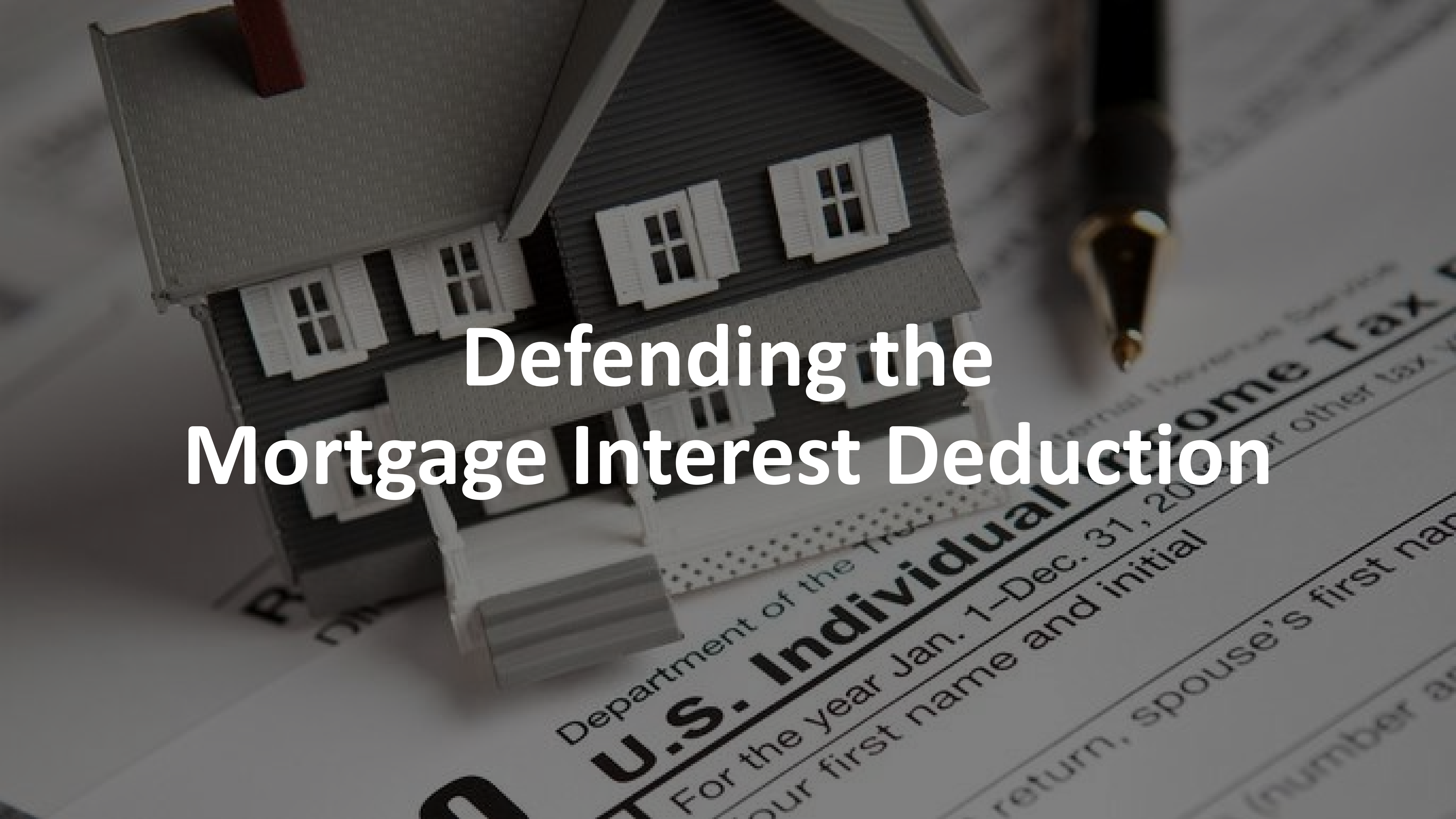
Property Owners Receive Preferential Treatment under the Tax Code

Since property ownership creates numerous benefits for society, property owners receive preferential treatment under the tax code.

Tax Cuts and Jobs Act of 2017 Eliminated or Reduced Many Tax Benefits of Property Ownership

- Doubled the standard deduction (reducing incentive)
- Reduced the Mortgage Interest Deduction (MID)
- Capped the State and Local Tax Deduction (SALT)
- Eliminated the deduction for moving expenses (except for military families)

Defending the Mortgage Interest Deduction



Mortgage Interest Deduction (MID) – Overview

- **Mortgage interest deduction (MID)** was included along with the first federal income tax code in 1913.

- Allows homeowners to deduct all mortgage interest paid on a principal or secondary residence from their federal taxable income (and state taxable income in most states – including both Kansas and Missouri).

Mortgage Interest Deduction (MID) – Limits Prior to Tax Reform

- Prior to tax reform, taxpayers could deduct all interest paid on up to **$1 million** of mortgage debt used to purchase a first or second residence.

- You could also deduct all interest paid on up to **$100,000** of mortgage debt used to improve a first or second residence (a "home equity line of credit").

Mortgage Interest Deduction (MID) – Limits After Tax Reform

- After tax reform, taxpayers can only deduct interest paid on up to **$750,000** of mortgage debt used to purchase a first or second residence (reduced from $1 million).

- The deduction for interest paid on up to $100,000 of mortgage debt used to improve a first or second residence (a "HELOC") has been **ELIMINATED**.

Mortgage Interest Deduction (MID) – Tax Reform Weakened the Deduction

- Prior to tax reform, **over 32 million** taxpayers claimed the mortgage interest deduction. This was **more than 21%** of all federal income taxpayers.

- After tax reform, **less than 14 million** taxpayers will claim the mortgage interest deduction. This is **less than 9%** of all federal income taxpayers.

- Residential real estate investment, which historically has accounted for 5% of U.S. GDP growth annually, made up only 3% in 2018, **a loss of $18 billion in GDP**

Mortgage Interest Deduction (MID) – Tax Reform Could Have Been Worse

- **It could have been even worse**. During the tax reform debate, our advocacy efforts in Congress defeated the following proposals:

  (1) Lower the cap on mortgage debt even lower to $500,000 (instead of $750,000); and

  (2) Eliminate the ability to deduct interest paid on ALL mortgage debt other than first residences.

Defending the State and Local Tax Deduction (SALT)

State and Local Tax Deduction (SALT) – Overview

- **State and Local Tax Deduction (SALT)** was also included along with the first federal income tax code in 1913.

- Allows taxpayers who itemize to deduct what they have paid in state and local property, income and sales taxes from their federal taxable income (and state taxable income in the case of property taxes in most states).

State and Local Tax Deduction (SALT) – Limits Prior to Tax Reform

- Prior to tax reform, taxpayers could deduct all state and local property taxes paid. There were **no limits on the amount of property taxes that could be deducted**.

- Taxpayers could only deduct their state and local income taxes OR sales taxes. Taxpayers could not deduct both income AND sales taxes. Most chose to deduct income taxes since those amounts are generally higher.

State and Local Tax Deduction (SALT) – Limits After Tax Reform

- After tax reform, taxpayers can only deduct up to **$10,000** of state and local property, income and sales taxes from their federal taxable income.

- Just as with current law, taxpayers can only deduct their income taxes OR sales taxes. Taxpayers cannot deduct both income AND sales taxes. However, the **$10,000** cap applies regardless to any state and local taxes deducted.

State and Local Tax Deduction (SALT) – Tax Reform Weakened the Deduction

- Prior to tax reform, **over 42 million** taxpayers claimed the state and local tax deduction. This was **more than 28%** of all federal income taxpayers.

- After tax reform, **less than 17 million** taxpayers will claim the mortgage interest deduction. This is **less than 11%** of all federal income taxpayers.

State and Local Tax Deduction (SALT) – Tax Reform Could Have Been Worse

- **It could have been even worse**. During the tax reform debate, our advocacy efforts in Congress defeated the following proposal:

  (1) Completely eliminate the ability of taxpayers to deduct ANY state and local property, income or sales taxes from their federal taxable income.

Defending the Capital Gains Tax Exclusion on Home Sales

Capital Gains Tax Exclusion on Home Sales – Overview

- Capital gains are the profits from the sale of an asset – shares of stock, a business and even **property sales**. Capital gains are generally considered taxable income at both the federal and state level.

- You can exclude up to **$500,000** for married filing jointly taxpayers (**$250,000** for single filers) of capital gains on the sale of a principal residence (your primary home).

Capital Gains Exclusion for Home Sales – Limits on the Exclusion

- The following limits apply to the exclusion:

  (1) Home must be your **principal residence**;

  (2) Must have ***owned*** the home for more than **two years in the preceding five years**; and

  (3) Must have ***lived in*** the home for at least **two years in the preceding five years**.

Capital Gains Exclusion on Home Sales – Tax Reform Could Have Been Worse

- **It could have been even worse**. During the tax reform debate, our advocacy efforts in Congress defeated the following proposal:

  (1)Completely eliminate the ability of taxpayers to exclude any profit from the sale of a principal residence from capital gains taxes.

  (2)Increased owner occupancy from 2 of the last 5 years to 5 of the last 8 years to quality for capital gains exclusion. (Ex: Military Buyers)

Defending Against “Phantom Income” Mortgage Debt Forgiveness

Mortgage Debt Forgiveness & "Phantom Income" – Overview

- The general rule is that the amount of any debt forgiven by a lender is treated as taxable income to the borrower. **This happens often in short sales.**

- This is known as **"phantom income."** Although the borrower has not received any real income, taxes are still owed on the amount of the forgiven debt.

Mortgage Debt Forgiveness & “Phantom Income” – Uncertainty

- Since 2007, NAR has been successful in urging Congress to protect taxpayers from paying income taxes on this **“phantom income”** from mortgage forgiveness.

- **Congress just passed an extension of the tax relief retroactive through the end of 2019**. Unless Congress acts on a long term solution, this “phantom income” will be taxable for the 2020 tax year and beyond.

Short Sales & Tax Liability – Clients Should Seek Professional Advice

- In every short sale transaction, there is a potential for the borrower to incur tax liability on the mortgage debt that was forgiven by the lender.
- As a REALTOR®, you should **always advise your clients to seek professional advice** from an attorney or tax professional on the tax implications of the short sale.

Defending
1031 Like-Kind Exchanges

Like-Kind Exchanges – Overview

- A **“like-kind exchange”** ***defers*** taxes on the sale of commercial/investment property. Investors can sell a property and reinvest their capital gains in a similar property of equal or greater value without paying any taxes.

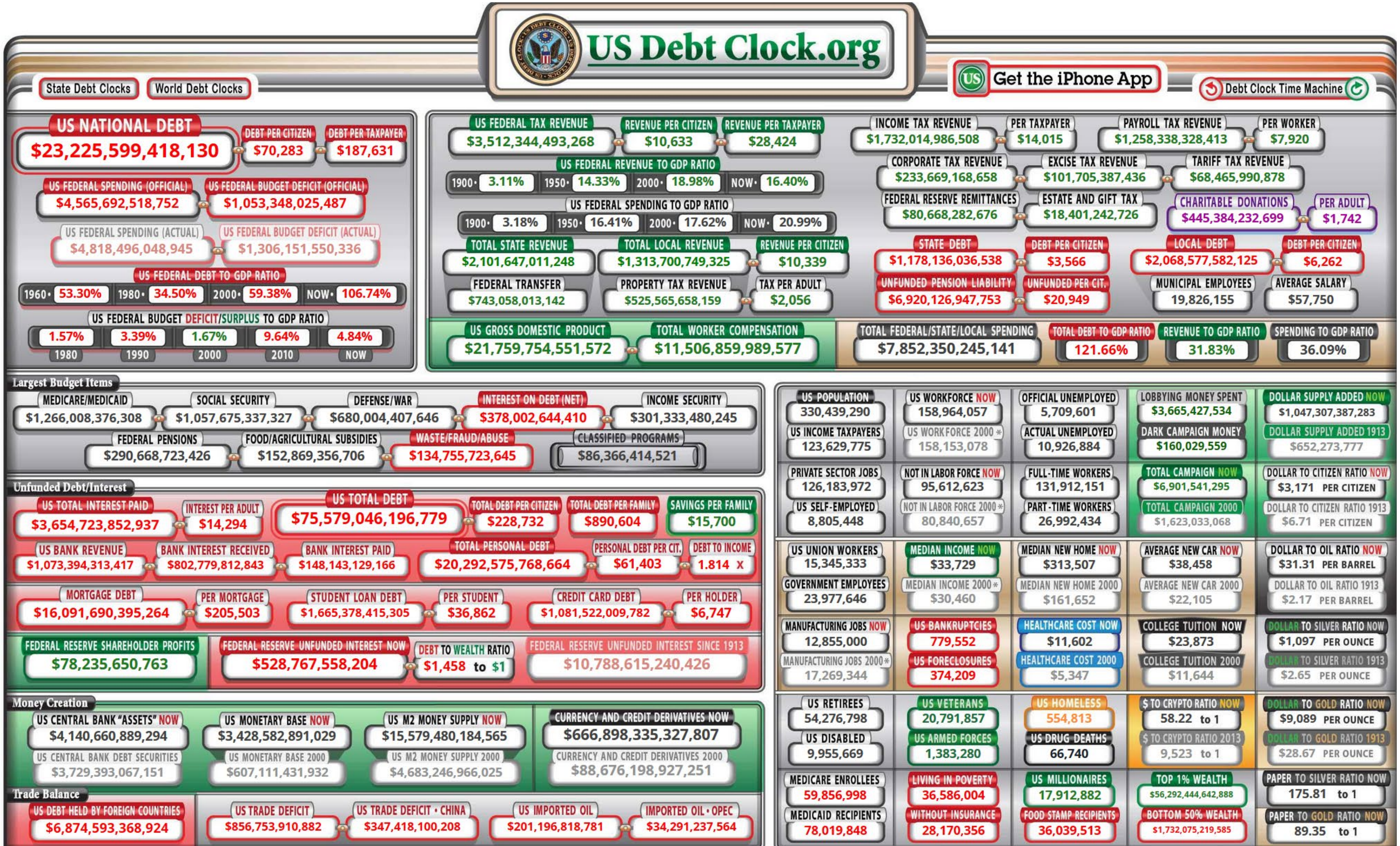
- The **taxes are “deferred”** because you will eventually have to pay taxes if you sell the new property (unless you do another like-kind exchange).

Like-Kind Exchanges –
Tax Reform Could Have Been Worse

- **It could have been even worse**. During the tax reform debate, our advocacy efforts in Congress defeated the following proposal:

- Completely eliminate the ability of taxpayers to use like-kind exchanges to defer capital gains taxes on the sale of investment/commerciall property.

Why is Homeownership Under Attack?



National Flood Insurance Program

NFIP shutdowns cost 40,000 home sales a month

Every $500 premium increase translates to a $10,000 decrease in property value.

New Deadline for Reauthorization: September 30th, 2020

Understanding the Laws Affecting Mortgage Financing

Government Support of the Mortgage Market – Overview

- Compared to other developed countries, the federal government provides massive amounts of support to ensure the **affordability** and **availability** of mortgages.

- Without this level of government support, **most middle-class families would no longer be able to get a 30-year mortgage** to purchase a home.

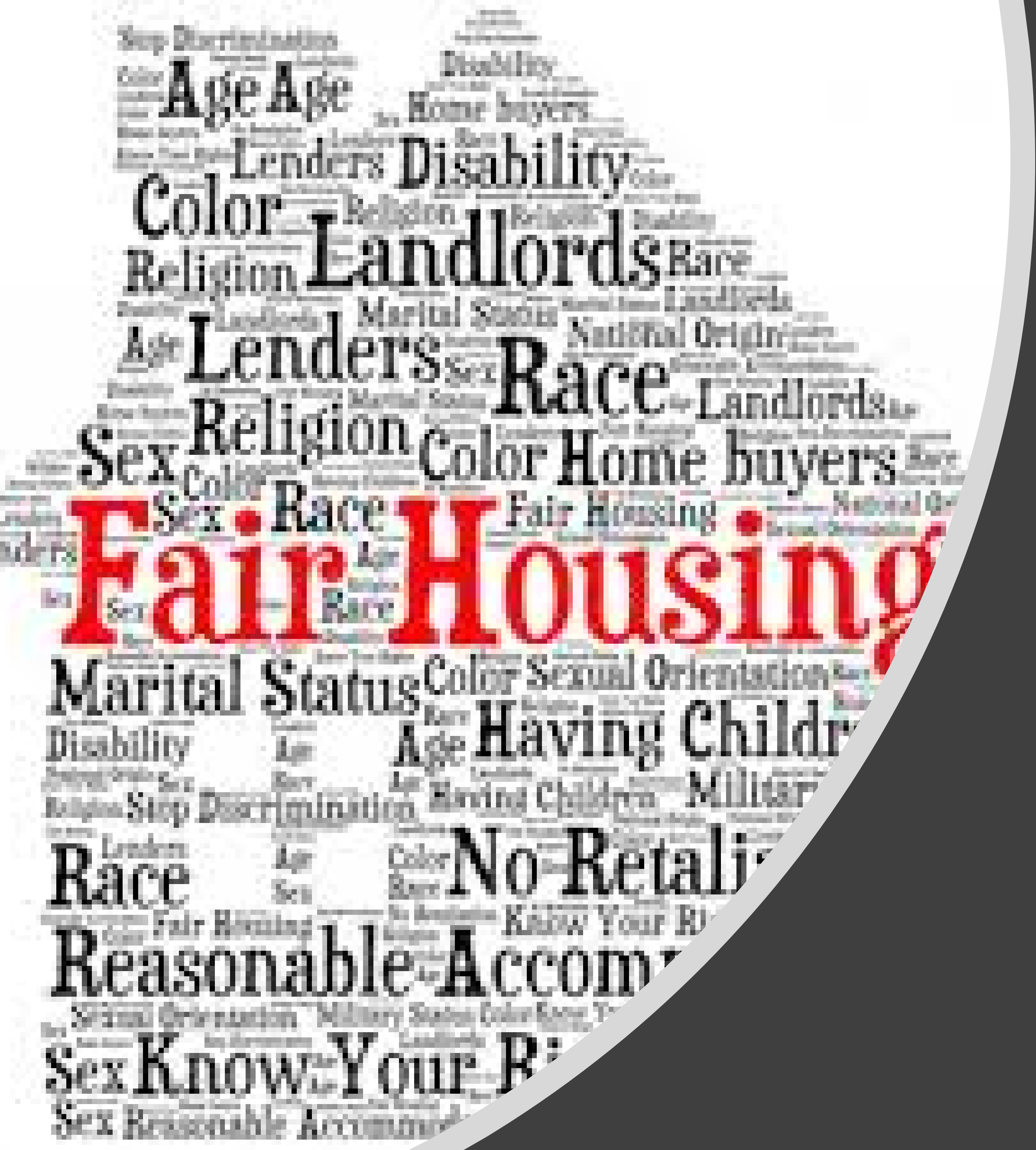
Fannie Mae and Freddie Mac (the GSEs) – History and Purpose

- During the 1930s, Congress established Fannie Mae and Freddie Mac (the government-sponsored enterprises or GSEs) to provide a **stable source of funding** for the residential mortgage market.

- These entities purchase mortgages from lenders and pool these loans into mortgage-backed securities, which are then sold to private investors (**securitization**).

Fannie Mae and Freddie Mac (the GSEs) – Conforming Loan Limits

- Federal Housing Finance Agency (FHFA) oversees the GSEs. Each year, FHFA establishes limits on the maximum amount of mortgage loans (**conforming loan limits**) that can be purchased or insured by the GSEs.
- In 2019, the conforming loan limit has been increased to **$484,350** (compared to $453,100 in 2018). These limits were not increased at all between 2006 and 2016.



The federal **Fair Housing Act** prohibits discrimination in housing related transactions based on:

-race
-color
-religion
-national origin
-sex
-disability
-familial status


LONG ISLAND
DIVIDED
Undercover investigation reveals evidence of unequal treatment by real estate agents
READ STORY
WATCH
REACT
MORE COVERAGE:
The perils of house hunting while black
How we did it: Inside our undercover investi
Editorial: Segregation's stain can be overcom

SONDLAND: TRUMP WANTED UKRAINE QUID PRO QUO

Newsday

YOUR EYE ON LI

DIVIDED

STATE SENATE SETS LI HOUSING HEARING

After Newsday investigation, committees plan to call witnesses from real estate industry, agencies that regulate them

POLICY ISSUES DOMINATE DEMS DEBATE

Legislation Affecting Property Ownership

Decoupling KS Income Taxes

Decoupling KS Income Taxes

In Kansas, an income taxpayer may only itemize state-level deductions if the taxpayer itemizes deductions on their Federal return. With the doubling of the Federal standard deduction, most Kansas income taxpayers became ineligible to claim itemized deductions (mortgage interest, property tax, charitable and medical).

Due to 2017 Federal tax reforms, Kansas home and property owners will continue to pay a hidden state tax increase, unless the 2020 Kansas Legislature acts; passing legislation that would "decouple" Kansas tax law from the Federal tax law, enabling Kansas taxpayers to itemize on state tax returns regardless of how Federal tax returns are filed.

Decoupling KS Income Taxes

- During the 2019 Kansas Legislative Session, two major efforts supporting decoupling of Kansas tax law from Federal tax law (restoring the ability of Kansans to itemize on state tax returns regardless of a standard deduction or itemized deduction claim on federal tax return) passed both chambers of the Legislature but were vetoed by the Governor.

- The Kansas Association of REALTORS® (KAR) worked to override both vetoes but came up just votes short in the override efforts. The rationale for the vetoes were largely tied to other items included in the bills that the Governor found unacceptable as tax policy.

- In 2020, KAR again made this measure a priority, however, the COVID-19 Pandemic stalled all realistic attempts to have testimony. On to 2021!

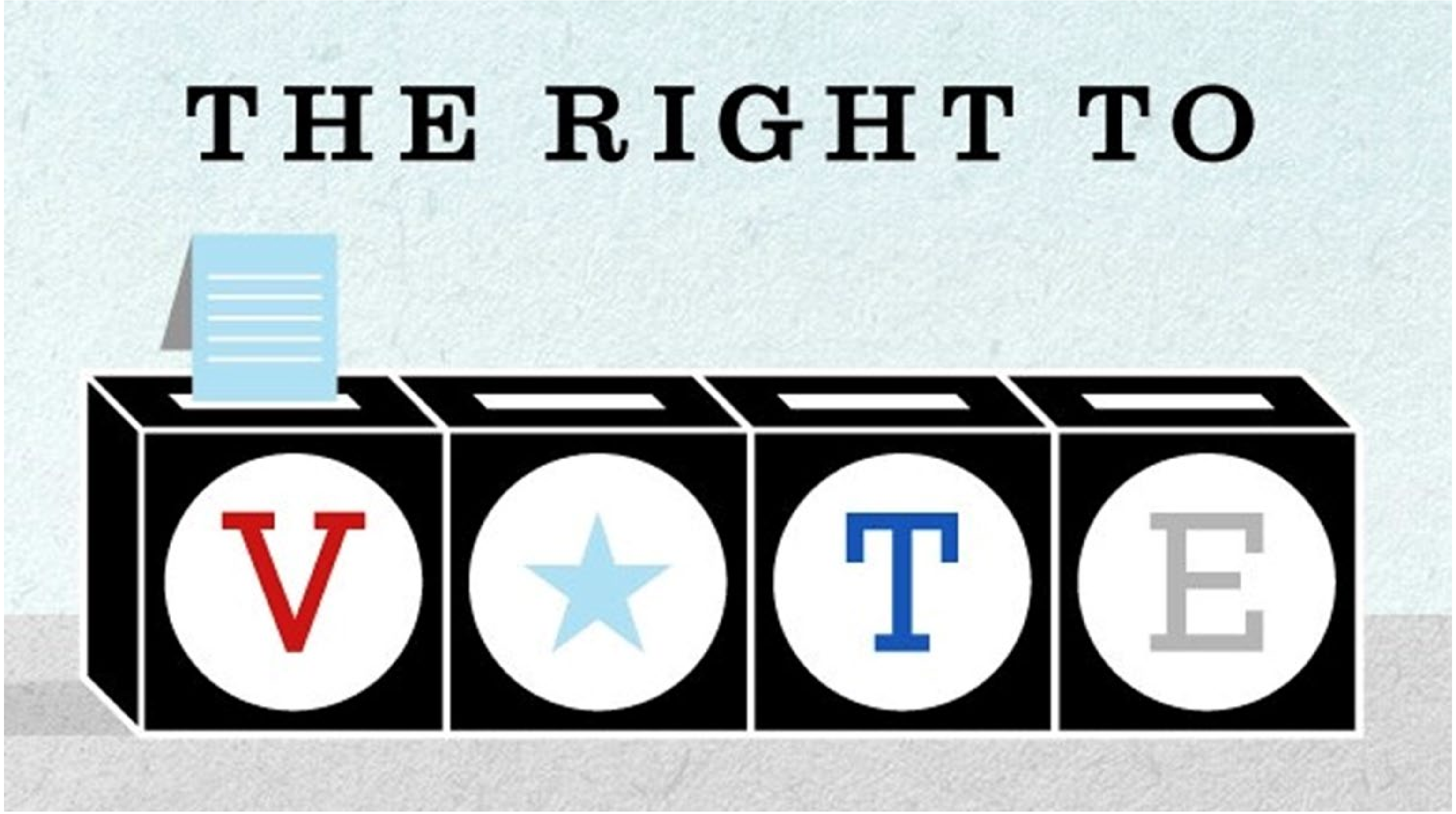
A NEW HIDDEN INCOME TAX INCREASE!

TAXES ARE ABOUT TO GO UP AGAIN FOR HUNDREDS OF THOUSANDS OF KANSAS HOMEOWNERS.

CONTACT YOUR LEGISLATORS

Tell your Legislators to override the Governor's veto of HB 2033 and restore the ability to itemize deductions on state income

Defend Property Tax Reforms



Defend Property Tax Reforms

- Fair and appropriate property taxes have long been at the cornerstone of the REALTOR's legislative policy
- In 2016, the Kansas Association of REALTORS led the charge to give Kansans the right to vote on whether their property taxes will go up.
- In 2017, KAR fought off attempts to repeal, change, and add further exemptions to the Public Right to Vote measure by the local governments.
- We will now watch how citizens view this new ability and their perception of local governments attempts to get out from underneath the new legislation.

Home Inspector Regulation

Home Inspector Regulation

Kansas does not currently license or regulate home inspectors after the **Kansas Home Inspectors Professional Competence and Financial Responsibility Act** expired on July 1, 2013 when Governor Brownback vetoed legislation that would permanently extend the state's protection of homebuyers through regulation of the home inspection industry.

Home Inspector Regulation

With the change in Administration in Kansas, the KAR Government Affairs Committee is pursuing similar or same legislation to the previous **Kansas Home Inspectors Professional Competence and Financial Responsibility Act** established in 2008.

Once again due to the Pandemic, meaningful dialogue on this issue was stalled in 2020. Home Inspector Registration/Regulation continues to be a number one priority of the Kansas Association of REALTORS and we look forward to continuing the work started with all stakeholders in protecting Kansas consumers from unprofessional home inspections.

Advertising

- **Major Changes made by KREC beginning July 1, 2020 regarding Real Estate advertising.**
- No Affiliated licensee may include a name or team name in advertising which:
  - Uses the terms “Realty,” “Brokerage,” “Company,” or other terms that can be construed as a separate real estate company from their supervising broker’s name.
  - Is more than 2x greater in font size than the supervising broker’s business name or trade name.
  - Is not adjacent to the supervising broker’s trade name or business name in any internet, website, social medial or social networking advertisement.
  - Review K.S.A. 58-3086 and K.A.R. 86-3-7, ask your supervising broker, or consult an attorney.

KREC Fee Fund Sweeps

KREC Fee Fund Sweeps

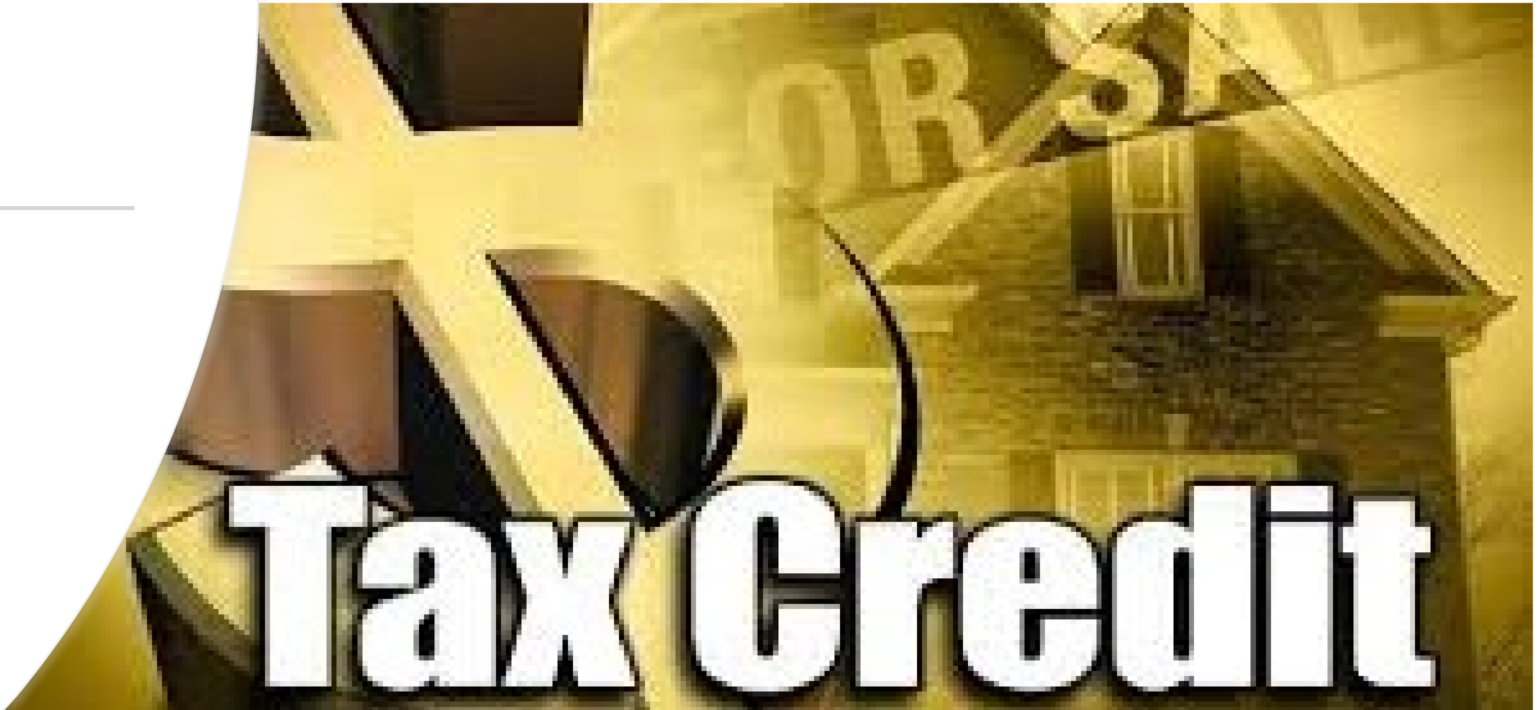
In years past, the Kansas Legislature used various fee-based agencies as piggybanks.

- KREC had **$195,671** of the monies you paid to them for license fees swept into the Kansas General Fund.

- As a result, your license fees were raised due to KREC not having enough money to run the agency.

- In 2017 HB 2054 was passed and signed into law that prohibits fee fund sweeps thereby protecting the fees our members pay to KREC. Even more good news, KREC, after attorney fees will have **over $167,000 returned to the agency**!

Low Income Housing Tax Credit



Low Income Housing Tax Credit

Former Gov Greitens stopped state issued LIHTC- 2017.

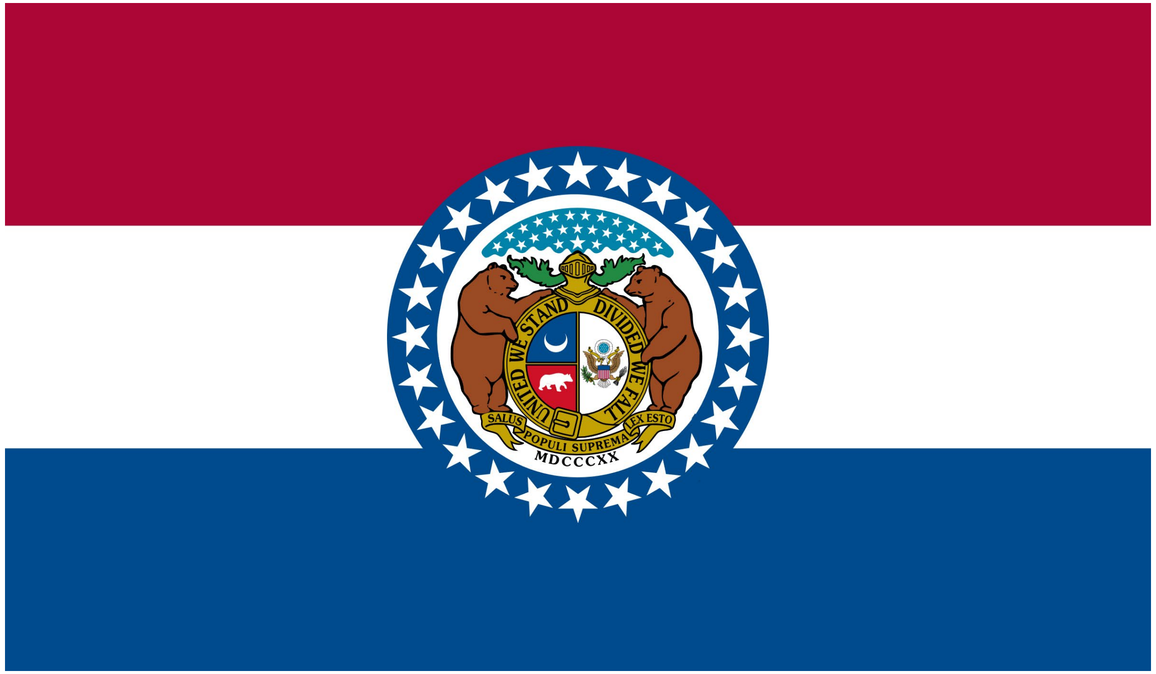
Governor Parson supports program but wants Legislature to clean it up.

Proposal:

- Establish new evaluation criteria (yet to be determined)
- Establish a cap, adjusted annually for inflation (currently $123M)
- Allow credits to be transferred

Roughly $140 Million in tax credits currently not available to support affordable housing in MO

Remote Notary



Remote Notary

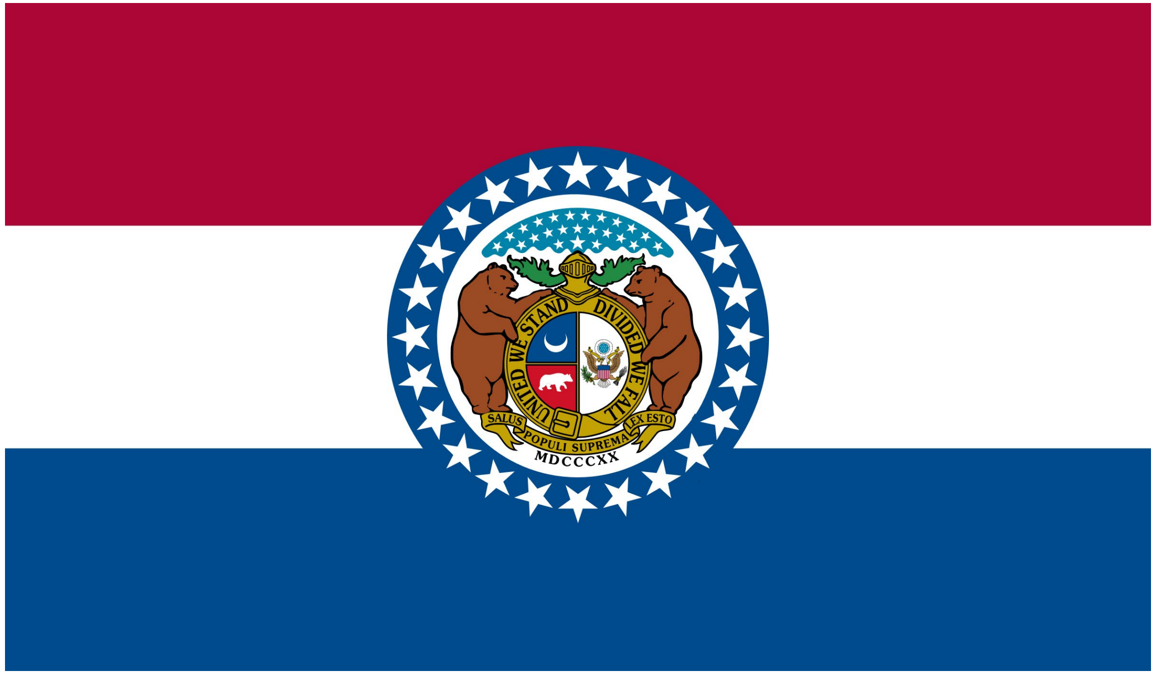
- Establishes rules and regulations for notaries to remotely (electronically) sign and notarize certain documents.

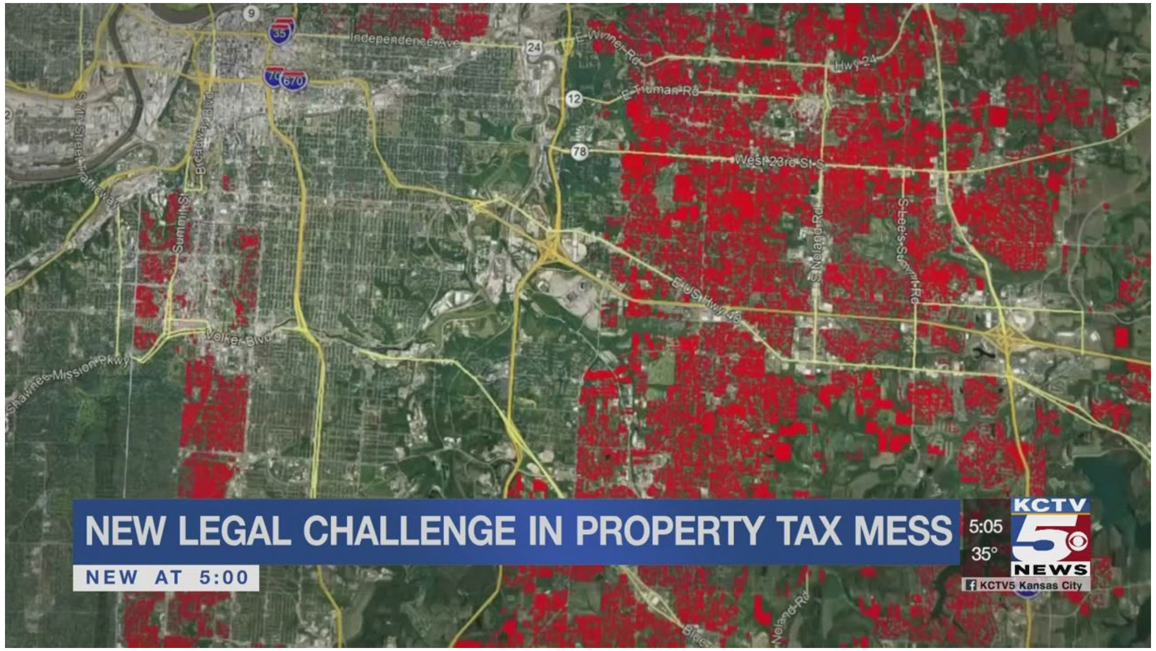
- Important with the increase in remote sales of real estate

- Gov Parson temporarily allowed remote notary via executive order during pandemic April 6-June 15

- General Assembly approved remote notary (HB1655) the last day of the 2020 session.

Property Tax Assessments





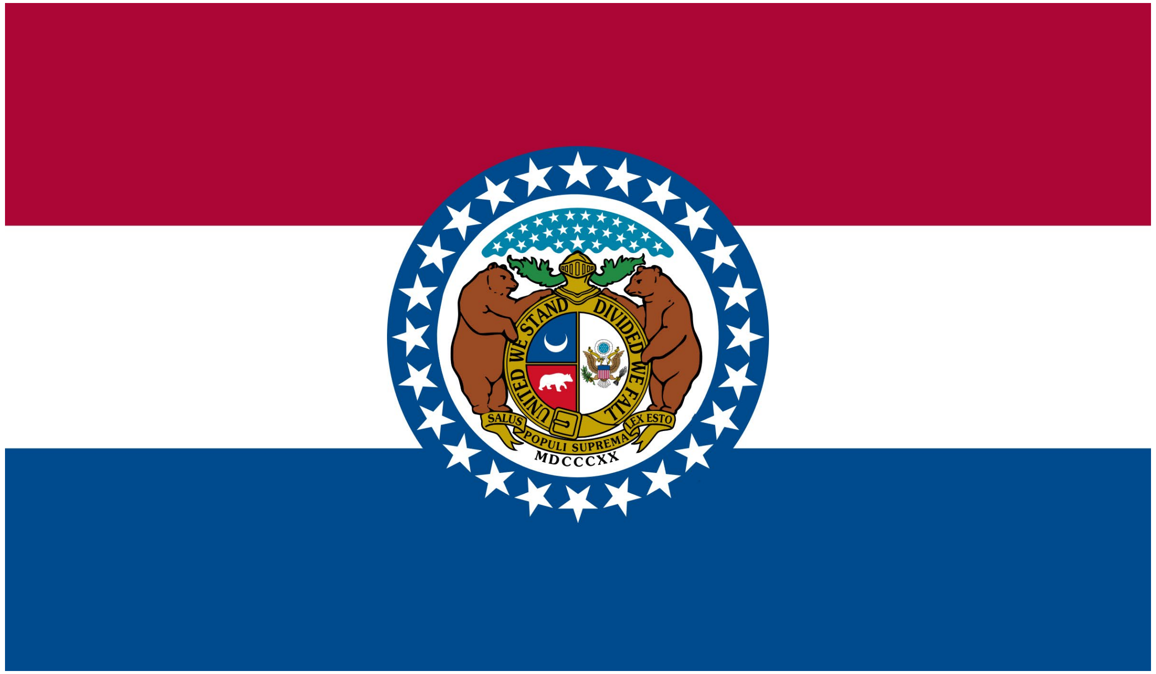
Property Tax Assessments

2019 Assessment Cycle revealed deficiencies in County Assessment Process

2020: General Assembly approved SB 676:

- Requires physical inspection if assessed value increases more than 15%
- Requires written notification of inspection
- Places the burden of proof on assessor, not property owner

First Time Homebuyer Savings Account

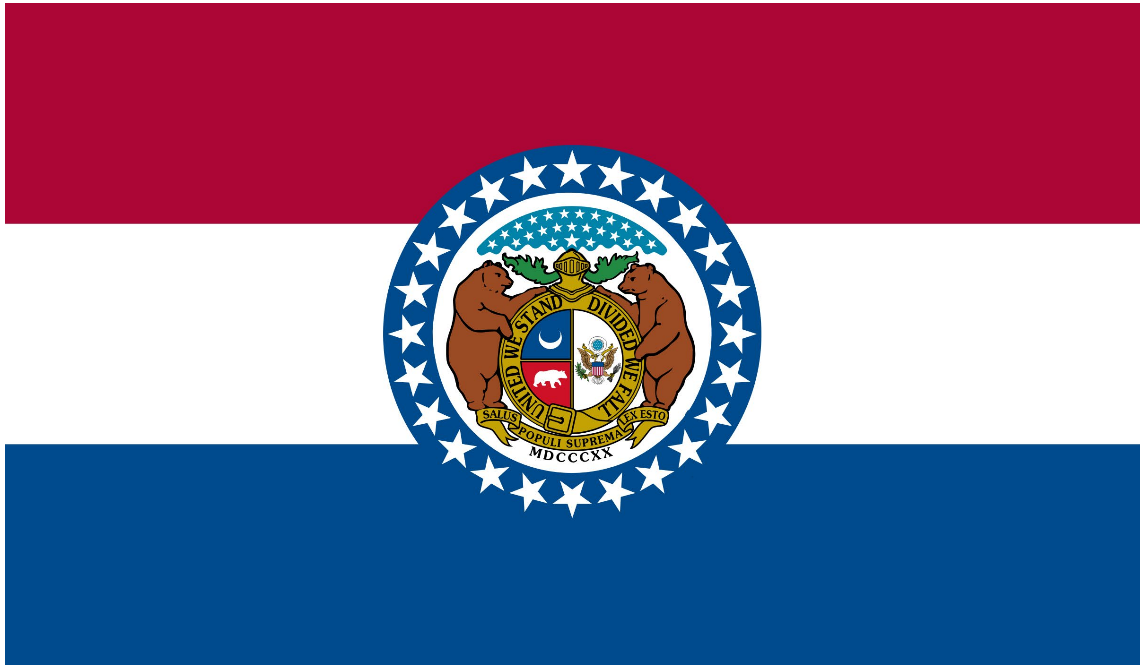


Missouri
FIRST HOME

First Time Homebuyer Savings Account

- Deposit up to $3,200 annually
- Maximum $25,000
- Account Funds Must be used for purchase or construction of a first home
- **www.missourifirsthome.com**

Licensee Immunity From Square Footage Liability



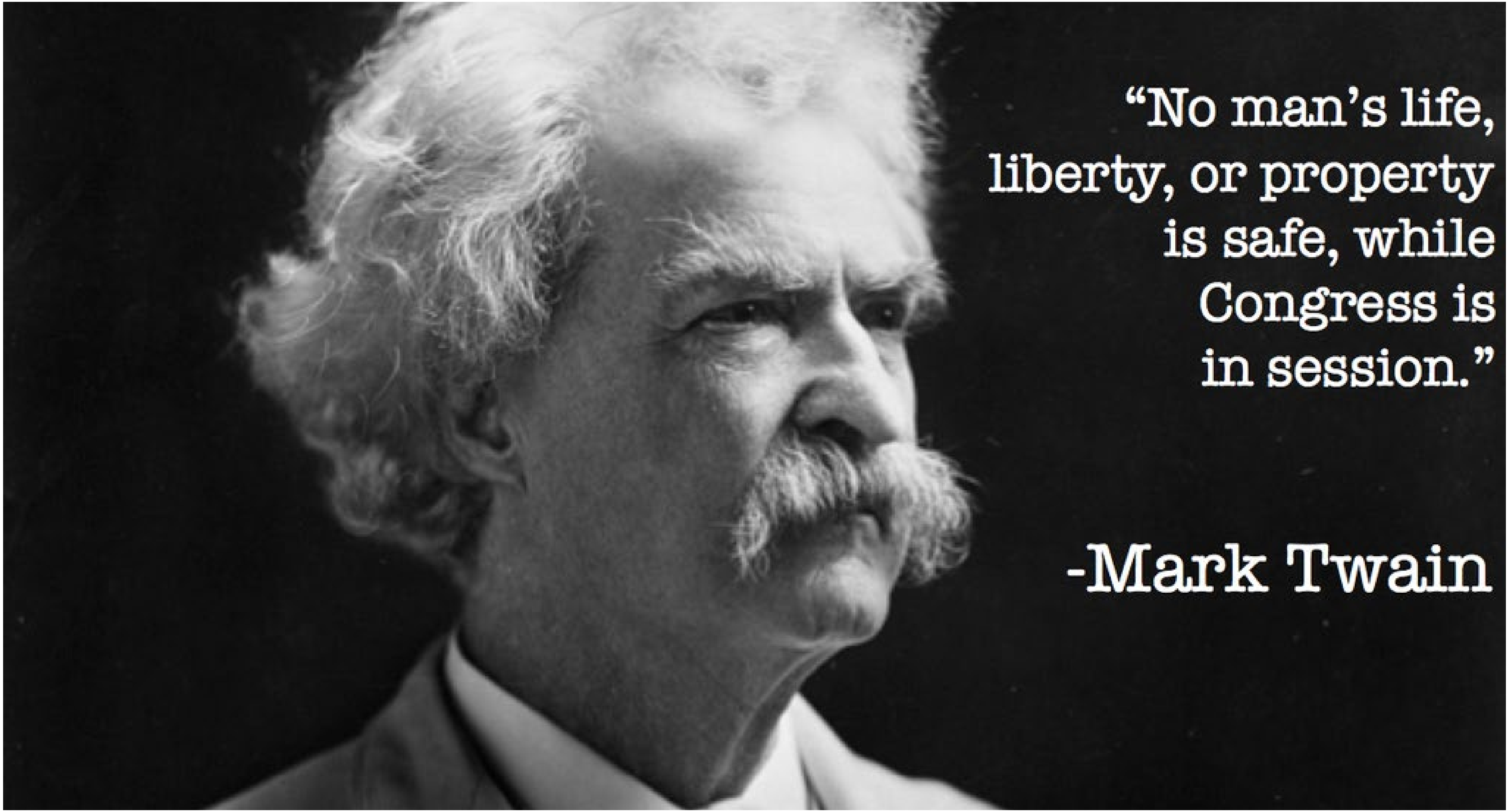
Licensee Immunity From Square Footage Liability

Adds information about size or area of property to existing law exempting Realtors from liability for information that they receive from other sources

Must disclose source of information

Must have no knowledge of the information if false

More real estate is being sold per sq ft


"No man's life,
liberty, or property
is safe, while
Congress is
in session."
-Mark Twain

Other Bad Legislation

UNREALISTIC DOWN PAYMENT REQUIREMENTS

REALTOR efforts defeated a proposal that would have required a 20% minimum down payment on all home purchases. This would have prevented roughly 40% of your clients from qualifying for a mortgage and could cost you **$12,000 or more** each year in lost commission income.

TRANSFER TAXES ON COMMERCIAL AND RESIDENTIAL TRANSACTIONS

REALTORS® worked to eliminate any efforts to impose a transfer tax on the lease and sale of commercial and residential real estate. If passed, a transfer tax would be required on all commercial and residential leases and sales, which would cost you **$8,500 or more** a year.

Other Bad Legislation

SALES TAXES ON REAL ESTATE COMMISSIONS

If passed you would be forced to pay sales tax on all real estate commissions, which could cost you **$2,500 or more** in lost commission income each year.

CITY OCCUPANCY LICENSES FOR REAL ESTATE AGENTS

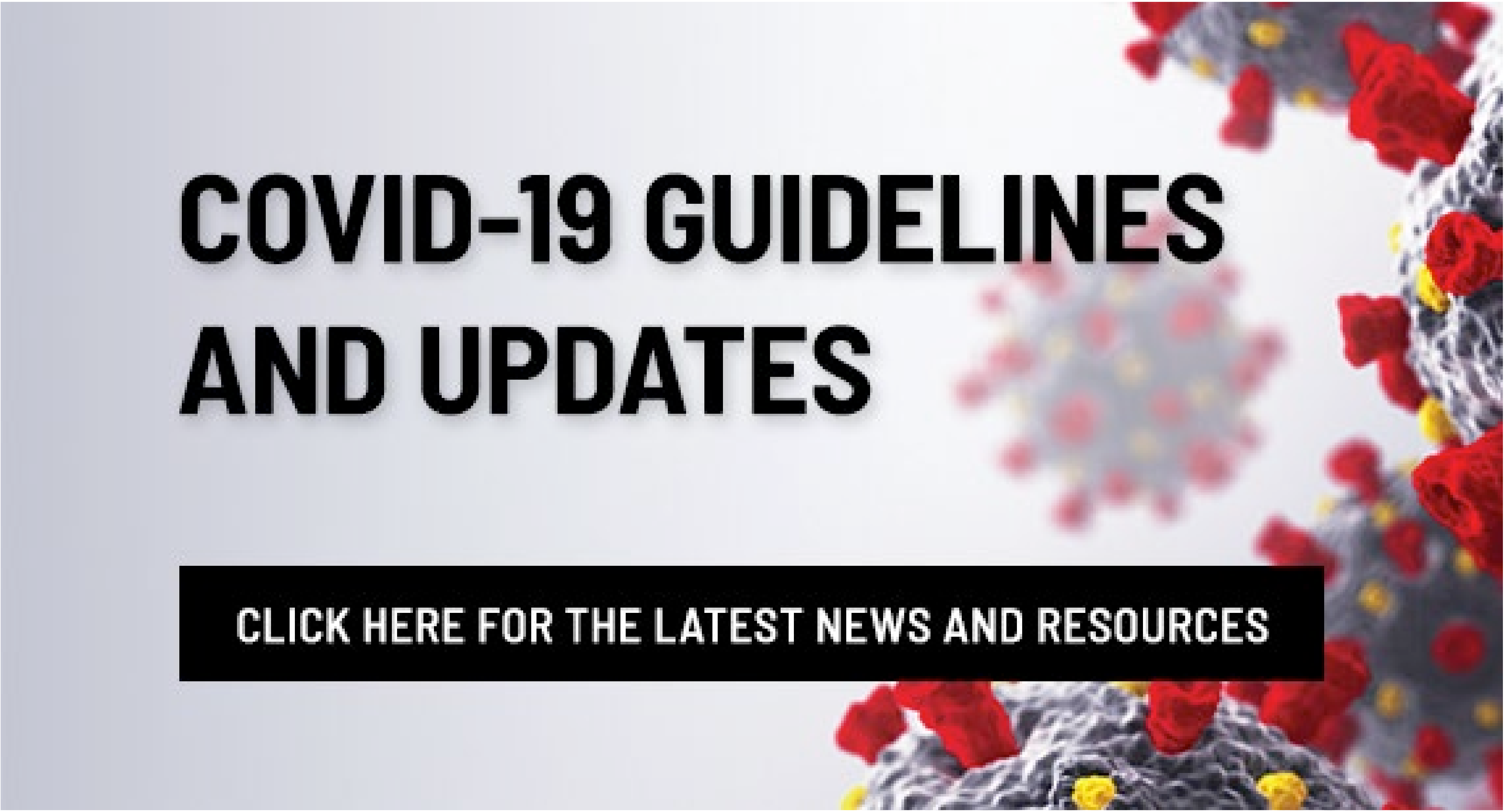
The Unified Government of Wyandotte County, Kansas City, KS attempted to require that all licensees that listed or sold properties in Kansas City, KS obtained an occupational license in order to do so.

Other Bad Legislation

ILLEGAL REFERRAL FEES BETWEEN LICENSEES
KS State Senator proposed a bill making it illegal for licensed real estate agents to pay or receive referral fees.

MANDATORY DISCLOSURE OF SALE TO REGISTERED SEX OFFENDER
MO State Rep proposed requiring real estate agents to contact neighboring property owners, vial certified mail, if they sold a home to someone on the sexual predator registry.

Local Advocacy Issues


COVID-19 GUIDELINES
AND UPDATES
CLICK HERE FOR THE LATEST NEWS AND RESOURCES

Advocacy During Coronavirus

- Ensured real estate is an essential business in all 34 KCRAR counties
- Created map resource explaining specific rules for each county
- Advised members on CARES Act provisions, including Payroll Protection Program (PPP), Pandemic Unemployment Assistance (PUA), Economic Injury Disaster Loans (EIDL), etc.
- Extended MREC renewal deadlines and approved live virtual CE
- Ensured real estate open houses were included in reopening orders
- Advised members on best practices for open house and office reopening

Sign Ordinances

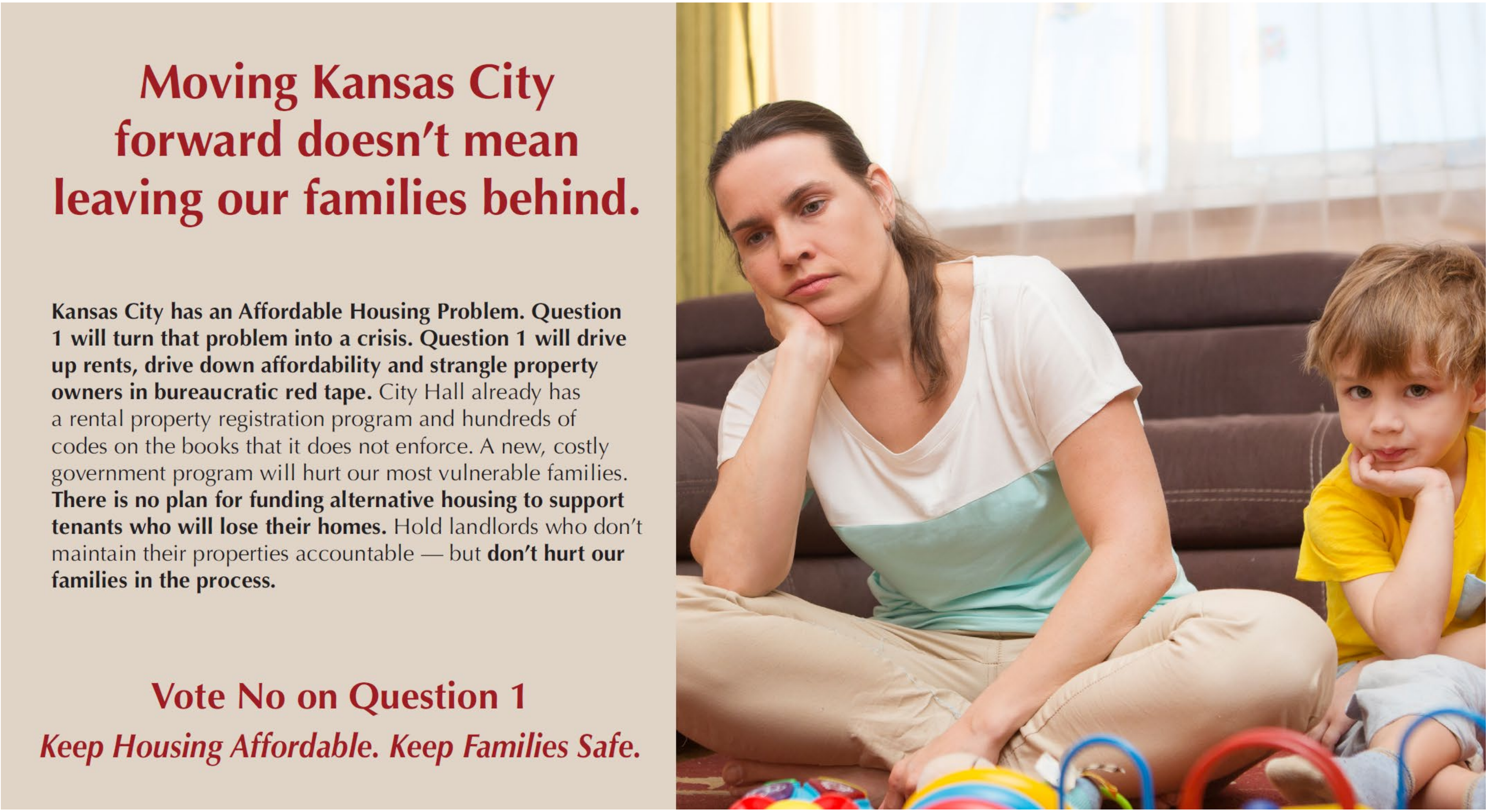
Most Municipalities have ordinances on the books regulating temporary signs, yard signs, real estate signs, etc. Regulations vary by city, so it’s important to be aware of and follow local laws.

Find specific city ordinances listed on the KCRAR website, as well as a highly produced video containing general best practices for yard sign usage. Let’s watch this Academy Award winning video:

http://www.kcrar.com/signordinance

Rental Property Regulation/Inspection

Landlord/Tenant laws
(Issues Mobilization Campaign)



Zoning, Permitting and Development processes

Affordable Housing

Urban Agriculture & livestock

Excise Taxes/Impact Fees

Civic Engagement

KC AREA DEVELOPMENT COUNCIL

HOME BUILDERS ASSOCIATION OF GREATER KANSAS CITY

KC CHAMBER
FOR A GREATER KANSAS CITY

INDEPENDENCE ECONOMIC DEVELOPMENT
iN

Overland Park
Chamber of Commerce

SKCA
SOUTH KANSAS CITY ALLIANCE

LISC
Greater Kansas City
Helping neighbors build communities

KCK Chamber

PLATTE COUNTY
ECONOMIC DEVELOPMENT COUNCIL

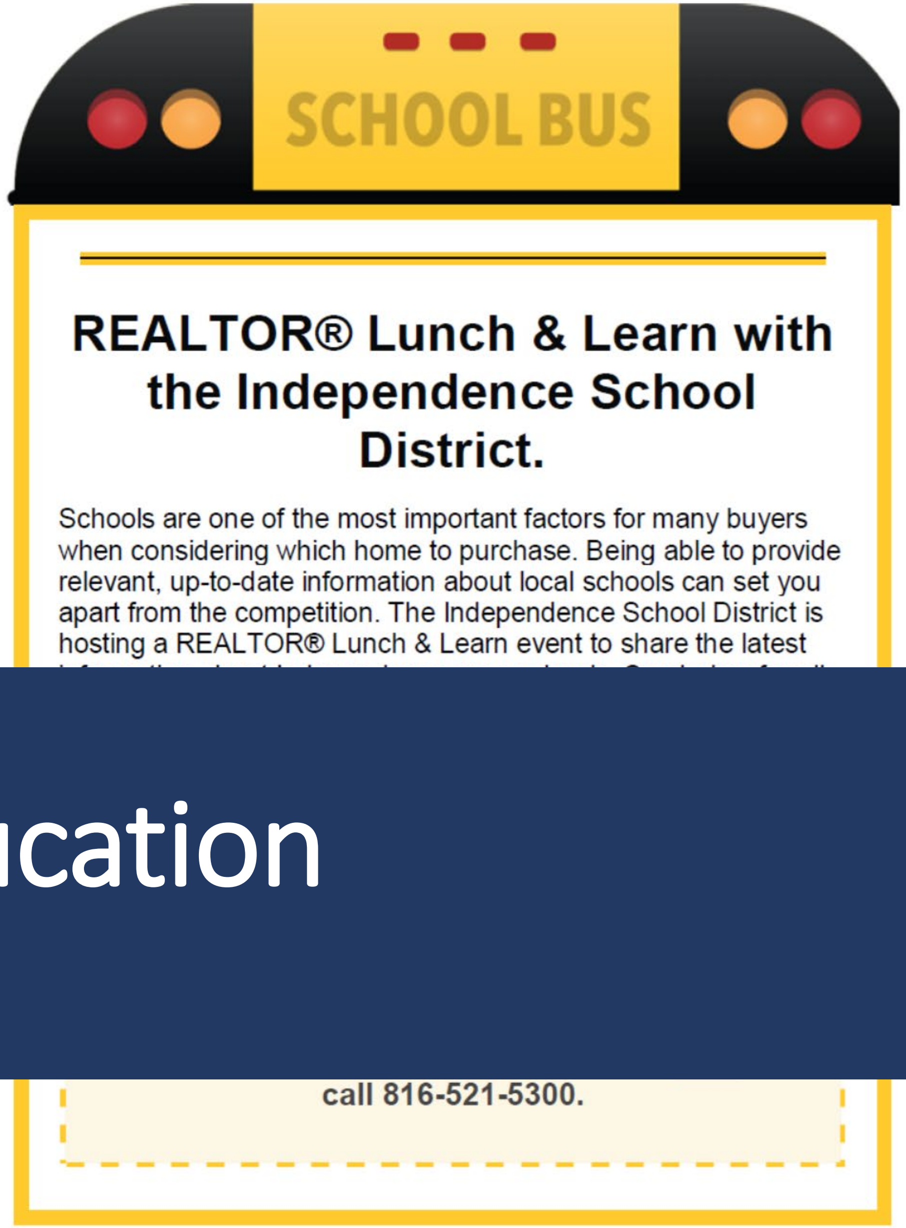
Northland
Clay County EDC

HEARTLAND
Apartment Association

Campaign- Issues Mobilization

Transportation and Infrastructure

Member Education



SCHOOL BUS

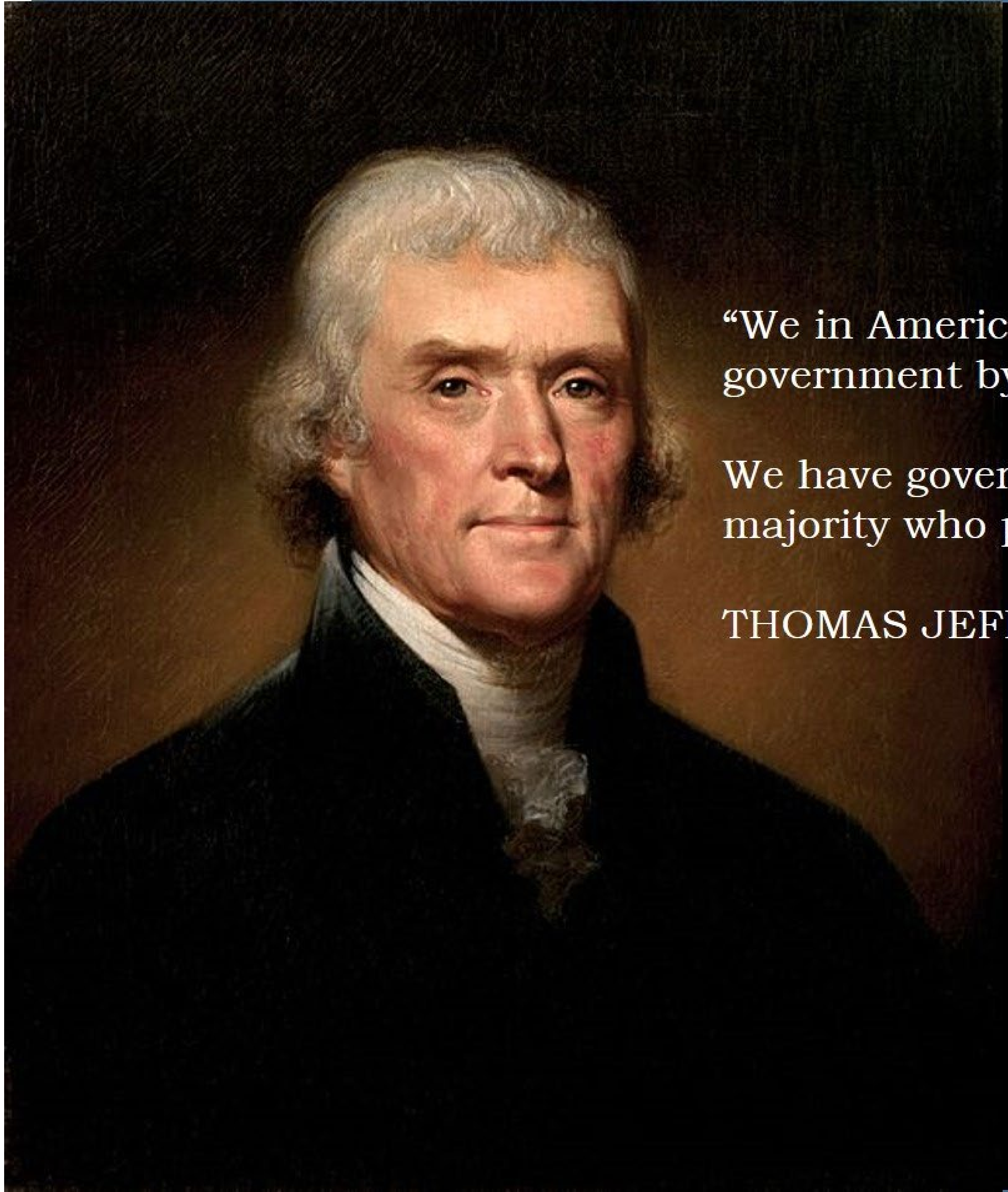
REALTOR® Lunch & Learn with the Independence School District.

Schools are one of the most important factors for many buyers when considering which home to purchase. Being able to provide relevant, up-to-date information about local schools can set you apart from the competition. The Independence School District is hosting a REALTOR® Lunch & Learn event to share the latest

call 816-521-5300.

Education


WE WANT YOU!



"We in America do not have government by majority.

We have government by the majority who participate."

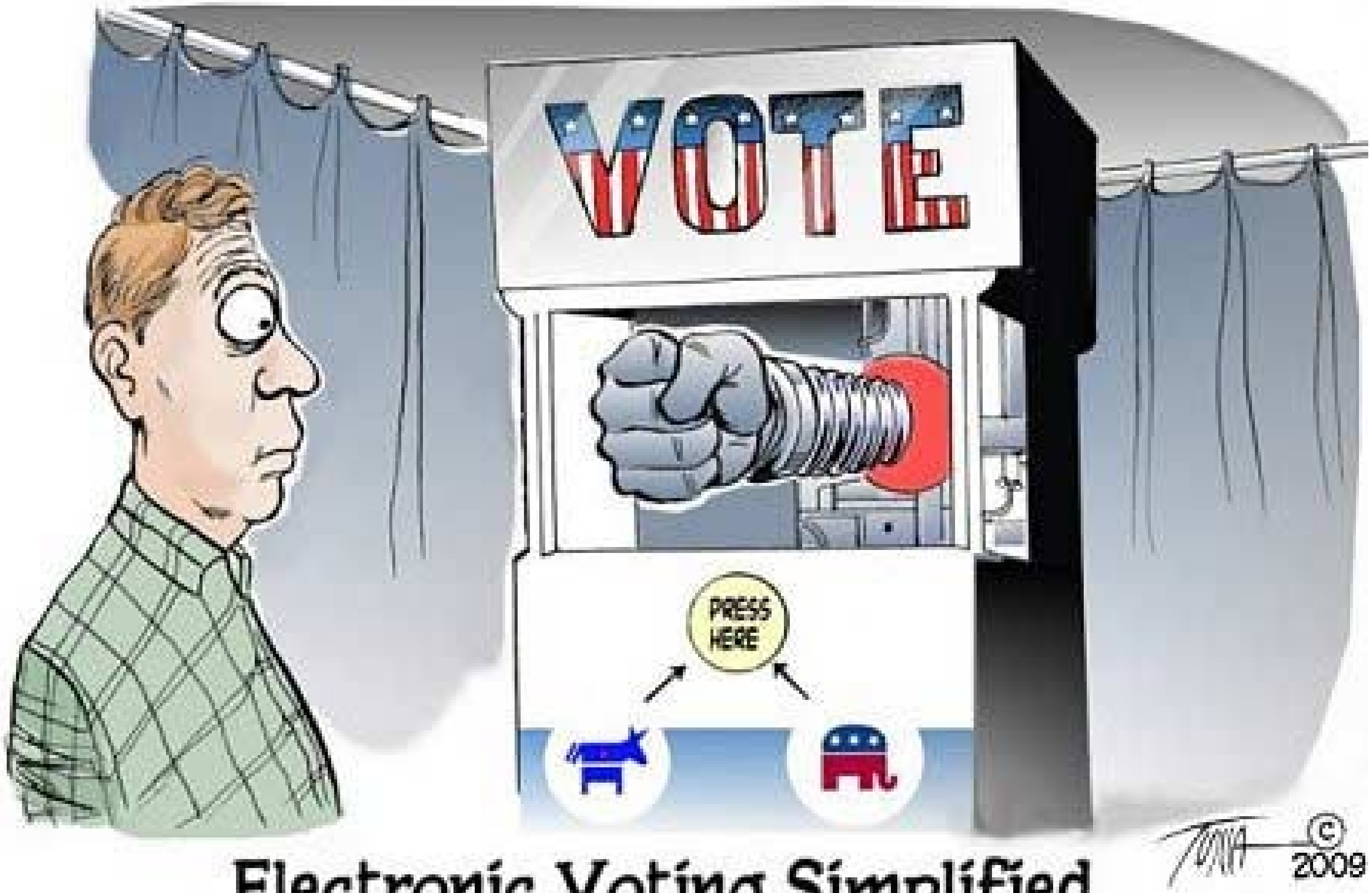
THOMAS JEFFERSON

Realtor® Political Responsibility

As "The Voice of Real Estate" in the Kansas City Metropolitan area, it is the responsibility of the association and its members to remain vigilant in the affairs of government.

The Association urges members to become involved and participate in political activity at all levels of government fostering relationships with our elected officials and government staffs. The association will offer their services and support to candidates committed to the free enterprise system and to the protection of the rights of private property owners.

REALTOR® PARTY



Electronic Voting Simplified

Call For Action

Realtor® Day at the Capitol
Realtors® Capitol Conference

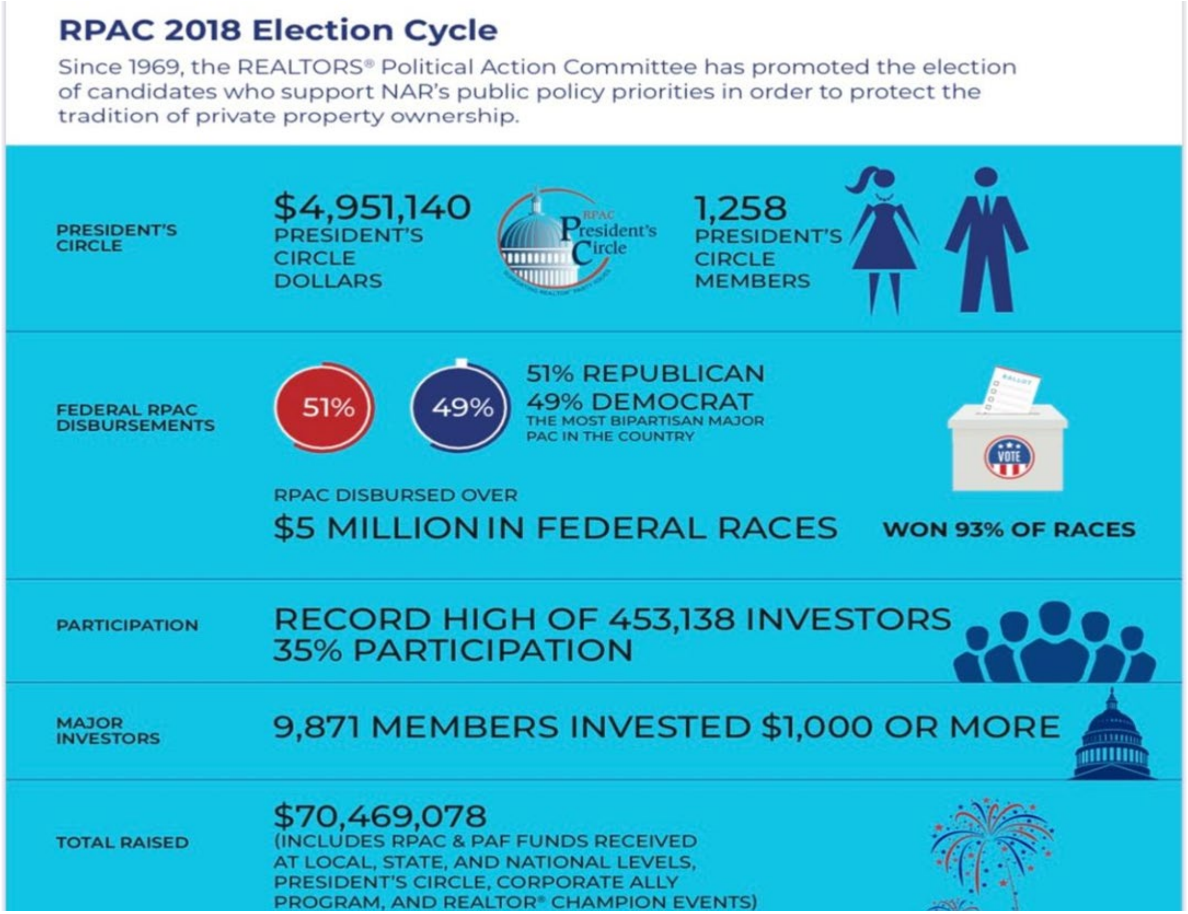

R CO.
31
31
932
31
JJD 496D

REALTORS®

Political Action Committee

NATIONAL ASSOCIATION of REALTORS®

Contribute to RPAC



I have come to the conclusion that politics is too serious a matter to be left to the politicians.

~Charles de Gaulle