

Presentation for the Resort and Second Home Committee Webinar

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Presentation Topics

1. Government Affairs and Advocacy: An Important Member Benefit
2. Legislative and Regulatory Issues Affecting the Resort and 2nd Home Real Estate Sector

NAR Government Affairs: Important Member Benefit

- Lobbyists, Research, Legislative and Regulatory Analysts
- RPAC- Largest in the Country
- Land Use Initiative

Legislative and Regulatory Issues

- IRS 20% Pass Through Proposed Rule
- Condo Financing Challenges
- National Flood Insurance Program
- H-2B Visa Program
- Property Insurance
- Waters of the US (WOTUS)

IRS 20% Pass-Through Proposed Rule

- The IRS released its proposed guidance on the new 20 percent business income deduction
- The deduction passed as part of the Tax Cuts and Jobs Act
- Under this deduction, a wide range of real estate professionals, including those who are self-employed and those operating through partnerships, LLCs and S corporations, can take 20 percent off the top of any income received through pass-through businesses
- Qualifying annual income should not exceed \$157,000 for those filing individually, or \$315,000 for married couples
- Talk to your tax advisor - The calculation will depend on how your business is structured. Other limits could also come into play, but this is very favorable as a small business or independent contractor.

Condo Financing Reform

- Stricter lending standards include owner occupancy, pre-loan sales, condo commercial space. Impacts projects nationwide, especially resort areas
- HR 3700 passed Congress to resolve these issues:
 - Reduces the FHA condo owner occupancy ratio to 35%
 - Directs FHA to streamline the condo re-cert process
 - Provides more flexibility for mixed use buildings
- HUD released a proposed condo rule that includes positive changes, like a return of spot loans and an extension of the certification period, but also includes a proposal to set owner-occupancy rate requirements within a range of 25 percent to 75 percent
- NAR is pushing HUD to finalize the rule

National Flood Insurance Program

- NFIP expires in Nov. 2018
- \$24 billion in debt
- Extended due to massive Realtor grassroots effort
- Discussions already underway to reauthorize
- Encourage private flood insurance, mitigation, resiliency



H-2B Visa Program

- Not an immigration program, but is caught up in the broader immigration debate
- Many undocumented immigrants are the result of various visa program overstays
- Resort Areas Need These Seasonal Workers for Operations/maintenance
- Workers Allowed Only After Employers Try to Fill Jobs W/Americans
- Coordination with DHS, other federal agencies
- H-2B reform bills have been introduced
- After addressing illegal immigration, focus may turn to Visa programs

Affordable and Available Property Insurance

- Property insurance premiums have increased in many areas
- Availability has decreased – Insurers are pulling out of markets, increasing premiums and not renewing policies
- These circumstances impact housing affordability – especially in resort areas
- Hard hit areas include those impacted by hurricanes, earthquakes and wildfires

Resolving the Problem

- Combine Wind/Flood Ins.
- Federal guarantees
- Tax Credit
- Blue Ribbon Commission

Waters of the U.S.

- CWA Regulates “Navigable” waters – EPA/Corps wanted to regulate more waters
- Included More Waters under the CWA
- Rule was finalized – Never Implemented
- Rule Was Stayed by the Courts
- Executive Order Rescinds and Replaces
- EPA is On-Track to Repeal and Replace



QUESTIONS?