MORTGAGE BANKERS ASSOCIATION

May 13, 2025

The Honorable Jason Smith
Chairman
Committee on Ways and Means
U.S. House of Representatives
1011 Longworth House Office Building
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
372 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Smith and Ranking Member Neal:

On behalf of the Mortgage Bankers Association (MBA)[1], I write as the Committee on Ways and Means moves to consider Chairman Smith's Amendment in the Nature of a Substitute (ANS) at the budget reconciliation markup this afternoon. MBA continues to support the shared goal of enacting tax legislation that spurs jobs, economic growth, and investment in our communities. We believe that the framework established by Chairman Smith's ANS, as proposed, represents an important and necessary step toward that goal.

The bill will help both homeowners and renters alike by preserving the tax rate structure of the 2017 *Tax Cuts and Jobs Act* ("TCJA") and temporarily extending the increased standard deduction imposed by the TCJA. We are pleased that the ANS retains the provision allowing a deduction for qualified residence interest (capped at the first $750,000 in home mortgage acquisition debt) – and also preserves current law allowing homeowners to exclude up to $500,000 of the gain on the sale of a principal residence.

MBA is also very pleased that the ANS does not disturb the current use of Section 1031 like-kind exchanges for real property, preserves business interest deductibility for real estate, and reverts to using EBITDA for purposes of calculating the business interest income limitation. Continued deductibility of business interest for real estate will ensure that the tax code aligns with the long-term nature of such investments and that the cost of financing remains affordable and real estate activity remains a vibrant portion of the economy. The current utilization of Section 1031 provides benefits that help promote ongoing investment patterns within local real estate markets, which, in turn, provides the continued foundation for economic growth.

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

We are also heartened that the bill includes other key real estate investment incentives, including improvements to the Low-Income Housing Tax Credit (LIHTC) program and a preservation of the tax-exempt status for private activity bonds (PABs), as these provisions – in combination – help ensure the development of affordable multifamily housing, as well as access to affordable mortgage credit. We also welcome the bill’s provisions creating a new “round” of Opportunity Zones through 2033, including added reporting requirements for transparency.

Significantly, given the many small businesses and pass-through entities that operate within the real estate finance industry, MBA supports the bill's important “phase-in” modifications – and expanded deduction from 20 to 23% for Qualified Business Income (QBI) – under a permanent Section 199A.

As the bill progresses through the House and Senate, MBA believes that certain provisions can be improved. For example, we are concerned that taxpayers in the top bracket who face a marginal tax rate of 37% would incur a new limitation at 35% of their total itemized deductions. Also, the limitation on state and local deductions for certain pass-through entities is unduly broad and complex. We look forward to working with you and other lawmakers to help refine these changes.

Finally, the ANS raises the statutory debt limit in a responsible manner to avoid roiling the financial markets and other important sectors of the economy. A failure to raise the debt limit would result in permanently higher borrowing costs and a less stable flow of capital during future crises. Thank you for including this essential provision.

In conclusion, MBA again thanks you for the work to help advance comprehensive tax legislation via the reconciliation process. Importantly, the ANS is broadly supportive of real estate finance markets and promotes housing supply. We stand ready to work with you on further improvements as this legislation progresses to ensure that Americans, whether they rent or own, continue to have access to affordable and sustainable housing.

Sincerely,

Bill Killmer
Senior Vice President
Legislative & Political Affairs

cc: All Members, Committee on Ways and Means, U.S. House of Representatives