NATIONAL ASSOCIATION OF REALTORS®
Eye On The Hill

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March 2009

When President Obama released his proposed Fiscal Year 2010 Budget in late February, the headline grabber was his proposal to limit itemized deductions for individuals earning more than $250,000 a year. This limitation would reduce the value of not only mortgage interest deductions for this group, but would also reduce the value of their deductions for state and local taxes, including property taxes.

NAR responded quickly with letters of opposition sent to the **President and to every member of the House and Senate.** We also purchased advocacy ads in the leading **Inside the Beltway newspapers.** In Washington, no proposal ever completely dies. Many, many proposals, however, do go dormant.

Here are some quotes from very authoritative sources to illustrate the general perception that the proposal to limit deductions has **gained limited traction.**

"Some of the reforms and offsets contained or referenced in the budget, such as the limitation on itemized deductions, raise concerns and will require more study as we determine the best policies for getting America back on track," ***Chairman Max Baucus (D-MT) Senate Finance Committee.***

"One major proposal, to limit itemized deductions for wealthy taxpayers, has already raised doubts among prominent Democrats in both chambers." ***Washington Post, March 10, 2009***

"The apparent first casualty is a big one: a proposal to limit tax deductions for the wealthiest 1.2 percent of taxpayers…But the chairmen of the House and Senate tax-writing committees, Senator Max Baucus of Montana and Representative Charles B. Rangel of New York, have objected to the proposal, citing a potential drop in tax-deductible gifts to charities." ***New York Times, March 10, 2009***

"I am always glad to have any allies and defenders [on the right], but I do favor almost all of Obama's agenda, right down to having the rich pay more of their freight in this great country. It's just not the right time. We need to declare a war on unemployment and solve it before we let it get out of hand. We need to stop house-price depreciation," ***Jim Cramer, Inside Politics Newsletter, March 10.***

Anticipated Tax Bill and Budget Timetables:
The House and Senate tax-writing committees do not expect to craft another tax bill until the fall, *at the very earliest*. This projected schedule is, of course, subject to change. Note, though, that if there is a second stimulus with a tax package before fall, it's unlikely that Congress would include any revenue raising proposal like the Administration's itemized deduction limitation.

The tax-writing committees also have extensive jurisdiction over health care, so their agenda for the next several months is expected to all be health care-related.

The House and Senate Budget Committees have jurisdiction to set the dollar amounts by which various congressional committees must raise revenues or curtail spending. They *do not,* however, have any jurisdiction that permits them to specify which provisions and programs the committees modify. Thus, even though this recommendation comes through the budget process, the budget committees may only give directives to committees in gross dollar amounts, not by specific provisions.

Eternal vigilance is the name of the game in taxation. We do not anticipate shining a light on this now-dormant proposal in coming months, but we will remain intensely focused on it.