

# Government Affairs Update

North Carolina Association of REALTORS®, Inc.



North Carolina State Capitol  
Grounds

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(The North Carolina Association of REALTORS® Government Affairs Update is published weekly during the legislative session and biweekly thereafter by the NC Association of REALTORS®, Inc. as a service to its membership. This report is sent via email to REALTORS® across North Carolina. If you have any questions, please call the NC Association of REALTORS® Government Affairs Department at 1-800-443-9956.)

## **North Carolina News:**

### **Transfer Tax Repeal Bill Introduced**

**House Bill 92, (Repeal Land Transfer Tax)**, sponsored by **Reps. Julia Howard (R-Davie), Edgar Starnes (R-Caldwell), Bill Brawley (R-Mecklenburg) and Jonathan Jordan (R-Ashe)**, was introduced on Wednesday. The bill, although short and to the point, would have a far-reaching, powerful impact on the real estate industry and homeowners in North Carolina. It would remove the authority given to counties during the 2007 legislative session to put local referenda on ballots to enact land transfer taxes. Since the option was put into place, voters in 24 referenda across the state resoundingly defeated the ballot measure, many by an average of 70-30%.

NC REALTORS® launched an all-out fight against this regressive tax in 2007 but it was put into the budget bill in the waning hours of the legislative session, and lawmakers never voted on it in a stand-alone bill. REALTORS® consider this the top priority for the legislative session. The land transfer tax, also known as the home tax, hinders economic development and causes housing to become much less affordable, especially for low- to moderate-income families and first-time homebuyers.

The bill has passed its first reading and has been sent to the House Finance Committee, where it's expected to be heard in a couple of weeks. Furthermore, 49 House members have signed on as co-sponsors. The NC Association of REALTORS® government affairs team has been actively involved in getting the bill introduced, encouraging sponsors to sign-on to the bill and will continue to strongly encourage its passage. To follow the progress of the bill and to see the list of bill sponsors, click on

<http://www.ncleg.net/gascritps/BillLookUp/BillLookUp.pl?Session=2011&BillID=hb+92>.

### **Riparian Buffers for Coastal Wetlands**

**House Bill 116 (Delineate Coastal Wetlands Riparian Buffers)**, sponsored by **Rep. Leo Daughtry (R-Johnston)** <http://www.ncga.state.nc.us/Sessions/2011/Bills/House/PDF/H116v1.pdf>, was introduced Wednesday and provides that if state law requires a protective riparian buffer for coastal wetlands in either the Neuse River Basin or the Tar-Pamlico River Basin, then the coastal wetlands and marshlands are to be included in the measurement of the protective buffer and are not to be treated as part of the surface waters. The Neuse Tar Pam Basin Rules have hindered property owners from using their land as originally intended and has greatly diminished their property values. The NCAR Government Affairs staff is working to include a provision to make this bill retroactive to the enactment date of the rules, thus returning value to the affected properties.

### **School Calendar Bill**

In 2004, the North Carolina Association of REALTORS® along with a large coalition advocated and successfully passed the School Calendar Law which created more uniform school calendars. Pursuant to this law, most schools cannot start earlier than August 25<sup>th</sup> and must end no later than June 10<sup>th</sup>. Prior to the law's enactment individual schools districts were beginning in early August.

While parents and teachers like the current law, school administrators want it repealed. **House Bill 94 (Local Flexibility Re: School Calendar)**, introduced by Reps. **Marvin Lucas (D-Cumberland) and Larry Bell (D-Sampson)** <http://www.ncga.state.nc.us/Sessions/2011/Bills/House/PDF/H94v1.pdf> would amend previous legislation to allow the opening date for students, except for those in year-round schools, to be before August 15. HB 94 does not set a school year end date.

The NC Association of REALTORS® and our vacation rental managers support the original legislation. As the travel and tourism industry creates \$4.2 billion in employee income, and contributes \$1.4 billion in state and local taxes it is one of the best industries in the state currently. The current law is important as it has allowed for economic gains, greater opportunities for family vacations, participation in camps, non-school education and summer employment. The North Carolina Association of REALTORS® staff will continue to advocate for the current school calendar law to remain in place.

### **Joint Regulatory Commission**

**Senate Bill 17 (A Joint Resolution to Establish the Joint Regulatory Reform Committee)**, sponsored by **Senators Harry Brown (R-Jones), David Rouzer (R-Johnston) and Brent Jackson (R-Duplin)** <http://www.ncga.state.nc.us/Sessions/2011/Bills/Senate/PDF/S17v3.pdf>, has passed the Senate and on Thursday passed its second reading in the NC House. As stated in the bill, the purpose of the committee is “to create a strong environment for private sector job creation by lifting the undue burden imposed by outdated, unnecessary, and vague rules.”

The NC REALTORS® government affairs team has been working with a coalition to move regulatory reform forward, and we will continue to support formation of this committee and actions that eliminate ambiguous and unnecessary rules that negatively impact the real estate industry and other businesses in North Carolina.

### **National News:**

#### **MID: There are Several Myths About This Important Tax Deduction**

There are several myths about the Mortgage Interest Deduction (MID), which is currently under fire at the federal level. Here's Myth #1: The mortgage deduction is just for rich people. Actually, the mortgage interest deduction helps mostly middle- and lower-income families. Consider that 65% of families who use it earn less than \$100,000 per year. Furthermore, 91% earn less than \$200,000 per year (that's where most economists draw the line between rich and middle-class). Only 9% earn more than \$200,000 per year. Learn more about other myths about the MID. <http://www.houselogic.com/articles/7-mortgage-interest-deduction-myths/>.

#### **Obama Administration Releases Plan to Reform Housing Finance System**

Last week, the Administration released its plan for reforming America's Housing Finance Market. The proposal, which offers three options for handling the secondary mortgage market participants Fannie Mae and Freddie Mac (full privatization, a guarantee mechanism during crisis, and catastrophic re-insurance), also proposes criteria that would foster increased down payments to 10 percent, lowering GSE and FHA loan limits, and raise the GSEs' guarantee fees (g-fees) and FHA premiums significantly, in an effort to level the playing field and bring back the private sector. NAR recognizes that the existing system failed and that changes are needed to protect taxpayers from an open-ended bailout; however, we also believe that there must be a certain level of government participation to provide middle-class families access to affordable mortgages at all times and in all markets. Below is a link to the Administration's report, NAR's Press Release regarding the Administration's report, and NAR's Key talking points for GSE reform. Please refer to REALTOR.org to see the activity the Association has, and is, undertaking on this issue to ensure that the America's home buyers and sellers, as well as the housing industry are well represented and accounted for in this most important conversation.

#### **NAR Comments on Proposed Money Laundering Rule**

NAR recently submitted comments to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) on a Proposed Rule that would require the implementation of anti-money laundering (AML) programs and reporting of suspicious activities by non-bank residential mortgage lenders and originators. NAR supports the adoption of regulations to combat money laundering and the financing of terrorism and believes, like federally regulated financial depository institutions, residential mortgage lenders and originators are uniquely positioned and trained to achieve these goals. NAR also supports FinCEN's decision to defer regulations for others involved in real estate closings and settlements until further research and analysis can be conducted, noting that in nearly all real estate purchase transactions in which real estate agents participate, funds are transferred using services of several different regulated entities. NAR will continue to work with legislators and regulators to ensure that any further regulation's benefits justify its cost and avoids placing unreasonable burdens on business.

#### **Finance Committee Reviews Landlord Reporting**

The Senate Finance Committee held a markup to review a pending Airways Trust Fund bill. Senators offered

numerous amendments unrelated to the pending bill. All were withdrawn after discussion, largely because they were non-germane to the bill at hand. Among the amendments was one offered by Senator Snowe (R-ME) that would have repealed the Form 1099 landlord reporting provisions that were enacted in 2010. Those rules are currently in effect. They require any person who receives rental income to report payments of \$600 or more to those who provide goods and services.

NAR has strongly objected to this reporting provision as a trap for the little guy. NAR sent a letter to all Finance Committee members supporting the Snowe amendment. Chairman Baucus (D-MT) and ranking member Hatch (R-UT) spoke favorably about the amendment, thus increasing its chances of being adopted at a latter time. The House Ways and Means Committee will mark up a bill during the week of February 14 to repeal the 1099 reporting rules included in the 2010 health care packag. NAR has identified sponsors who will attempt to add the repeal of the landlord provisions during that markup.

#### **New Wireless Initiative Announced**

President Obama announced a major new wireless initiative with the goal to bring 4G wireless internet access to 98 percent of the country within five years, build a national public safety broadband network and promote wireless innovation through increased research and development. 4G wireless technology promises broadband speeds that are more than 10 times faster than current high speed wireless technology. In spite of the 4G rollout currently underway by carriers like AT&T, Verizon and T-Mobile, many rural areas are not enjoying the same benefits as those in urban areas. The President's plan will support a one-time investment of \$5 billion to build out 4G networks in rural areas. The plan also promotes changes to the Universal Service Fund, a decades old program originally used to promote wireline phone service in rural areas. Reforms to the fund will shift future expenditures to broadband services.

#### **NAR Launches Webpage on Impact of Federal Laws Affecting Seller Financing**

NAR has launched a new page on Realtor.org to provide REALTORS® with information on the impact of two federal laws on seller financing, which plays an important role in financing the sale of real estate, especially when credit is tight. The SAFE Act requires licensing of loan originators. HUD has proposed to exempt seller financing from licensing only for the sale of a personal residence, but NAR is seeking much more flexibility when the final SAFE Act rule is issued. NAR will seek legislation if the final rule fails to provide an adequate exemption. The Dodd-Frank Act restructures the oversight of financial regulation and includes rules that affect mortgage lending. It exempts those that provide seller financing for no more than 3 properties in any 12 month period. The new page includes links to two issues papers that detail the impact of these statutes and what NAR has been doing on the issue since 2008. As the implementation of the SAFE Act and the Dodd-Frank Act proceeds, NAR will continue to work with Congress and federal agencies to minimize restrictions on seller financing. [NAR Seller Financing Webpage:](http://www.realtor.org/government_affairs/seller_financing/)

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