

NEWSBRIEF: LEGISLATIVE UPDATE

Changing The Installment Sale Rule: We Are Getting Congressional Support!

by Dave Corsi, MREIA Legislative Awareness Chair

On April 22 & 23rd the National Association of Real Estate Investors ascended on our nation's capital for meetings with members of Congress and their staffs. Investors from all over the country came to discuss real long term solutions to the economic problems we are encountering. Two main issues were discussed in detail:

- A) Pending legislation regarding the "Foreclosure Consultant" situation
- B) Garner support for proposed changes in the "Installment Sale" rules

Let's tackle the latter. Current law disallows "dealers," flippers, builders and wholesalers from using the installment sale provision of the IRC on notes that you are holding, if you fall into one of the above categories. **In short, you are not allowed to pay the tax on your gain as you receive the money. Instead, you have to pay it all up front in the year of sale.**

To illustrate, suppose you have a \$30,000.00 profit and you agree to take your profit as follow; \$215.00 per month for 240 months. If you are in the 30% tax bracket you will have to pay \$9,000.00 in the year of sale even though you might only have received a total of \$2,580.00 in year one.

The disallowance of the ability to use Installment sale Tax Reporting was part of the "Tax reform Act of 1986," which incidentally led to the last housing downturn which occurred in the late 1980's.

Two members of Congress, Rep. Bill Pascrell D-NJ and Rep. Peter Roskum R-IL have agreed to co-sponsor and introduce the bill in the House Ways and Means Committee. The House Ways & Means Committee is where bills regarding the tax code originate.

Back to the "Day on the Hill." We broke up into several groups and met with members of Congress who represented the members of that particular group. All told we had over thirty meetings. At each meeting we explained the benefits of allowing the use of installment sale tax treatment.

Over 90% of the Congressmen and their staffs indicated they would support the bill. At every meeting it was stressed to us that if constituents from the Representative's district would contact him and let him know of your support for the bill, it would have a huge positive influence. Soon we will be asking each of you to contact your Congressmen and let them know that you support the bill and why you support it. Explain how it will help you to do more deals, and strengthen the stability of our financial institutions. A win-win for everyone. The best way to contact your Rep. is to do a keyword search online and get either the fax, phone or email and use it! *[Editor's Note: you can also go to www.mreia.com, click on Legislative Corner and then find your representative]*

Several members have told us that the most important point we can make is to show how allowing use of installment sale reporting will increase your real estate business activity, leading to increased revenues to the government.

I cannot stress enough how a change to this one section of the code can make a huge difference in your real estate career and your personal wealth and assets. Opportunities will pop up that you have never dreamed of.

A "perfect storm" is arising. Let's make the most of it. If you have questions or suggestions please contact me thru this site or; pommgt@yahoo.com *Dave Corsi is a Past President of MREIA and has made presentations at MREIA meetings and the Learning Annex. Currently he is the Vice President of our state organization, the NJ Association of Real Estate Professionals.*