

Installment Sale is Introduced

by Dave Corsi, MRELA Legislative Awareness Chair



Earlier this month Congressman Bill Pascrell from New Jersey's 8th District introduced legislation (H.R. 3440) which would allow investors classified as "dealers," (builders, rehabbers, etc.), to elect installment sale tax treatment when selling real estate. If this bill passes and is signed into law, investors will have an incredible opportunity to expand their business by creating notes and mortgages. **Members of both parties are signing on as co-sponsors, which gives it a strong chance at passage.**

Now is the time to ramp up our efforts to ensure passage. Contact your member of Congress and urge them to support and sign up as a co-sponsor of this legislation. Get the word out to fellow investors, and real estate professionals (realtors, title agents, appraisers, builders, rehabbers, contractors to name a few) urging them to do likewise. Keep in mind this is a national issue so do not just limit your thinking to fellow New Jerseyans. Contact acquaintances in other states and ask them to contact their members of Congress as well.

The most effective form of communicating with members are phone calls and emails (personalized- not "form letters). "Snail mail" letters are not as effective, a casualty of the security issues of today's world. You can find out the email and phone numbers for your members of Congress by going to www.house.gov (House of Representatives) and www.senate.gov (Senate) The bill is being introduced in the House Ways & Means Committee.

With Congress in recess and back in their districts, many of whom are holding town hall meetings we have a great opportunity to ask them in person to support this bill, and ask them who you can follow up with on their staff.

Below is the press release heralding the bill's introduction.

Pascrell Introduces Legislation Aimed At Aiding Real Estate And Construction Industries By Reversing A 1986 Tax Law Provision

Bill would give property sellers to pay taxes on sale proceeds received in monthly installments.

WASHINGTON – U.S. Rep. Bill Pascrell, Jr. (D-NJ-8) today introduced legislation that would restore the "Installment Sale Tax Method" (H.R. 3440) to allow real estate dealers and other property sellers to retain more of their cash in a given tax year. The 1986 tax laws prohibited the installment sale tax method and required property sellers to pay taxes on the total proceeds of the sale during the tax year the sale occurred.

Because most real estate sales are financed, the property seller is usually paid in monthly installments. Therefore, the seller has not received all of the sale proceeds in the same tax year as the property sale, Pascrell said. This legislation would give sellers the option of paying their taxes the same way they are getting paid: on a monthly basis.

"To tax someone on a profit that hasn't been fully realized can financially hamstring a person by depleting his or her cash resources," said Pascrell, a member of the House Ways and Means Committee, which determines the nation's tax policies.

"This change in the law will benefit real estate dealers and developers, but I'm also thinking about the hard-working family that is looking to unload a property left behind by a departed loved one," Pascrell said. "They should have the ability to choose the tax-payment option that works best for them." Pascrell added that the Installment Sale Tax Method could help would real estate dealers create a solid predictable cash flow to even out their fluctuating business cycles.

The option would also encourage property rehabilitators to revitalize neglected areas, thereby created jobs, economic growth and increased property values in affected communities. The increases in tax revenue would be to the benefit of all who use government services.