



August 2, 2022

The Honorable Charles E. Schumer
Senate Majority Leader
S-221 Capitol Building
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
S-230 Capitol Building
Washington, DC 20510

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the more than 140,000 members of the National Association of Home Builders (NAHB), I am writing to express our opposition to the Inflation Reduction Act of 2022. The legislation fails to address housing affordability and ease the inflationary pressures on housing, argue D E O \ W K H n o n e m o n e c o n o m i c c o n c e r n . The proposed changes impacting the taxation of real estate and new building and energy code requirements would be detrimental to the housing industry.

Housing costs account for 40% of the Consumer Price Index (CPI). With home prices and rents rising even faster than inflation, rising interest rates, and a growing scarcity of both entry-level owner-occupied housing as well as affordable rental units, Americans are being squeezed hard. Rent inflation increased in June at the fastest pace since 1986, yet the bill fails to include any resources to expand the supply of housing, including badly needed affordable rental housing.

The taxation of a capital gain due to a carried interest is an important issue for the real estate industry and particularly for the multifamily housing sector. Despite efforts to lessen the impact of the new carried interest rules on real estate, the bill includes substantial changes that will affect real estate, including how the holding period is calculated, as well as indirect effects to the treatment of Section 1231 gains. These changes will affect existing real estate partnership agreements at a time when housing has entered an industry recession, putting financial stress on projects already experiencing significant construction challenges due to rising building material prices.

NAHB supports the long-term extensions included for many of the existing energy tax incentives. However, we oppose leveraging the tax code to expand prevailing wage requirements, which will have inflationary effects across a range of industries. NAHB also opposes the structural changes made to the Section 45L new energy efficient home tax credit. Energy efficiency will not be served by relying on Energy Star for New Residential Construction as the sole means to qualify for the 45L tax credit.

