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April 25, 2017

The Honorable David Brat
Chairman
House Small Business Committee
Subcommittee on Economic Growth,
Tax, and Capital Access
1628 Longworth House Office Building
Washington, DC 20515

The Honorable Dwight Evans
Ranking Member
House Small Business Committee
Subcommittee on Economic Growth,
Tax, and Capital Access
1105 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brat and Ranking Member Evans:

On behalf of the more than 1.2 million members of the National Association of REALTORS® (NAR) and its affiliates the CCIM Institute, the Institute of Real Estate Management (IREM), and the REALTORS® Land Institute (RLI), thank you for holding this hearing, "Small Business: The Key to Economic Growth." NAR has always had a close relationship with the small business community - most REALTORS® are themselves small business owners, and small businesses make up a large portion of commercial REALTORS® clientele.

Small businesses are crucial to growing and maintaining a strong national economy. Despite this, many owners struggle to access the capital they need to start or grow their businesses, due to onerous compliance regulations placed on lenders and competition with large corporations for the same pool of capital. Regional and community banks, often best suited to lend to a local small business, especially struggle under the weight of the compliance burden placed on them by multiple regulatory frameworks. Though these regulations have a noble goal, they are frequently overly broad and redundant, causing lenders to spend more time and capital complying with them than they do providing loans to their communities. In addition to relieving the regulatory burdens, Congress should continue the work it started with the Jumpstart Our Business Startups (JOBS) Act of 2012, and explore ways to encourage responsible growth in the alternative lending market. As lending for small businesses and commercial real estate remains tight, especially in smaller markets, alternative lending sources could alleviate some of the issues that these businesses face getting credit.

Congress must also preserve those sections of the Internal Revenue Code that are crucial to the creation and preservation of businesses and jobs in the U.S. In particular, like-kind exchanges under section 1031, which allow taxpayers to exchange business and investment property for like-kind property, must be retained in any tax reform legislation. Like-kind exchanges are a critical tool for equity building for small businesses, reducing the need for third-party financing. As mentioned above, small businesses have less access to capital markets, and often struggle to obtain financing from banks and traditional lenders. Like-kind exchanges help them grow organically, without overreliance on debt and leverage. Because owners are able to reinvest all of their equity without reduction for taxes, they put more of it into their transactions. Thus, properties acquired in a like-kind exchange are subject to a much smaller overall debt burden.

Again, thank you for holding this hearing. NAR looks forward to continuing to work with you on this important issue.

Sincerely,

William E. Brown
2017 President, National Association of REALTORS®



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cc: House Subcommittee on Economic Growth, Tax, and Capital Access