

March 23, 2022

Chair Nelson and Members of the Senate Taxes Committee:

Thank you for the opportunity to submit written testimony on SF 3692, the Governor's tax bill.

Minnesota Realtors® (MNR) was founded in 1919 and is a statewide business trade association with a membership of over 21,000 real estate professionals working with buyers and sellers of all types of property in every corner of the state.

MNR supports federal conformity for the exclusion of discharge of indebtedness on qualified principal residence (mortgage debt cancellation relief) provision in Article 1 (Federal Update).

Mortgage debt cancellation tax relief provides homeowners, who have had some portion of their mortgage debt forgiven by a lender through a short-sale, foreclosure, or a principal reduction, relief from having that forgiven debt treated as "income" and taxed.

In 2021, 0.8% of closed sales in Minnesota were "lender-mediated," which means homes that were in the pre-foreclosure process, already bank-owned, or were subject to a lender-approved short sale.

The relatively small number of "lender-mediated" sales in 2021 is a byproduct of the current housing market, which has a serious and chronic lack of housing supply that is dramatically short of the 6 months of inventory that is necessary for the market to be well-balanced between buyers and sellers.

Finally, MNR does not believe taxing the discharged debt of a homeowner is an appropriate public policy and would support adopting a permanent Minnesota exclusion instead of treating this as a conformity item.

Thank you again for the opportunity to provide written testimony on SF 3692.

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®