

Support Community Growth -- Oppose the Tax Hike on Real Estate

May 19, 2010

Member
United States House of Representatives
Washington, DC 20515

RE: Reject Carried Interest Tax Hike

Dear Representative:

You soon will be asked to vote on the Promoting American Jobs and Closing Tax Loopholes Act of 2010. This legislation includes a dramatic tax increase on real estate -- carried interest. Congress is proposing a permanent tax on real estate to pay for 40-plus temporary tax incentives.

Proponents of the carried interest pay-for to raise taxes on real estate partnerships claim the bill is not targeted at real estate. But, in fact, the bill would:

- Hurt real estate partnerships large and small, which own more than \$1 trillion worth of commercial real estate and are key drivers of job creation by raising their taxes by 150%;
- Further erode property values and tax revenues at the local level — requiring deeper cuts in essential public services such as police and fire protection, education and health care;
- Jeopardize pension fund investments in real estate partnerships, which would put at risk the retirement savings of millions of ordinary Americans;
- Further deepen the liquidity and refinancing crisis in commercial real estate

Last week, in a letter to Chairmen Baucus and Levin, the U.S. Conference of Mayors stated their opposition to using carried interest tax increase on real estate as a pay-for to the Extender package. The organization, a non-partisan organization representing more than 1200 cities with populations of 30,000 or more from across the country, cautions that the tax on carried interest would "disproportionately impact the commercial and multi-family real estate industry." The letter also stated; "Furthermore, higher capital gains rates will cause real estate owners to hold on to properties longer. The result of this behavior will lower tax revenues at the federal, state and local levels and limit opportunities for redevelopment of underutilized properties, hindering job creation."

Further, the Congressional Oversight Panel is “deeply concerned” that the weak state of commercial real estate could cause a new wave of losses, “particularly for the nation’s mid-size and smaller banks.” It calls on policymakers to take “coordinated action” — or “the financial crisis will not end.”

We strongly urge all Members of Congress to vote “NO” to “carried interest tax hike on real estate and “YES” to protecting workers, retirees, local communities and economic recovery. Thank you.

American Hotel & Lodging Association
American Resort Development Association
American Seniors Housing Association
Building Owners and Managers Association International
CRE Finance Council
Council for Affordable and Rural Housing
International Council of Shopping Centers
NAIOP, The Commercial Real Estate Development Assn.
National Apartment Association
National Association of Home Builders
National Association of Real Estate Investment Managers
National Multi Housing Council
The Real Estate Roundtable