

December 13, 2016

The Honorable Paul Ryan  
Speaker  
House of Representatives  
U.S. Capitol, H-232  
Washington, DC 20515

The Honorable Kevin Brady  
Chairman  
House Committee on Ways and Means  
1106 Longworth House Office Building  
Washington, DC 20515

Dear Speaker Ryan and Chairman Brady:

As you prepare your legislative agenda for 2017, the undersigned national real estate organizations write to share our high-level comments about tax reform and commercial real estate. These comments reflect our early, big picture thoughts, which we will supplement with more detailed comments on specific provisions as legislation moves forward.

From property values to jobs to retirement savings, real estate is deeply interwoven in the U.S. economy and the American experience. Great care must be taken when changing tax rules for long-lived real estate assets, or serious unintended consequences could result. We appreciate the opportunity to work closely with you as the process unfolds.

Among its vast economic contributions, real estate employs nearly 13 million Americans in a wide range of well-paying jobs; provides the physical space for trillions of dollars in transactions, goods and services; and plays a central role in broad-based wealth creation and savings for investors large and small, from homeowners to retirees with indirect investments in real estate via their pension plans. Taxes derived from real estate ownership and transfer represent the largest source — in some cases approximately 70% — of local tax revenues, helping to pay for schools, roads, law enforcement and other essential public services. Over \$300 billion is invested in real estate and real estate-backed investments by tax-exempt organizations (pension funds, foundations, educational endowments and charities).

Our Nation's tax laws should be revamped and restructured to unleash entrepreneurship, investment, capital formation and job creation. At the same time, comprehensive tax reform should be undertaken with caution, given the potential for tremendous economic dislocation. Tax policy changes that affect the owners, developers, investors and financiers of commercial real estate will significantly impact the U.S. economy, potentially in unforeseen ways. We believe the four principles below should guide and inform your efforts to achieve a significant, pro-growth overhaul of the nation's 70,000-page tax code:

- Tax reform should encourage capital formation (from domestic and foreign sources) and appropriate risk-taking, while also providing stable, predictable, and permanent rules conducive to long-term investment;
- Tax reform should ensure that tax rules closely reflect the economics of the underlying transaction — avoiding either excessive marketplace incentives or disincentives that can distort the flow of capital investment;

- Tax reform should recognize that, in limited and narrow situations (*e.g.*, low-income housing and investment in economically challenged areas), tax incentives are needed to address market failures and encourage capital to flow toward socially desirable projects; and
- Tax reform should provide a well-designed transition regime that minimizes dislocation in real estate markets.

Rational taxation of real estate assets and entities will support job creation and facilitate sound, environmentally-responsible real estate investment and development, while also contributing to strong property values and well-served, livable communities.

Because commercial real estate is so ubiquitous, it is sometimes easy to overlook its positive connection to our nation. Commercial real estate is where America lives, works, shops, plays and invests. The right tax policy can help commercial real estate: create and maintain jobs, lift retirement savings for Americans, reduce energy consumption, and improve the quality of life in local communities.

We appreciate your consideration of these comments and look forward to working with you, cooperatively, as tax reform moves forward.

Sincerely,

American Hotel & Lodging Association  
 American Resort Development Association  
 American Seniors Housing Association  
 Appraisal Institute  
 The Building Owners and Managers Association (BOMA) International  
 Commercial Real Estate Finance Council  
 International Council of Shopping Centers  
 Mortgage Bankers Association  
 NAIOP, the Commercial Real Estate Development Association  
 National Apartment Association  
 National Association of Home Builders  
 National Association of Real Estate Investment Trusts  
 National Multifamily Housing Council  
 The Real Estate Roundtable

CC:

Members of the House Committee on Ways and Means  
 Members of the Senate Committee on Finance  
 Majority and Minority Leaders of the House of Representatives  
 Majority and Minority Leaders of the Senate