

July 9, 2011

The Honorable John Boehner  
Speaker of the House  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
Washington, DC 20515

Dear Speaker Boehner and Minority Leader Pelosi:

On behalf of the millions of taxpayers that comprise the commercial real estate community, we are registering our strong opposition to modifying the current-law tax treatment of carried interest and respectfully request that you oppose efforts to include a tax increase on carried interest in any agreement to increase the federal debt ceiling.

While some claim that dramatically changing the tax on "carried interest" is something that would only affect hedge fund managers, that is not the case. In fact, the carried interest tax increase would squarely hit commercial real estate, since 46% of all investment partnerships in America are real estate and the vast majority of them use a carried interest structure.

Carried interest has been used in the commercial real estate industry for several decades as an investment model for taking on the risks and liabilities associated with real estate projects, such as environmental concerns, operational shortfalls, construction delays and loan guarantees. Furthermore, carried interest proposals similar to those previously considered would effectively be retroactive with partnerships, including family partnerships and LLCs, which may have been in existence for decades, losing the capital gains treatment on the carried interest, effectively devaluing all applicable existing properties. This scenario is exactly what occurred after enactment of the Tax Reform Act of 1986, which subsequently caused a meltdown in commercial real estate.

The commercial real estate industry is also deeply concerned about the impact this proposal will have on our communities. A tax increase on real estate partnerships will limit future economic development projects and slow the creation of desperately needed jobs. It is for this reason that the U.S. Conference of Mayors and National Association of Counties have opposed this tax increase.

As you and your colleagues continue the negotiation process to increase the debt limit, we implore you to reject consideration of the proposed tax increase on carried interest because of the unintended consequences associated with this policy. Simply put, increasing the tax on carried interest will hurt entrepreneurship, investment in communities and job creation in commercial real estate at a time when the economy is still struggling under the weight of a 9.2% unemployment rate.

Sincerely,

International Council of Shopping Centers  
NAIOP-The Commercial Real Estate Development Association  
National Multi Housing Council / National Apartment Association  
The Real Estate Roundtable  
CCIM Institute  
Institute of Real Estate Management  
Realtors Land Institute  
Society of Industrial and Office Realtors  
Building Owners and Managers Association  
CRE Finance Council  
Appraisal Institute  
American Resort Development Association