March 28, 2014

Senator Ron Wyden
Chairman
Senate Committee on Finance
215 Dirksen Senate Building
Washington, DC 20510

Senator Orrin G. Hatch
Ranking Member
Senate Committee on Finance
215 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Wyden and Ranking Member Hatch:

As the Senate Finance Committee prepares legislation to extend a number of expired tax provisions, we urge you to include several real estate-related provisions that contribute to job creation, capital formation, and long-term investment.

In addition to supporting productive real estate activity and the broader economy, many of the provisions below advance important social objectives. Collectively, the measures help create healthy communities by supporting affordable housing, encouraging new public-private partnerships in blighted areas, and incentivizing energy-efficient building practices. The Finance Committee's tax extender legislation should include an extension of the following expired provisions:

- **15-Year Depreciation of Leasehold Improvements.** Tenants in a commercial property frequently "build out" the space to serve their individual needs. For several years, Congress has recognized that the economically useful life of most leasehold improvements is much shorter than the applicable 39-year depreciation period. In the interest of simplicity and administrability, rather than tying depreciation to the life of the lease, Congress created a 15-year depreciation rule for leasehold improvements. The provision aligns the depreciation rule more closely with the actual life of the tenant's build-out.

- **Energy Efficient Commercial Buildings Deduction.** Improving the energy efficiency of buildings is the most cost-effective means available for moving the nation toward energy independence and energy security. Section 179D encourages building owners to install high performance heating, lighting, windows, roofs, and other systems by accelerating the cost recovery of the upfront investment. The provision should be extended with modifications that unleash its full potential by facilitating building retrofit projects.

- **New Markets Tax Credit (NMTC).** By providing a modest incentive to investors in low-income and blighted communities, the NMTC increases the flow of capital to otherwise neglected areas. The community revitalization efforts stimulated by the NMTC have leveraged private capital to bring new mixed-use developments, hospitals, schools, manufacturing facilities, and other businesses to distressed communities. In its short history, the NMTC has created hundreds of thousands of construction and permanent jobs and should be extended.

- **Low-Income Housing Tax Credit (LIHTC) -- Minimum 9 Percent Credit.** The LIHTC is one of the most successful and efficient programs financed by the federal government because it relies on the power of market forces and private investment to fill a critical social need, access to affordable housing. In 2008, Congress created a fixed floor credit rate (9 percent) for new construction and substantial rehabilitation projects. Because the minimum credit simplifies credit administration and removes some of the uncertainty and risk associated with a floating rate credit, it should be extended.

- **New Energy Efficient Home Credit.** Improving the energy efficiency of new residential construction is another cost-effective way to move the United States closer to energy independence. Because the tax credit for new energy efficient homes (Section 45L) encourages sustainable and efficient construction methods and helps address the market failure that can occur when the developer or owner of a home does not bear the direct costs of a home's energy consumption, it should be extended.

- **Election to Expense Certain Qualified Real Property.** By allowing small businesses to expense the costs of acquiring or improving certain real property used in an active trade or business, section 179(f) helps mitigate the tax distortions that discourage productive investments in buildings and structures. Extending section 179(f) -- which can be used with respect to leasehold improvements, restaurants, and retail improvements -- will stimulate capital investment and encourage property improvements and upgrades that create jobs and generate economic activity.

- **Expensing of Brownfields Remediation Costs.** Until recently, taxpayers could deduct environmental remediation expenditures incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site ("brownfield"). Congress's stated rationale for the expensing of brownfields remediation costs – that it promotes the goal of environmental remediation and promotes new investment and employment opportunities by lowering the net capital cost of a development project – remains true today, and the provision should be extended.

All of these provisions have a significant influence on market dynamics, business decisions, and real estate investment. Failure to extend any of them would have real negative consequences for the working Americans whose jobs and livelihoods flow from the economic activity the provisions generate. We respectfully urge you to include them in your tax extenders legislation.

Sincerely,

The Real Estate Roundtable
American Hotel & Lodging Association
American Institute of Architects
American Land Title Association
American Resort Development Association
Appraisal Institute
Associated General Contractors of America
Building Owners and Managers Association International
CCIM Institute
Institute of Real Estate Management
International Council of Shopping Centers
Leading Builders of America
NAIOP, Commercial Real Estate Development Association
National Apartment Association
National Association of Home Builders
National Association of Real Estate Investment Trusts
National Association of REALTORS®
National Multifamily Housing Council
Society of Industrial and Office REALTORS®

CC: Members of the Senate Committee on Finance