January 26, 2024

Member of Congress:

The undersigned real estate trade associations write to express our strong support for *H.R. 7024, The Tax Relief for American Families and Workers Act of 2024* (the "Act"). We urge you to vote in favor of this legislation when it is considered by the full House of Representatives. The bill, which the Committee on Ways and Means approved by an overwhelming bipartisan 40-3 vote on January 19, would increase the availability of Low-Income Housing Tax Credits (LIHTC) to spur the production of more critically needed affordable housing units, as well as suspend certain tax increases on business investment that took effect in 2022 and 2023. The passage of H.R. 7024 will help increase the supply of housing across the country and have a positive impact on the housing affordability crisis.

Low-Income Housing Tax Credit: The LIHTC program is a public/private partnership that leverages federal dollars with private investment to produce affordable rental housing and stimulate new economic development in many communities. We strongly support the provisions included in H.R. 7024 to augment credit authority by 12.5 percent between 2023 and 2025, as well as to reduce the private activity bond financing threshold to 30 percent from 50 percent in 2024 and 2025, which is required to receive the full amount of 4 percent LIHTCs. These provisions would create over 200,000 new multifamily units, including seniors housing, and represent a critical step toward addressing this nation's affordable housing supply crisis.

We also strongly support the provisions included to address the deductibility of business interest, extend 100 percent bonus depreciation, and increase small business expensing. Each of these provisions would enhance investment in the real estate industry and would work as follows:

Deductibility of Business Interest: In real estate and other capital-intensive industries, borrowing is a practical necessity, and interest costs are an ordinary and normal business expense required to operate, invest, and grow. The *Tax Cuts and Jobs Act* limited the deductibility of business interest while simultaneously providing temporary and partial relief from those limits. The provision in effect from 2018 through 2021 used a broader definition of earnings (EBITDA) for purposes of the rule that limits deductible business interest to 30 percent of earnings. Since 2022, a more restrictive definition (EBIT) has artificially reduced earnings by certain accrued, non-cash expenses: depreciation and amortization. The Act reinstates the original EBITDA definition and extends it through 2025. Reinstating the provision will allow many real estate businesses to deduct fully their business interest without operating under separate and more restrictive rules that allow a real property trade or business to fully deduct business interest in exchange for longer cost recovery periods.

Extending the EBITDA standard for interest deductibility would allow real estate firms to deduct additional business interest before having to decide whether to opt out of limits on interest deductibility and accept longer depreciation periods on multifamily properties. With interest rates far higher than in recent years, real estate firms are paying much more in interest. Forcing a tradeoff between fully deducting business interest and longer depreciation periods of real estate buildings does not benefit development at a time when we need every new housing unit possible.

Bonus Depreciation: The Act would extend 100 percent bonus depreciation through 2025 to enable taxpayers to deduct the full cost of certain capital investments with a class life of 20 years or less (e.g., equipment and machinery) included in multifamily buildings. Under current law, 80, 60, and 40 percent bonus depreciation are available in 2023, 2024, and 2025, respectively. The proposal retains 20 percent bonus depreciation for 2026.

Small Business Expensing: Under current law, small businesses may expense $1.22 million in qualifying property as opposed to having to recover costs through depreciation. The limit is reduced by the amount by which investment exceeds $3.05 million. Both amounts are adjusted annually for inflation. The proposal would increase the expense limit to $1.29 million and the phase-out threshold to $3.22 million in 2024 and increase those amounts by inflation in subsequent years.

Bonus depreciation and small business expensing enable real estate firms to immediately expense qualifying property placed into buildings. This helps to promote investment in properties and can benefit both new properties and the rehabilitation of existing properties. These investments ensure residents and real estate tenants have the best possible place to call home and the most productive facilities in which business is conducted.

We thank you for your recognition of the real estate industry's importance to families, workers, and our national economy, and urge you to vote in favor of *The Tax Relief for American Families and Workers Act of 2024*.

Sincerely,

American Land Title Association
American Seniors Housing Association
CCIM Institute
Commercial Real Estate Finance Council
Council for Affordable and Rural Housing
Housing Advisory Group
ICSC
Institute of Real Estate Management
Manufactured Housing Institute
Mortgage Bankers Association
NAIOP, the Commercial Real Estate Development Association
Nareit
NATIONAL ASSOCIATION OF REALTORS®
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Residential Property Managers
National Housing & Rehabilitation Association
National Leased Housing Association
National Multifamily Housing Council
Stewards of Affordable Housing for the Future
The Real Estate Roundtable