

June 20, 2025

The Honorable John Thune  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Mike Crapo  
Chairman, Senate Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Majority Leader Thune and Chairman Crapo:

We are writing on behalf of the members of the National Multifamily Housing Council (NMHC), the National Apartment Association (NAA), and the Real Estate Technology and Transformation Center (RETTCC) to express our strong support for many of the provisions in the Senate Finance Committee's tax reconciliation proposal. However, we also write to ask that the full Senate revisit proposals that would: (1) limit the ability of multifamily partners and S corporation owners to fully deduct pass-through entity taxes; and (2) potentially increase taxes on certain foreign entities investing in the United States, including those providing capital to domestic multifamily housing, which, as drafted, will undermine the production of new housing opportunities.

Our nation faces a housing affordability crisis brought about by insufficient supply. The Senate Finance Committee's tax reconciliation proposal would enhance and make permanent critical tax provisions on which the owners, developers, and managers of multifamily housing rely. Additionally, the proposal includes several other tax incentives that would boost investment in rental housing and enhance affordability. Specifically, we applaud the inclusion of the following provisions:

- Permanent extension of the current-law rate structure applicable to ordinary income and the Section 199A deduction for qualified pass-through income and REIT dividends.
- Permanent expanded authority under the Low-Income Housing Tax Credit (LIHTC) by 12 percent and reducing the private activity bond financing threshold to 25 percent from 50 percent.
- Permanent extensions of both 100 percent bonus depreciation and the reduced limitations on the deductibility of business interest, as well as the Opportunity Zones modifications.
- Increase in the estate tax exemption amount to \$15 million.

We do have strong concerns about the proposed limitation imposed on the ability of partners and S corporation owners to fully deduct pass-through entity taxes. Although we are grateful that property taxes allocated to such taxpayers remain fully deductible, the new limitation will lead some multifamily partners in partnerships and owners of S corporations to lose deductions for income taxes paid at the state level. This represents a tax increase on such taxpayers, which is not imposed on C corporations. The proposal will mean that affected multifamily taxpayers will have fewer resources to invest in developing and managing apartment homes, thereby further limiting housing production.

Additionally, the Senate Finance Committee's legislation includes a proposal that would potentially increase taxes on certain foreign entities investing in the United States, including those providing

capital to domestic multifamily housing. While we recognize that this provision is designed to protect the United States against certain taxes imposed by foreign countries and appreciate that it includes a delayed effective date relative to its House-passed counterpart, we remain concerned that this proposal will inadvertently lead to a reduction in foreign investment in the creation of new housing in the United States, with overseas entities simply deploying their capital elsewhere. The multifamily industry depends on capital to construct, finance, and operate housing for our residents. Given the nation's housing shortage and capital being the lifeblood of our industry, we respectfully ask the Senate to modify this proposal to exempt non-controlling investments in U.S. real estate, regardless of whether those investments are made through equity or debt.

At a time when housing providers face increasing pressure to meet booming demand, tax policy should lead the way by being predictable and supporting investment in rental housing. We believe the Senate Finance Committee's tax reconciliation proposal reflects these principles in many respects but request that, in order to better ensure more housing construction, the full Senate retain the ability of taxpayers to fully deduct all pass-through entity taxes at the partner and S-corporation owner level, as well as avoid inadvertently diverting foreign capital from investment in the multifamily industry.

Sincerely,



Sharon Wilson Géo  
President  
National Multifamily Housing Council



Robert Pinnegar  
President & CEO  
National Apartment Association



Kevin Donnelly  
Executive Director and Chief Advocacy Officer  
Real Estate Technology & Transformation Center