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## Unintended Economic Consequences.

Mar. 23, 2013

With congressional tax-writers intensifying their efforts to overhaul the U.S. tax code, The [Real Estate Roundtable](#) is urging a pro-growth approach to reshaping the nation's tax laws that recognizes commercial real estate's economic contributions and includes appropriate "transition rules" to help minimize disruptions to real estate and other economic sectors.

"The nation's tax laws need to be revamped to unleash entrepreneurship, investment, capital formation and job creation," Roundtable President and CEO Jeffrey D. DeBoer stated in his letter today to House Ways & Means Committee Chairman Dave Camp (R-MI).

"But this process poses risk and, therefore, it must be undertaken with great care," he added. "We urge the Ways and Means Committee to be mindful of how proposed changes in commercial real estate taxation can dramatically affect the health of the U.S. economy, jobs, retirement savings, lending institutions, pension funds, and, of course, local communities."

As an example of the unintended consequences of tax reform, DeBoer noted the destabilizing effect of the 1986 Tax Reform Act on commercial real estate values, financial institutions and tax bases — due largely to significant policy changes that were applied to pre-existing real estate investments. "It took years for the overall industry to regain its productive footing, and certain aspects of the economy never recovered," DeBoer wrote.

The Roundtable letter also called on tax-writers to recognize commercial real estate's historic role as a driver of broader U.S. economic growth. Commercial real estate is

both a major contributor to — and a reflection of — the U.S. economy.

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education and law enforcement. Additionally, more than \$300 billion is invested in real estate and real estate-backed investments by tax-exempt organizations such as pension funds and educational endowments. America's commercial real estate is also supported by over \$3 trillion in debt held by commercial banks, life companies, pension funds and fixed-income investors who purchase commercial mortgage-backed securities (CMBS).

As broad general tax reform guidelines for commercial real estate, The Roundtable letter suggested a roadmap that:

Promotes economic growth across all sectors of the economy  
Is relatively simple, or at least simpler than today's system  
Assures predictability for long-term investment  
Treats real estate consistently with other types of businesses  
Refrains from giving new real estate activities an advantage over existing ones  
Provides for a reasonable transition regime that minimizes dislocation in real estate markets

The Real Estate Roundtable will follow up this overview of the commercial real estate industry and tax reform with more specific comments and recommendations to various Ways and Means Committee tax reform working groups. In particular, The Roundtable intends to provide comments to the following working groups: real estate; energy; international; small business/pass-throughs; and debt, equity and capital.

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