

NAREIM

Real Estate Investment Managers

Honorable Max Baucus
Chairman
Senate Finance Committee
Washington, DC 20510

May 21, 2010

Honorable Charles Grassley
Ranking Member
Senate Finance Committee
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley:

We are contacting you to express our strongest opposition to the carried interest tax provision contained in the Promoting American Jobs and Closing Tax Loopholes Act of 2010.

The carried interest taxation is a perilous tax law change for our industry. If enacted, it would represent the largest tax increase for real estate in more than 20 years – since the Tax Reform Act of 1986 – and affect over one million partnerships across the country. Moreover, the change would come at the worst possible time as the industry and the economy continue to struggle to recover.

The National Association of Real Estate Investment Managers (NAREIM) is the leading association for companies engaged in the real estate investment management business. Our membership consists of entrepreneurial and institutional firms that include real estate fund and separate account managers, REITs and insurance companies.

NAREIM members manage separate accounts, sponsor funds and other real estate investment programs as well as develop and manage the assets in which they invest. They serve the investment goals of public and corporate pension funds, foundations, endowments, insurance companies and individuals — domestic and foreign. Collectively, NAREIM members manage over \$1 trillion of real estate investment assets, debt and equity, around the world.

The carried interest tax is portrayed as a tax fairness measure. The inequity cited is that highly compensated Wall Street money managers, through some sort of “tax loophole”, are converting their compensation into capital gain while “regular” employees pay tax at ordinary tax rates on theirs. This is an unfair characterization.

The characterization of the issue by the media and proponents is not accurate in either scope or substance. This is not an investment structure used by a few sophisticated Wall

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Street financiers. It would affect countless investment partnerships engaged in all manners of business.

In real estate, it will affect everyone from the largest to the smallest entrepreneurs. Real estate partnerships of all sizes have used the carried interest structure for the last several decades. It isn't a tax loophole, and it isn't limited to Wall Street. It's the way private real estate investment is made and the way real estate entrepreneurs are given a piece of the upside, if they make the investment successful. In the real estate business, success is defined as capital appreciation in the property. This capital appreciation is long-term capital gain for all partners under current law.

In the interest of the commercial real estate industry and the greater economy, both of which are in dire need of capital formation and job creation, we urge you not to impose the carried interest tax.

Respectfully,



Stephen M. Renna
President