

APARTMENTS

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TAX REFORM: GETTING IT RIGHT

Lawmakers are calling for reform of the nation's overly complex tax code to foster economic competitiveness and economic growth. Much is potentially at stake for the apartment industry and its ability to meet the nation's housing needs given that apartment firms pay tax when they build, operate, sell or transfer communities to their heirs. We support tax reform that promotes economic growth and investment in rental housing without unfairly burdening apartment owners and renters relative to other asset classes.

KEY TALKING POINTS

- **Tax reform should protect flow-through entities** (e.g., LLCs, partnerships, S Corporations, and sole proprietorships) that enable the apartment industry to house 37 million Americans and are taxed at individual tax rates.
 - **More than 75 percent** of multifamily firms are flow-through entities.
 - **Flow-through entities** should not pay for a tax cut for large corporations.
- **Like-kind exchanges must be preserved** because they encourage property owners to remain invested in real estate and provide the flexibility to shift resources to more productive properties.
- **Retaining the business interest tax deduction allows the apartment industry to obtain the debt financing** necessary for large-scale projects. Curtailing this deduction may curb development activity and prevent apartment developers from supporting the more than 700,000 related jobs and contributing \$92.6 billion to the U.S. economy.
- **Depreciation rules that do not reflect the economic life of a building would result in** less development and investment, lower real estate values and would stifle the industry's ability to create new jobs.
 - **Congress should not lengthen** the current-law 27.5-year depreciation period for multifamily buildings or increase the 25 percent depreciation recapture tax rate.
- **The Low-Income Housing Tax Credit Program should be defended** because it is a vital source of affordable housing and one of the most successful public-private partnerships in our modern era.

SPECIFIC REQUEST

Support pro-growth tax reform by:

- **Protecting** flow-through entities;
- **Maintaining** like-kind exchanges;
- **Retaining** the deduction for business interest;
- **Ensuring** depreciation rules avoid harming real estate; and
- **Preserving** the Low-Income Housing Tax Credit.

