The Real Estate Roundtable

PRESIDENT'S ADVISORY BOARD ON FEDERAL TAX REFORM

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February 18, 2005

The Honorable Connie Mack, Chair
The Honorable John Breaux, Vice Chair
The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue, NW
Suite 2100
Washington, DC 20220

Dear Senator Mack and Senator Breaux:

I am pleased to submit to the Advisory Panel the enclosed report prepared by the accounting firm of Deloitte entitled "Tax Reform: An Introduction to the Options and Their Effects on Real Estate". The Real Estate Roundtable commissioned this report in order to gain a better understanding to the leading tax system reform options and how they might generally affect the real estate industry.

The Real Estate Roundtable is a federal policy organization comprised of the chief executive officers of the leading real estate companies in the country and the elected leaders of the major real estate trade associations. We believe this report will be of benefit to the Advisory Panel in fostering an appreciation of the big picture tax and economic effects each of these tax reform options could have on investment real estate owners, homeowners, investors and lenders.

Real estate is a vital sector of our economy. According to the Bureau of Economic Analysis, in 2001 real estate's contribution to the Gross Domestic Product was $2.9 *trillion*, almost one-third of our nation's total GDP. Real estate asset values today are nearly $5 *trillion*. We urge the Advisory Panel to consider carefully how real estate, both commercial and residential, is affected by the various tax reform options as it shapes its final recommendations to President Bush.

The report does not draw concrete conclusions about the various tax reform proposals since their details are too few to analyze and it would be premature to do so at this point. However, the report effectively demonstrates that fundamental tax reform will mean major changes for real estate -- some positive and some negative.

For certain, no matter what system is adopted, of paramount importance for real estate is that there be adequate transition rules from the old system to the new. Real estate is a long-lived asset and many investments will bridge the current tax system and any new system that is enacted. Transition rules must adequately account for this to avoid market disruption, valuation distortions and unfairness. As Fred Goldberg noted in his February 16, 2005 testimony to the Advisory Panel, "Transition rules matter. The 1986 Act contributed to the sudden and significant declines in real estate values."

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The Real Estate Roundtable looks forward to assisting the Advisory Panel in its mission. We are available to provide you with information in addition to this report and request an opportunity to testify at a future hearing of the Advisory Panel.

If you have any questions or comments, please do not hesitate to contact me or Roundtable Senior Vice President and Counsel Steve Renna. A copy of the Deloitte report also can be provided in electronic form. Thank you.

Sincerely,

Jeffrey D. DeBoer
President and Chief Executive Officer

JDD/lk

Enclosures

cc: Mr. Jeff Kupfer

NAM National Association of Manufacturers

John Engler

President and CEO

FEB 22 2005

February 9, 2005

The Honorable Connie Mack
Chairman
The President's Advisory Panel on Federal Tax Reform
1440 New York Avenue N.W., Suite 2100
Washington, DC 20220

Dear Mr. Chairman:

Congratulations on your appointment as Chairman of The President's Advisory Panel on Federal Tax Reform. Members of the National Association of Manufacturers believe that the current tax code represents a major drag on our economy and strongly support efforts to move towards a simpler and fairer tax code that promotes economic growth.

Because of the importance of this issue to manufacturers, the NAM recently adopted the enclosed principles on tax reform. These principles, which reflect NAM's long-standing policies on fundamental tax reform, will serve as a framework for the NAM to use in evaluating proposals and developments as the tax reform debate moves forward.

On behalf of NAM's 14,000 members, I applaud the Administration's interest in this important issue and your willingness to spearhead this effort. We very much look forward to working with you as the process moves forward.

Sincerely,

John Engler

Enclosure
JE/dc

Senator – let me know how the NAM can be of assistance. The task before you and the Commission is a daunting one!
John

National Association of Manufacturers

NAM Principles on Tax Reform
January 2005

The National Association of Manufacturers applauds the Administration's current efforts to develop proposals to reform the nation's tax laws. The U.S. manufacturing sector accounts for about 13% of GDP and 11% of U.S. jobs. Because of the importance of manufacturing to our nation's economy, NAM supports the thoughtful consideration of an appropriate and timely path to make the tax code fairer and simpler. In developing a tax reform plan, policy makers should be guided by principles that will promote economic growth and job creation. To this end, the NAM offers the following policy guidelines. Specifically, any reform plan should:

- Encourage savings and investment while minimizing the double taxation of corporate earnings;

- Include rules that permit U.S.-based manufacturers to compete on a level playing field in the global marketplace;

- Recognize the important role of research and technology investment in the growth of U.S. jobs and innovation;

- Eliminate both the individual and corporate alternative minimum tax rules, which are inherently complex and unfair;

- Strive to raise the required amount of revenue for the government without distorting a business's decision to invest capital and hire new workers;

- Include broad and strong transition rules that provide fair and equitable treatment for taxpayers who have committed substantial resources based on current law.

- Not result in a net increase in business taxes; and

- Incorporate rules that make it easier for Treasury to administer the law and for taxpayers to comply with the law. Unnecessary complexity is not productive from an economic perspective and undermines taxpayers' confidence in the fairness of the law.