



THE UNITED STATES CONFERENCE OF MAYORS

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May 13, 2010

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The Honorable Sander Levin
Chairman, House Ways and Means Committee
Longworth House Office Building
Washington, D.C. 20515-6348

The Honorable Max Baucus
Chairman, Senate Finance Committee
Senate Dirksen Office Building
Washington, D.C. 20510-6200

Dear Chairman Levin:

Dear Chairman Baucus:

On behalf of the U.S. Conference of Mayors let me first thank you for understanding how critical it is for America's cities that Congress completes its work on the Promoting American Jobs and Closing Tax Loopholes Act in the coming weeks. While this legislation addresses critical concerns that must be resolved, we believe using carried interest and particularly, carried interest used by real estate partnerships, as an offset will have a significant and negative impact to economic development in urban redevelopment zones, with a specific impact on small and medium-sized real estate partnerships. We urge you to seek an alternative offset to the carried interest tax increase on real estate partnerships.

While many believe the carried interest tax proposal was created to provide tax equity between average workers and private equity and hedge fund managers, it will disproportionately impact the commercial and multi-family real estate industry by slowing much needed capital improvements to revitalize America's underserved minority communities. These communities, in particular, rely heavily on private development and risk taking to bring about transformational change to uplift communities across the county.

If this legislation is enacted as currently drafted with the carried interest provision as an offset, a developer's incentive to take on necessary risk associated with real estate development will be greatly diminished. The most precarious aspect of real estate development is acting on the vision to take an empty lot, old building or environmental hazard and efficiently create a new economic center that can enrich a community. The toughest projects, including those in urban centers and environmentally-challenged brownfield sites are likely to be passed over. Furthermore, higher capital gains rates will cause real estate owners to hold on to properties longer. The result of this behavior will lower tax revenues at the federal, state and local levels and limit opportunities for redevelopment of underutilized properties, hindering job creation.

During this challenging economic time, job creation and long-term economic development remain some of the biggest challenges facing many local communities. Please consider the unintended consequences of a carried interest tax increase on real estate partnerships and the communities that they impact. Feel free to contact Larry Jones at 202-861-6709 of the Conference staff if you have any questions.

Sincerely,

Tom Cochran
CEO and Executive Director

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