

Real Estate Industry Fights Tax Proposals Amid Congressional Debates

The industry wants to preserve carried interest and the deductibility of property taxes.

By Erik Sherman

Amid heated debates in Congress over a new tax and fiscal package, the real estate industry is mounting a vigorous defense against proposals that could significantly alter the financial landscape for businesses. The Real Estate Roundtable, alongside 16 other national real estate organizations, has sent a strongly worded letter to members of two key Congressional committees, urging them to reject any proposal to cap or eliminate the deductibility of state and local business property taxes. The proposed cap has been floated by some lawmakers as a potential revenue offset for the broader tax bill.

Jeffrey DeBoer, president and CEO of the Real Estate Roundtable, warned that such a measure would have dire consequences for the country. "It would cause self-inflicted injury to the U.S. economy, including unnecessary job losses, higher rents for families and individuals, and other inflationary pressures," DeBoer claimed.

He further argued that capping property tax deductibility would lower commercial property values, destabilize the banking system, and potentially trigger a recession. The letter from the Roundtable and its allies described the potential damage to commercial real estate as "almost too significant to imagine."

Meanwhile, another contentious issue—the carried interest tax deduction—is also drawing fierce opposition from powerful lobbying groups. The American Investment Council, a private equity lobbying group, has reportedly been circulating memos on Capitol Hill touting private equity's role as a job creator, according to The New York Times. Venture capitalists have been vocal as well, expressing frustration at having to repeatedly "educate lawmakers" about the benefits of maintaining the current rules. Free-market advocacy groups have joined forces with these industry players in urging Congress to maintain the status quo.

"They'll fight tooth-and-nail on any sort of change," Jessica Millett, tax partner at Hogan Lovells, told The New York Times. The carried interest lobby includes major players like Blackstone and the Carlyle Group, alongside trade organizations such as the American Investment Council, the National Venture Capital Association, and the Real Estate Roundtable. These groups have long defended what critics call their "favorite loophole," arguing that it incentivizes investment and fuels economic growth.

Jonathan Choi, a law professor at the University of Southern California, noted that this issue has become a perennial battle for these trade groups. "It's really an evergreen point of contention for these trade groups," Choi told the Times.