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April 8, 2005

The Honorable David Dreier  
United States House of Representatives  
233 Cannon House Office Building  
Washington, DC 20515-0526

Dear Congressman Dreier:

On behalf of The Real Estate Roundtable, I am writing to express our strong support for your bill H.R. 1500, the Investment Tax Simplification Act of 2005. We are extremely appreciative of you introducing this legislation. It would preserve the current 15 percent capital gains tax rate which is set to expire after 2008, and, of particular importance to real estate, lower the current 25 percent depreciation recapture rate for buildings to equate with the capital gains rate.

Achieving capital gain is, of course, one of the pre-eminent goals of real estate ownership and investment. A low tax rate on capital gain enhances the flow of capital to real estate assets and to other job-creating investments throughout the economy. It's natural that investors of all income ranges are more willing to take on the risk of investing in long-term investments — such as income producing real estate — in a low capital gain tax environment.

Real estate is an important driver of the economy and is playing a central role in bringing about a strong, sustained economic recovery. There are more than ten million people involved in virtually every aspect of the real estate business. Real estate accounts for approximately 20 percent of the nation's gross domestic product and contributes well over \$1 trillion to it annually. All types of real estate depend on healthy capital markets. Federal capital gains tax has a significant influence on these markets.

As you clearly recognize, though, the capital gains rate does not cover the entire picture for real estate-related gains. How prior depreciation deductions are taxed, or “recaptured”, on sale is an important element of real estate gain. The industry's position is that gain equal to the difference between original purchase price and the depreciated basis of property is due to market appreciation — not overly generous tax depreciation deductions. Therefore, it should be taxed as capital gain.

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In recent years, however, Congress viewed these gains differently and imposed a 25 percent tax rate on recaptured depreciation. This higher tax disadvantages real estate relative to other investment assets like stocks and bonds since they have no recapture. We fully support your effort to equate the capital gain and recapture tax rates. Until recently, this tax policy prevailed for over thirty years and you are absolutely correct to seek to restore it through H.R. 1500.

Again, we thank you for introducing the Investment Tax Simplification Act of 2005. We will be encouraging all Representatives to co-sponsor H.R. 1500. Please let us know how else we can assist you.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. DeBoer". The signature is fluid and cursive, with the first name being the most prominent.

Jeffrey D. DeBoer  
President and Chief Executive Officer