



# The Real Estate Roundtable

## Spring 2023 Policy Priorities: Executive Summary

The Real Estate Roundtable works with national policymakers everywhere to build a fairer, healthier, and more equitable America.

### Tax Policy

The Roundtable advocates for tax policies that promote capital formation, reward risk-taking, and bolster productive private investment. The U.S. must maintain a competitive tax code grounded in enduring, pro-growth principles to move our economy forward.

#### **Avoid Taxing Unrealized Gains**

Recent proposals to tax unrealized gains would upend over 100 years of federal taxation, require an unprecedented IRS intrusion into household finances, and create unknown and likely unintended consequences for the U.S. economy.

#### **Preserve Like-Kind Exchanges**

Fundamental to the health and financing of commercial real estate, like-kind exchanges helped stabilize property markets at the height of the COVID-19 lockdown and are facilitating a faster and smoother transition to the post-COVID-19 economy as many real estate assets are repurposed.

#### **Reward Capital Formation and Investment**

Maintaining a reduced tax rate on capital gains and carried interest decreases the cost of capital, drives long-term investment, encourages productive entrepreneurial activity, draws investment from around the world, and increases U.S. workforce productivity and competitiveness.

#### **Equitable Tax Treatment of Pass-Through Businesses**

Our pass-through regime is a competitive advantage of the U.S. tax system. Closely-held partnerships and pass-through businesses drive job growth and entrepreneurial activity. Congress should retain the full 20% pass-through business income deduction.

### Capital and Credit

The Roundtable supports public policy that minimizes regulatory burden, supports stable market valuations, offers transparency, and maintains appropriate systemic safeguards to promote the availability of credit and the formation of capital in commercial and multifamily real estate markets.

#### **Addressing the Wave of Maturing CRE Debt**

There are \$1.5 trillion in commercial real estate loans maturing in the next three years. Many of these loans were financed when base rates were near zero. They now need to be refinanced in an environment where rates are much higher, values are much lower, and in illiquid markets. Regulators should give borrowers time to restructure the debt and bring in additional equity.

#### **Corporate Transparency Act**

The Corporate Transparency Act of 2020 (CTA) requires certain corporations and limited liability companies (LLCs) to disclose information about their beneficial owners to the Treasury Department's Financial Crimes Enforcement Network (FinCEN). The Roundtable continues to work with policymakers to support a balanced approach that would inhibit illicit money laundering activity without the imposition of additional, costly reporting requirements on non-bank businesses, especially those in the real estate industry.

#### **Insuring Pandemic Risk**

Pandemic risk is perhaps the largest unhedged risk in the economy. Expanding coverage gaps present challenges for businesses across many industries and could stall economic growth. It is important to close these gaps and protect American jobs and to ensure a sustainable and speedy economic recovery from future pandemics and government-ordered shutdowns.

#### **Reducing Regulatory Compliance Burdens**

The SEC's proposed rules on "Private Fund Advisers" and "Form PF" present significant compliance and operational challenges for private real estate fund sponsors with no added benefit to investors and no relation to the intent of Form PF in monitoring systemic risk. The Roundtable continues to voice concern over the negative impacts of increased regulation on real estate capital formation.



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### Energy and Climate

Real estate companies must reduce carbon emissions to sustain our environment, create jobs, respond to investor demands, and attract employee talent. The Roundtable advocates for national and attainable guidelines, incentives, and data that help our industry progress toward a net zero emissions economy.

#### Clean Energy Tax Incentives

The Inflation Reduction Act (IRA) is the largest federal policy investment ever made to tackle the climate crisis. The IRA substantially revises the federal tax code to leverage greater private sector investment in low-carbon technologies. New and revised tax incentives can help U.S. real estate improve building energy efficiency, deploy solar panels and other renewable power projects, store clean energy so it can be sold back to grid or saved for on-site usage, and expand the nation's fleet of EV charging stations.

#### SEC Proposed Climate Risk Reporting Rule

The SEC is expected to issue a final rule in the coming weeks requiring registered companies to report on "material" climate risks in 10-Ks and other financial filings. The SEC's 2022 proposal called for companies to quantify and disclose both direct and indirect GHG emissions. The Roundtable submitted comments last year urging the SEC not to mandate "Scope 3" reporting, because companies frequently lack the means to collect or confirm emissions data from external sources that they do not control deep in their "value chains."

#### "NextGen" Label for Low-Carbon Buildings

EPA's proposed ENERGY STAR NextGen™ program would create a voluntary building label to recognize low-carbon assets that reduce on-site emissions, use greater amounts of renewable energy, and purchase off-site clean power. EPA could make the new label available later this year. The Roundtable is optimistic that NextGen can foster voluntary, easy-to-implement national guidelines that simplify the confusing patchwork of local law building mandates. We also urge EPA to "pilot" the program in actual buildings before it is released to the marketplace.

### Homeland Security

#### Preparing for and Improving Resilience to Cyber and Physical Threats

The Roundtable continues to work with our Homeland Security Task Force and the Real Estate Information Sharing and Analysis Center (RE-ISAC) on threats facing the industry. We recently commented on proposed federal cybersecurity disclosures—and support the efforts of the Cybersecurity and Infrastructure Security Agency to develop a Continuity of the Economy Plan (COTE) plan in response to a significant event.

### Housing, Infrastructure, and Cities

#### Return to the Workplace

Returning to in-person work is critical for the health of our cities, local economies, tax bases, and small businesses. The Roundtable has been and will continue to be a tireless advocate for policies to get employees back to the workplace.

Failure to return to the workplace is hurting the health and well-being of cities, property values and local tax bases, and small businesses. The White House should follow through on recent guidance directing federal agencies to bring more of their employees back to the office. Federal employers should lead by example and return to their pre-pandemic workplace practices.

#### Expand Affordable Housing Through Tax Incentives and Property Conversions

America's chronic housing shortage is driving up prices and making it more difficult for individuals to find safe, affordable places to live. Innovative policy solutions and incentives to develop and rehabilitate new housing are central to closing this gap.

Affordable housing is critical to America's well-being. The low-income housing tax credit could create and preserve more than two million additional affordable homes, support three million jobs, and generate \$119 billion in sustainable tax revenue. Congress should also consider new tax incentives to convert older, under-utilized buildings to housing and other more productive uses.

#### Investing to Strengthen America's Physical Infrastructure

Our ability to remain globally competitive depends on continued public funding that leverages private-sector investments in our nation's infrastructure. The Roundtable will continue to advocate for consistent investments in our nation's infrastructure to build and rebuild American communities and maintain U.S. competitiveness.

The bipartisan Infrastructure Investment and Jobs Act (IIJA), strongly supported by The Roundtable, represents a historic investment in infrastructure that will enhance how we productively move people, goods, power, and information across homes, businesses, and communities. Policymakers should consider this a down payment for future funding and grant process reforms.

