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April 29, 2010  
The Honorable Harry Reid  
United States Senate  
522 Hart Senate Office Building  
Washington, DC 20510

Re: Oppose Carried Interest Tax Increase

**Chair and Chief Elected Officer**  
**James A. Peck, RPA, FMA**

CB Richard Ellis  
Albuquerque, NM

**Chair-Elect**  
**Ray H. Mackey, Jr., RPA, CPM, CCIM**

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Dallas, TX

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Zions Securities Corp.  
Salt Lake City, UT

**President and Chief Operating Officer**  
**Henry H. Chamberlain, CAE, APR**

BOMA International  
Annual Conference and  
The Office Building Show  
June 27-29, 2010  
Long Beach, California

Dear Majority Leader Reid:

On behalf of BOMA International, I am writing to ask you to oppose permanently changing the taxation of carried interest of a partnership from the current capital gains tax rate to ordinary income in order to offset temporary tax extensions. Real estate is a long-term, risk-based investment which is regularly structured as a partnership and therefore often involves carried interest. Requiring that all returns from carried interests be taxed at ordinary income rates, no matter the nature of the investment nor the investment period, will significantly hamper the entrepreneurial enterprise in our country that builds communities, provides housing, creates jobs, rehabilitates neighborhoods, grows our economy, and produces tax revenue at all levels of government.

Before increasing the rate of taxation on carried interest, Congress should consider the impact this will have on tax receipts, real estate development, small real estate entrepreneurs and the economy as a whole. A higher tax will result in real estate owners holding on to their properties longer to defer the tax and to achieve the return needed to compensate for the higher tax rate. This slows the rate of capital gain tax revenues to the federal government and those tax revenues used by local governments to provide various services to its residents.

Increasing the tax on carried interest will also negatively impact the most risky form of real estate, development. The willingness to take on development risk, especially in underserved communities, would be discouraged by the higher taxes resulting in some development not occurring at all. Real estate development provides construction jobs and jobs in the construction supply chain which, in economically depressed communities and during this economic downturn, are essential to achieving revitalization.

Congress must also take into consideration the impact this change in tax policy would have on the small real estate entrepreneurs. In a time when access to credit is more and more difficult, tax increases would hurt smaller firms even more that do not have the negotiating leverage larger firms do to pass on these tax increases to their investors or employ new investment structures to avoid the tax altogether. This could result in fewer small firms investing in real estate and others getting out of the real estate industry altogether.

A strong real estate industry is vital to the economic recovery of our nation. Increasing real estate taxes now is a huge step in the wrong direction. Please oppose a tax hike on carried interest.

BOMA International is an international federation of more than 100 local associations and affiliated organizations. Founded in 1907, its 18,000-plus members own or manage more than 9 billion square feet of commercial properties. BOMA International's mission is to enhance the human, intellectual and physical assets of the commercial real estate industry through advocacy, education, research, standards and information.

Regards,



Henry Chamberlain, President, BOMA International

