Statement for the Record

Hearing on Funding and Financing Options to Bolster American Infrastructure

Senate Committee on Finance

May 18, 2021

The Nation's commercial real estate industry welcomes the opportunity to provide input on proposals put forward by the Administration to finance infrastructure investment. New investments that seek to rebuild our physical and social infrastructure could greatly improve U.S. competitiveness and create more-inclusive economic opportunities for all Americans. As Congress considers options to pay for these investments, however, we urge policymakers not to erode longstanding tax rules that support job creation, capital formation and productive risk taking. Real estate—which directly supports 13 million jobs in the United States and generates three quarters of local tax revenue—is taxed primarily through the tax code's individual and pass-through provisions. Tax reforms should be undertaken with caution, with a focus foremost on supporting the nascent economic and jobs recovery and the capital investment that will drive our economic growth for years to come.

Several of the tax proposals in the Administration's infrastructure and human capital initiatives, unfortunately, would reduce real estate investment and diminish opportunities for startup businesses and those less advantaged. These proposals include:

- limiting taxpayers' ability to defer gain that is reinvested in property of a like-kind;
- doubling the tax rate on long-term capital gains;
- limiting capital gains treatment to invested cash and disregarding other forms of risk taken by partners; and
- making death a taxable event at far lower levels of income and potentially taxing the unrealized gain on appreciated assets not once but twice when an individual dies.

Collectively, these proposals will undermine the very goals the Administration seeks to achieve by reducing opportunities and economic rewards for cash-poor business owners. They will undercut the tax base in localities throughout the country that rely on real estate taxes to finance schools, police,

and other first responders. Moreover, they will diminish the incentive for private investment of capital in riskier projects, such as affordable housing and redevelopment in struggling communities.

To be clear, our industry supports bold actions to invest in infrastructure needs. The quality of infrastructure is one of the most important factors that influences real estate development decisions. Real estate and infrastructure have a synergistic, two-way relationship as growth in one of these asset classes spurs growth in the other. Safe and reliable infrastructure enhances the value of the properties it serves. A holistic approach to expand and modernize our aging infrastructure and increase the supply of affordable housing will create well-paying American jobs, help address climate threats, and improve the quality of life in all regions of the country.

We agree on the importance of developing revenue streams that can sustain the Highway Trust Fund, the nation's main funding source for roads, bridges, and mass transit, for the long term. At the same time, taxpayers alone cannot foot the entire bill for all of the country's infrastructure needs. Policies that encourage appropriate public-private partnerships (P3s) can unleash private investment, improve budget certainty, accelerate project delivery, and achieve greater efficiencies and innovations in project design and construction. Policies to encourage P3 deployment for infrastructure include restoring the federal tax exemption for certain state and local construction incentives (section 118); streamlining and improving the underwriting process for low-interest TIFIA loans; and raising the federal "volume cap" on private activity bonds issued by state and local governments for surface transportation. We recommend that Congress updates the real estate investment trust (REIT) rules to allow REITs to invest in and operate more types of infrastructure investments, including renewable energy. We also recommend modernizing outdated tax rules, such as the *Foreign Investment in Real Property Tax Act*, that prevent U.S. businesses from partnering with sources of foreign capital for infrastructure investments. Policymakers can help mobilize private capital to increase the supply of affordable housing by: enacting incentives for states and localities to streamline permitting and regulatory processes that discourage development and rehabilitation efforts, enhancing the low-income housing tax credit (LIHTC), and establishing a middle income housing tax credit (MIHTC). Additionally, Congress should consider potential tax incentives to spur reinvestment in properties so they can be repositioned for the most productive use in their communities

As the Committee examines how best to finance these long-term needs, however, we encourage you to carefully consider both the current state of the real economy, as well as the role that tax provisions serve in promoting long-term investment and encouraging the private sector to put capital at risk. Many businesses and communities are still straining to emerge from the COVID-19 pandemic. In the case of real estate, throughout the pandemic, property owners, managers, investors and lenders have focused on mitigating the impact of the crisis on their residential and business tenants. The industry has: (a) restructured leases with tenants under stress; (b) advocated for federal rental and other assistance; (c) helped educate tenants on how to access relief; (d) encouraged much needed troubled-debt restructuring relief that allowed lenders to provide borrowers with mortgage relief; and (e) implemented new building protocols, invested in health-related improvements (ventilation systems, etc.), and issued detailed guidance to ensure a safe building reentry process. Real estate lenders and owners have undertaken these actions at the same time that they have had to call in lines of credit, use their reserves, cut their personal and employee compensation, provide mortgage relief, and restructure debt.

Today, major questions and challenges remain for America's commercial real estate. What will the demand for retail space be in the future? Will more individuals work from home and will employers shrink their office needs? Has the pandemic permanently changed the need for business

travel, and what are the implications for urban hotels? Will apartment property owners be forced to write off substantial portions of rental arrearages due to protracted eviction moratoriums and overly burdensome state and local requirements that impede access to emergency rental assistance funds? Will lenders be required to write down loans, reposition properties, or provide further relief to borrowers.

It is with this backdrop and context squarely in mind that policymakers should evaluate any new and potentially disruptive tax increases. Tax changes often have unintended consequences—the commercial real estate depression and economic recession that followed the *Tax Reform Act of 1986* is a clear case in point. Well-intended provisions went too far and led to an exodus of capital from real estate markets, which reduced property values and threatened the solvency of real estate lenders. Optimism regarding the underlying economy is clearly rising throughout the country, and policymakers should tread carefully to avoid suffocating the nascent recovery and job boom with anti-growth tax increases that discourage risk taking, investment, and capital formation.

Below are specific comments regarding certain individual and pass-through tax proposals in President Biden's American Families Plan.

Limiting businesses' ability to defer gain reinvested in property of a like kind

Since 1921, the tax code has recognized that it is appropriate to defer capital gain when real property used in a trade or business, or held for investment, is exchanged for another property of a like kind. The American Families Plan proposes to limit the deferral of gains greater than $500,000. Seeking to raise revenue or modify the distribution of the tax burden by putting a cap on like-kind exchanges would be counterproductive to the Administration's own stated goals. It would eliminate an engine of job creation, reduce state and local taxes, and create new headwinds for the economic recovery. The proposed cap would remove a ladder of economic opportunity for small and minority-owned businesses, reduce the supply of affordable housing, and undercut the environmental conservation of land and resources.

In short, like-kind exchanges, now codified under section 1031, should be preserved in their entirety without new limitations.

The rules for like-kind exchanges are narrowly tailored and well-designed. Over the last four decades, Congress has thoughtfully modified and improved section 1031. Since 1984, laws have eliminated potential abuses, created strict and uniform rules and procedures for an exchange, and tightened section 1031 to avoid unintended results. As a result of these efforts, like-kind exchanges are now a deeply ingrained and beneficial feature of commercial real estate markets. Research by Professors David Ling (Univ. Fla.) and Milena Petrova (Syracuse U.) estimates that 10 percent to-20 percent of commercial real estate transactions involve a like-kind exchange.

Like-kind exchanges are an engine of job creation. Research by EY estimates that like-kind exchanges support 568,000 jobs generating over $55 billion of annual value added, including $27.5 billion of labor income. Employment directly and indirectly supported by exchanges includes jobs for skilled tradesmen, architects, designers, building material suppliers, movers, building maintenance and cleaning staff, security, landscapers, qualified intermediaries, real estate brokers, title insurers, settlement agents, attorneys, accountants, lenders, property inspectors, appraisers, surveyors, insurers, and contractors. By encouraging the reinvestment of capital and stimulating property improvements, exchanges create a more dynamic, job-creating real estate market.

Like-kind exchanges help small and minority-owned businesses expand and grow. Veteran-owned, women-owned, and minority-owned businesses use like-kind exchanges to expand and build equity in their companies without having to rely on bank loans and other third-party lending that can be difficult to obtain. Small firms and entrepreneurs lack access to the deep capital markets that finance the activities of large corporations. Like-kind exchanges help small and minority-owned businesses grow organically, without overreliance on unsustainable levels of debt and leverage. Because owners are able to reinvest their proceeds on a tax-deferred basis, properties acquired in a like-kind exchange carry less overall debt—30 percent less than similar real estate acquired outside of a like-kind exchange.

Increasing the supply of affordable rental housing requires like-kind exchanges. Like-kind exchanges can fill gaps in the housing supply not covered by other incentives for the development of affordable housing. Multifamily housing transactions represent nearly 40 percent of the dollar volume of like-kind exchanges. Expanding workforce housing will require significant investment of private capital. However, tax incentives like the low-income housing tax credit do not apply to land acquisition costs. Investors can use section 1031 to acquire land for the development of new housing. New limits on like-kind exchanges would increase the cost of rental housing, meaning owners would have to raise rents significantly on tenants to offset the tax consequences of repealing section 1031.

Like-kind exchanges promote land conservation and environmental protection. Land conservation organizations rely on like-kind exchanges to preserve open spaces for public use or environmental protection. Land conservation transactions often involve the exchange of environmentally sensitive areas for other less-sensitive privately held property, which can be put into production. These transactions protect environmentally significant land and open space for the future while enabling private landowners to preserve capital for expansion or diversification of existing operations, retirement, or other needs.

States and localities depend on like-kind exchanges for tax revenue. The more frequent turnover of real estate attributable to section 1031 generates property transfer and recording fees, as well as property reassessments that increase the tax base. Significantly, because of lower debt and greater capital investment rates, the taxes paid on the subsequent sale of these properties are appreciably greater.

Real estate businesses that engage in a like-kind exchange begin repaying the federal government for the tax deferral benefit on day one. Real estate owners typically pay some federal tax at the time of the exchange due to differences in the value of the relinquished property and replacement property ("boot"). In addition, the basis of the relinquished property is carried over and reduces the taxpayer's basis in the replacement property. The result in smaller depreciation deductions on the property – these reduced depreciation deductions are less than the actual rate of economic depreciation for the asset.

Perhaps most importantly, like-kind exchanges are accelerating the economic recovery from the pandemic by preventing real properties from languishing, underutilized and underinvested. Like-kind exchanges helped stabilize commercial real estate markets during the COVID-19-induced economic crisis, and they will continue to do so in its aftermath. During periods of economic stress, exchanges stimulate commerce and facilitate needed price discovery when buyers, sellers, or lenders are otherwise reluctant to engage in market transactions. By allowing property owners to defer capital gain when one property is exchanged for another, like-kind exchanges help get real estate into the

hands of new owners with the time, resources, and desire to restore and improve them. This is particularly critical given the need to repurpose or renovate many properties, particularly in the office, retail and hotel sectors, to meet post-pandemic needs.

Doubling the long-term capital gains tax rate

In 105 of the 108 years since Congress created the modern federal income tax, the United States has taxed long-term capital gains at a lower rate than ordinary income. The only exception was a brief three-year period following enactment of the Tax Reform Act of 1986. The American Families Plan proposes to raise the top long-term capital gains rate to 39.6 percent, establishing parity with the proposed top tax rate on ordinary income. Including the 3.8 percent net investment income tax pushes the tax rate on investments to 43.4 percent. If successful, the rate would be over 40 percent higher than it was the last time there was tax parity between ordinary income and capital gains at a rate of 28 percent. Policymakers should preserve a meaningful, reduced tax rate on long-term capital gains income.

The return on risk capital is a demonstrably different type of income than wages and other forms of guaranteed compensation. Treating the return on risk taking the same as salary income, or the same as the interest payment on a government bond, would undermine a fundamental tenet of the American economic system. The United States values, celebrates, and rewards people who take chances and risks, embrace opportunities, create new businesses, and aspire to achieve great economic accomplishments that advance our Nation's collective wellbeing.

On a macroeconomic level, the lower tax rate on capital income reduces the cost of capital, drives patient, long-term investment, and encourages productive entrepreneurial activity. In the case of real estate, the reduced tax rate on capital gains partially offsets the higher risk associated with illiquid, capital-intensive projects.

A low tax burden on capital can help draw investment from around the world, increase the productivity of the American workforce, and improve U.S. competitiveness. Relative to our peers, the United States levies a heavy tax burden on capital income. According to the Tax Foundation, 30 of the 36 developed countries in the OECD have a lower maximum tax rate on individual capital gain than the United States.

Congress should be taking steps to encourage and reward risk-taking and investment – particularly in communities where it is most needed – not punishing it. Opportunity Zones, for example, were created just a few years ago and have mobilized $85 billion in new investment in low-income communities. The capital is being deployed to create new and vibrant commercial centers, rental housing, office space and job opportunities for local residents. The entire premise of the Opportunity Zone idea is that those taking the risk will be rewarded with a lower capital gains tax. The popularity of Opportunity Zones is clear and convincing evidence that real estate capital responds to incentives related to capital income.

Many of our country's great cities are facing significant challenges. They have aging infrastructures that can only be regenerated with a sustained infusion of capital investment. Public spending alone will be insufficient. Real and sustainable infrastructure modernization is going to require partnering with the private sector and private capital. If policymakers raise taxes on capital income, it is going to make it much harder to attract the private investment we need to rebuild our urban centers.

The return on risk capital differs in meaningful ways from wage compensation. The entrepreneur who foregoes a traditional job with a salary in favor of starting a business and building a capital asset forfeits most protections and benefits offered to employees. These benefits include nontaxable employer-provided health care, tax-favored and employer-provided retirement contributions, workers compensation, the accumulation of Social Security benefits, and most importantly the comfort and security of a pre-negotiated salary. The entrepreneur, in contrast, enjoys none of these benefits, just risk, uncertainty, and the potential of a complete loss on the investment of their time and capital. The reduced tax rate on capital gains only partially offsets the many advantages that favor the salaried employee.

Two structural features of the tax code further penalize risk capital over wages. First, a significant share of long-term capital gains liability does not relate to actual economic income, but rather reflects the effects of inflation. For example, assuming an asset is purchased for $100 and sold five years later for $110, but inflation rises 15 percent during the same five-year period, the taxpayer has actually lost money on his or her investment. He or she would need $115 just to maintain their original purchasing power. Nonetheless, the taxpayer will still owe capital gains tax in year five on the $10 of nominal appreciation. The individual is paying tax on "noneconomic" income. The capital gains preference partially offsets this unfair taxation of noneconomic income that otherwise results. Second, unlike ordinary losses, such as casualty or net operating business losses, losses on capital assets are generally nondeductible and must be carried forward to future years (with a small $3,000 exception). In other words, the government collects tax immediately on capital gains, but does not allow taxpayers to apply their capital losses against their ordinary income. It is unclear whether taxpayers would be able to deduct their capital losses against their ordinary income in a system with rate parity.

Limiting capital gains treatment to invested cash and disregarding other forms of risk taken by partners

The American Families Plan calls on Congress to permanently change the tax treatment of carried interest, presumably by treating all carried interest as ordinary income and subjecting it to self-employment taxes. If enacted, the proposal would result in a huge, retroactive tax increase on countless Americans who use partnerships in businesses of all types and sizes. It would discourage individuals from pursuing their business vision, encourage debt rather than equity financing, tax sweat equity invested in businesses, and slow economic growth. The proposal would limit capital gains treatment to invested cash, creating additional economic barriers for cash-poor entrepreneurs, and it would reduce the propensity to take on projects with the greatest risk, such as affordable housing and new commercial developments in struggling neighborhoods. Policymakers should preserve the current and longstanding tax treatment of carried interest.

A carried interest is the interest in partnership profits a general partner receives from the investing partners for managing the investment and taking on the entrepreneurial risk of the venture. Carried interest may be taxed as ordinary income or capital gain depending on the character of the income generated by the partnership. The carried interest is not compensation for services. General partners receive fees for routine services like leasing and property management. Those fees are taxed at ordinary tax rates. The carried interest is granted for the value the general partner adds to the venture *beyond* routine services, such as business acumen, experience, and relationships. It is also recognition of the risks the general partner takes with respect to the general

partnership's liabilities. These risks can include funding predevelopment costs, guaranteeing construction budgets and financing, and exposure to potential litigation over countless possibilities.

In the *Tax Cuts and Jobs Act of 2017*, Congress created a three-year holding period requirement for carried interest to qualify for the reduced long-term capital gains rate.

Taxing all carried interest as ordinary income would limit capital gain treatment only to taxpayers who have cash to invest. Those who invest entrepreneurial innovation, risk taking, and sweat equity would no longer receive capital gain treatment. This would reduce economic mobility by increasing the tax burden on less-advantaged entrepreneurs who want to retain an ownership interest in their business. Perversely, the proposal would encourage real estate owners to borrow more money to avoid taking on equity partners.

The American Families Plan asserts the change is needed "so that hedge fund partners will pay ordinary income tax rates on their income just like every other worker." The proposal reinforces the false narrative surrounding the carried interest issue—that it targets only a handful of hedge fund billionaires and Wall Street executives. The carried interest legislation is far broader and would apply to real estate partnerships of all sizes—from two friends owning and leasing a townhome to a large private real estate fund with institutional investors. The reality is that the majority of carried interest is likely earned by general partners in the nation's two million real estate partnerships.

Eliminating capital gains treatment for carried interest would have profound unintended consequences for main streets of cities all across our country. A 2013 study by Douglas Holtz-Eakin, former director of the nonpartisan Congressional Budget Office, found that carried interest legislation could result in reduced construction activity, lower property values, and decreased wages in the real estate industry.

The main carried interest legislative proposal, the *Carried Interest Fairness Act*, would apply retroactively to transactions after December 31, 2020 – unfairly raising taxes on sales that have already occurred. Moreover, the legislation would capture and apply to partnership agreements executed years—often decades—earlier. These negotiated agreements between the partners were based on well-established tax law as it existed at the time. By changing the tax results years later, the bill would undermine the predictability of the tax system and discourages the long-term, patient investment that moves our economy forward.

<u>Taxing the unrealized gain on appreciated assets not once but twice when an individual dies</u>

The American Families Plan proposes to tax unrealized capital gains at death. The plan would exclude up to $2.5 million per couple when part of the unrealized gain is attributable to a principal residence. Additional, undefined rules would defer taxes to protect heirs who continue to run family-owned businesses and farms.

The proposal would have extremely negative, unintended consequences for taxpayers, the real estate industry, and the economy. The tax system already levies a tax on appreciated gains when an individual dies through the estate tax. The estate tax has an economic effect similar to imposing income tax on appreciated gains at death—it actually reaches further than potential income tax liability by applying the tax to both the appreciated amount and the underlying, adjusted basis of an asset. The President's proposal would double-tax appreciated gains that exceed the estate tax exemption amount.

Two principles should guide any change to the taxation of assets at death. First, stepped-up basis should continue to apply to family-owned businesses, particularly when the gains relate to highly illiquid assets like real estate where the burden of the tax otherwise could force the dismantling of a family's livelihood. Second, policymakers should avoid imposing two layers of tax on the same income. Unrealized gains should not be subject to both income tax and estate tax at death.

Effect on Taxpayers. At the taxpayer level, death would become a taxable event at $1.25 million for single filers with a primary residence (assuming there is at least $250,000 of unrealized gain in the home) and at $2.5 million for married taxpayers with a primary residence (if there is at least $500,000 of gain in the home). Contrast this to the far higher asset levels ($11.7 million for single filers and $23.4 million for married filers) at which the estate tax is currently imposed. The last year estate taxes were imposed at an asset level of less than $1.25 million for a single filer or $2.5 million for a married filer was 2003. There is little reason to make death a taxable event at the lower asset levels contemplated by the American Families Plan.

The American Families Plan also includes a proposal to nearly double the capital gains tax rate for those with income above $1 million per year. When combined with the net investment income tax of 3.8 percent, which the Plan also proposes to apply to more taxpayers, the top rate would be 43.4 percent, not including any state tax.

In the case of taxpayers subject to the taxation of unrealized gains at death and the estate tax, the combined marginal tax rate would rise from the top current law estate tax rate of 40 percent to 66.04 percent (provided the tax on unrealized capital gains is deductible from the estate tax). The last time estates were taxed at such high levels was 1981.

Effect on Real Estate Industry. By making death a taxable event at far lower asset levels than under current law, the American Families Plan potentially imposes capital gains tax before an asset is actually sold by the heir. This is a reversal of a tax policy principle that dates to the beginning of the modern Internal Revenue Code. If tax on unrealized gains is imposed on the decedent's estate, many estates will likely not have the cash to pay the tax due. This could force an estate to sell the property the decedent desired to be left to an heir just to pay the tax. In some cases, if a partnership interest is inherited representing a property interest, such a sale may not even be possible without the consent of other partners. Even if the funds to pay the tax are available, little might be left over to improve and upgrade the property. This could have negative consequences for many commercial real estate assets, including apartments and affordable rental housing, office buildings, and shopping centers. The bottom line is that property owners should decide when it is the right time to sell, not the government.

Consider the following example to illustrate this point: Joe, a single individual, purchased an apartment building with 150 units in 1995 for $5 million before passing away in 2022, leaving the property to his nephew, Bryan. At the time of Joe's death, the property is worth $15 million and, due to depreciation of $6 million and improvements of $2 million, has a tax basis of $1 million. The property has annual operating net income of $1.05 million. Assume this is the only capital asset in Joe's estate. However, Joe also has unrelated debts of $5 million.

Under current law, when Bryan inherits the apartment building, the $1 million in tax basis would be stepped-up to $15 million. Tax would only be imposed when Bryan sells the asset and would be based on the difference between the value of the property at time of sale and the $15 million in tax basis (plus any post-inheritance adjustments).

Under the proposal, a capital gain of $13 million would be recognized, presumably by Joe's estate. (This is calculated as $15 million in fair market value, less $1 million in basis, less a $1 million exclusion). The taxpayer would face a sizable tax liability that depends on the capital gains rate (two assumptions are presented given that Congress could choose to consider proposals in the American Families Plan on an individual basis):

- Assumption 1: Present-Law Capital Gains Rate: Under current law, the maximum rate on capital gains is 20 percent. Thus, Joe's estate would face a tax of $2.9 million assuming a capital gains rate of 20 percent, which would exceed the annual operating income of the underlying property by $1.85 million. (This is calculated as .20 (capital gains tax rate under present law for taxpayers managing an active trade or business) x $7 million plus .25 (depreciation recapture tax rate) x $6 million.)

- Assumption 2: Capital Gains Taxed at Top Ordinary Income Tax Rate: Under the American Families Plan, the maximum rate on capital gains would rise to 39.6 percent. Joe's estate would be subject to this increased tax rate given that the net income of his multifamily property exceeds $1 million. Under this scenario, Joe's estate would face a tax of $5.148 million, which would exceed the annual operating income of the underlying property by $4.098 million. (This is calculated as .396 (capital gains tax rate under the American Families Plan for taxpayers managing an active trade or business) x $13 million (depreciation recapture is assumed to be taxed at 39.6 percent). Finally, should Congress choose to apply the 3.8 net investment income tax to active capital gains, Joe's estate could instead be subject to a tax of $5.642 million, which would exceed the annual operating income of the underlying property by $4.592 million. The American Families Plan alludes to imposing the current-law 3.8 percent Medicare tax "consistently to those making over $400,000," but the exact extent of this proposal is unclear.

These examples illustrate that Joe's estate would face a tax increase of at least $2.9 million if the capital gains tax rate remains unchanged and as much as $5.148 million if the capital gains tax rate increases to 39.6 percent. Both amounts far exceed the annual operating income of the underlying asset, likely forcing its sale just to pay the tax. Even if Bryan had the necessary funds available, far less money would be available to upgrade and improve the property.

The American Families Plan contemplates enabling family-owned businesses to defer the payment of tax until an inherited asset is sold. This approach is also be problematic. An heir could inherit a property with little or no basis and sizeable debt. If it is subsequently sold, the heir will face significant depreciation recapture and capital gains taxes. This would discourage heirs from investing further capital to maintain it. Ultimately, housing and especially affordable housing, office buildings, and shopping centers will languish, underinvested and unimproved, eventually becoming obsolescent and unproductive. Moreover, the proposal does not address situations where the heir may wish to diversify into other business assets or when there are multiple heirs who wish to go separate ways with their businesses.

Effect on the Economy: On a macroeconomic level, an April 2021 EY study prepared for the Family Business Estate Tax Coalition estimates that imposing tax on transferred assets at death would cost 80,000 jobs in each of the first 10 years and 100,000 jobs each year thereafter. Gross Domestic Product relative to the U.S. economy would also fall by $10 billion annually and $100 billion over 10 years. Workers' wages would decline by $32 for every $100 collected in tax.

Taxing capital gains at death would pull long-term capital investment out of the economy at a time when it is most needed. Even more so than many industries, commercial real estate has been hard hit by the pandemic. Structural changes are underway related to how retail, hospitality, and office space is used. In the next few years, buildings throughout the country will need to be reimagined, repurposed, and converted to a new use. This is going to demand extraordinary amounts of new capital. Yet this proposal pulls capital out of private real estate markets just at the moment when we should be mobilizing capital and investment for future needs.

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The American Jobs Plan and American Families Plan offer credible initiatives to address many of our Nation's most pressing needs, such as a modernized infrastructure, a more comprehensive approach to climate-related matters, and increased investments in housing, education, and childcare. We support aggressive steps to finance infrastructure needs, increase the supply of affordable housing, expand the economy, and promote job growth. Regrettably, some of the tax proposals accompanying the plans would reduce economic activity and opportunities and be completely counterproductive to the goals of the President's initiatives. As this process moves forward, we will continue to share our data, research, and recommendations with you to advance sound tax policy that is fair, productive and provides equal opportunities for all Americans.

Sincerely,

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