

News Release

FOR IMMEDIATE RELEASE

July 18, 2011

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CARRIED INTEREST TAX INCREASE'S UNINTENDED VICTIM? AFFORDABLE HOUSING

WASHINGTON, DC – As President Obama and Congress continue their negotiations on a package to increase the debt ceiling, the National Multi Housing Council (NMHC) and the National Apartment Association (NAA) are urging lawmakers to reject proposals to change the tax treatment of carried interest,¹ which would have a devastating effect on affordable housing.

While this proposal is being marketed as a “tax increase on hedge fund managers and other rich Wall Street executives,” the truth is that real estate partnerships—and the estimated 550,000 workers employed by the apartment business and the 16 million Americans who rely on our industry to provide them with safe, decent affordable housing—will be very adversely affected by such a change.

Carried interest has been a fundamental part of real estate partnerships for decades. Increasing the taxes on carried interest would not only increase the cost of producing new housing, it would decrease the supply by making many deals financially unworkable.

A carried interest tax increase would have a devastating impact on our affordable housing supply when the nation already has a shortage of 3 million affordable housing units.

It will also kill jobs and depress income for cities and counties. In recognition of the serious harm this legislation could have beyond Wall Street to “main street,” in 2010 both the U.S. Conference of Mayors and the National Association of Counties adopted official positions opposing it and urged Congress and the Administration to maintain current law as it relates to real estate partnerships.

“The apartment industry supports sound economic policy that helps restore job growth, but a tax increase on carried interest is bad for our economy and bad for our housing supply,” noted Cindy Vosper Chetti, NMHC/NAA Senior Vice President for Government Affairs.

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The National Multi Housing Council (NMHC) and National Apartment Association (NAA) operate a Joint Legislative Program and represent the nation's leading firms participating in the multifamily rental housing industry. NMHC/NAA's combined memberships are engaged in all aspects of the development and operation of apartment communities, including ownership, construction, finance and management. One-third of Americans rent their housing, and over 14 percent of all U.S. households live in an apartment home. For more information, contact NMHC at 202/974-2300, e-mail the Council at info@nmhc.org or visit NMHC's web site at www.nmhc.org.

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¹ A “carried interest” (or “promote”) is an interest in the capital gain of a partnership when it sells its property.