



**CARRIED INTERESTS LEGISLATION (H.R.2834)
BAD FOR REAL ESTATE, BAD FOR ENTREPRENEURS
REALTORS® RAPID RESPONSE H.R. 2834 TALKING POINTS**

What is the Issue?

Senior members of the House Ways and Means Committee, along with Chairman Rangel (D-NY) and Financial Services Committee Chairman Frank (D-MA), introduced this bill to raise questions about the appropriate tax treatment for carried interest income that managers of private equity and hedge funds have realized. The impact of the bill is not limited to those investments.

- H.R. 2834 specifically states that the **carried interests of all partnerships, including real estate partnerships, will be taxed at ordinary income rates.**

What is NAR's Position?

NAR believes that H.R. 2834 would harm all categories of real estate investment partnerships (i.e., office, retail, multi-family, etc).

- H.R. 2834 is a very far-reaching bill that would adversely affect **every** real estate partnership in which one or more partners has the right to a "carried interest" in the partnership.
- H.R. 2834 eliminates capital gains treatment for all carried interests.

What can REALTORS® do?

REALTORS® need to be able to provide Members of Congress with as much information as possible about real estate projects in their communities that involved partnerships.

Talking Points

How do I talk about this complicated issue?

1. **Keywords:** "All real estate partnerships with carried interests" and "Congress should go slow and really understand the impact."
2. Emphasize from the outset that this is an **issue that affects investment real estate.** No need to apologize for that.
3. You don't need to be involved in a partnership to have a stake in the outcome, because it will change ownership dynamics and public perception of the value of real estate as an investment.
4. Avoid technical details, continue to emphasize that the underlying issue is related to capital gains, and that matters to everybody.
5. Provide real life stories
 - Provide an outline of the story, the basic information about how the partnership was put together and the challenges the general partners faced along the way.
 - It can be a completed project or a work in progress

Examples:

Revitalization projects in their districts that were developed with a partnership
Projects that ended up creating a lot of jobs
Projects that improved a Main Street
A multi-family project that created new housing options for underserved housing markets

6. **Stories of failures are just as useful as stories of successes.** The failure stories underscore the reality that there is always risk involved, even for real estate. Failure stories also illustrate that the risk never goes away until a property is sold.
7. **Remind Members of Congress that real estate is a unique investment.** On this particular issue, we know that the interests of real estate are remarkably different from the interests of Wall Street.
8. Tell Members of Congress that **NAR is involved with all known coalitions opposing the legislation.** Congressman Cantor (R-VA) has one, the Chamber has one, and we're working with the other real estate groups, as well.
9. **Emphasize that the underlying battle here is whether or not the tax laws should continue to distinguish between capital gains (income from investment) and ordinary income (income from labor and services).**