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President's message: 14th Annual Capitol Hill Summit

May 01, 2014 - Owners Developers & Managers

Members of the IREM Boston Chapter joined members from chapters around the country during our 14th annual Leadership and Legislative Summit in Washington, DC this April.

At this important summit IREM members teamed up with members of the CCIM Institute and held more than 160 meetings with their respective senators, and congressmen on Capitol Hill to raise awareness of key issues affecting the commercial real estate industry.

Members of the Boston Chapter, met personally with senators Jeanne Shaheen of New Hampshire, and congressmen Michael Capuano of Massachusetts, as well as high ranking staffers for senator Kelly Ayotte and congresswomen Ann McLane Kuster of New Hampshire and senator Elizabeth Warren, senator Edward Markey and congressman Lynch of Massachusetts.

The topics of discussion included:

- * Federally Assisted Housing - Increased regulations and burdensome requirements have led a growing number of private owners to exit from affordable housing. In addition, over the last several years the federal government has dramatically reduced funding for affordable housing programs, e.g. for FY 2014, the Section 8 Project-based program has been underfunded by \$1.5 billion. This will allow HUD to offer only partial-year contracts to owners for the second consecutive year.

Terrorism Risk Insurance - The Terrorism Risk Insurance Act (TRIA) was enacted in 2002 because the private insurance marketplace was failing to provide adequate terrorism insurance coverage following 9/11. TRIA was extended once in 2005 for two years, and again in 2007 for seven years. It expires at the end of 2014. Reps. Michael Grimm (R-NY) and Carolyn Maloney (D-NY) have introduced HR 508, the "Terrorism Risk Insurance Extension Act." This bill extends the Terrorism Risk Insurance Act for five more years, through 2019.

Tax Issues: Depreciation, Depreciation Recapture, Like-Kind Exchange:

- * Depreciation - The current depreciation rules are out of date and do not reflect the economic life of structures. The 27.5- and 39-year cost recovery periods for real property should be shortened.

- * Depreciation Recapture - Under current law, gain on the sale of real property is treated as ordinary income only to the extent of the amount of accelerated depreciation over the straight-line amount. Since there has been only straight-line depreciation for real estate since 1986, most depreciation of real property is not now subject to recapture.

- * Like-Kind Exchange - The like-kind exchange technique is fundamental to the real estate investment industry. The current law provides investors with the maximum flexibility in managing their real estate portfolio. Essentially, real estate is an illiquid asset that requires substantial commitments of cash. Current tax reform drafts would repeal the tax deferral features of like-kind exchanges.

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