

Board of Directors

Chairman
Christopher J. Nassetta
President and CEO
Host Hotels & Resorts, Inc.

President and CEO
Jeffrey D. DeBoer

Secretary
Daniel M. Neidich
Chairman and Co-CEO
Dune Capital Management LP

Treasurer
Penny Pritzker
President
Pritzker Realty Group, L.P.

Leonard W. Cotton
Vice Chairman
Centerline Capital Group
*President, Commercial Mortgage
Securities Association*

John C. Cushman, III
Chairman
Cushman & Wakefield, Inc.

Jon Fredricks, RRP
President
The Welk Resort Group
*Chairman, American Resort
Development Association*

James L. Helsel, Jr.
RSR Realtors
*Treasurer-Elect
National Association of Realtors*

Robert J. Lowe
Chairman and CEO
Lowe Enterprises, Inc.
*Immediate Past Chairman
The Real Estate Roundtable*

Ronald R. Pressman
President and CEO
GE Capital Real Estate

Quintin E. Primo III
CEO
Capri Capital

Scott Rechler
Chairman and CEO
RexCorp Realty

William C. Rudin
President
Rudin Management Company, Inc.

Peter S. Rummell
Chairman and CEO
The St. Joe Company

Richard Saltzman
President
Colony Capital

Jeffrey Schwartz
Chairman and CEO
ProLogis

Douglas W. Shorenstein
Chairman and CEO
Shorenstein Company LLC

Martin E. (Hap) Stein, Jr.
Chairman and CEO
Regency Centers Corporation
*Chairman, National Association of
Real Estate Investment Trusts*

Robert S. Taubman
Chairman, President and CEO
Taubman Centers, Inc.

Rene Tremblay
President and CEO
Ivanhoe Cambridge, Inc.
*Chairman, International Council
of Shopping Centers*

Brenna S. Walraven
Executive Director
USAA Real Estate Company
Chairman, BOMA, International



The Real Estate Roundtable

November 29, 2007

The Honorable Patrick J. Leahy
Chairman
Committee on the Judiciary
United States Senate
224 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Arlen Specter
Ranking Member
Committee on the Judiciary
United States Senate
224 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Leahy and Ranking Member Specter:

On behalf of The Real Estate Roundtable, I am writing to express support for legislation to eliminate tax strategy patents. Specifically, we support H.R. 1908 recently passed by the House of Representatives and S. 2369 introduced by Senators Baucus and Grassley.

Tax strategy patents present a significant danger to our tax system. If allowed to proliferate, tax patents would require tax professionals to do patent searches any time they are rendering tax advice. It also raises the likelihood that similarly situated taxpayers would pay differing amounts of tax with regard to the same transaction. This is an undesirable and unsupportable aspect of the current legal landscape.

Real estate transactions are often complex with numerous entities involved. It requires significant tax planning using various tax techniques to properly structure the transaction so that the appropriate amount of tax required by law is paid and that compliance with the Code is achieved. For example, the tax rules governing partnerships and real estate investment trusts are among the most complicated areas of the Tax Code. They comprise the two principle vehicles for investing in, owning, operating and exchanging real estate. Real estate tax strategies employing these vehicles are varied and broadly used. Allowing an exclusivity of interpretation of the tax law would render compliance difficult and result in taxpayers needlessly paying more tax than otherwise should be owed.

Taxpayers in the real estate business, or any business, should not have to pay a toll charge or worry that they're violating patent law when they try to file their tax returns. We believe that tax patents undermine the integrity and fairness of the federal tax system. They put taxpayers in the undesirable position of having to choose between paying more than legally required in taxes or paying a royalty to a third-party for use of a tax planning strategy that reduces those taxes.

Letter to the Honorable Patrick Leahy and
the Honorable Arlen Specter
November 29, 2007
Page 2

We support your efforts to find a legislative solution to this troublesome issue. The recent passage of H. R. 1908, the Patent Modernization Act of 2007, by the House of Representatives, was a very effective first step towards finding that solution.


It is gratifying to view the bipartisan support for dealing with this issue, both in the House in connection with the passage of H. R. 1908, by the Administration in its Statement of Administrative Policy with regard to H. R. 1908 and in the introduction of S. 2369 by Senators Baucus and Grassley.

Our concerns on this issue have been heightened by recently proposed regulations that would require any taxpayers who participate in the use of a tax strategy patent, whether as licensor or licensee, to make disclosure on its tax return in the same fashion as is required by participants in abusive reportable transactions.¹ We concur with the AICPA that such a reporting requirement would be very burdensome, but in a world where tax strategy patents not only exist but are becoming a larger and larger part of the body of issued patents, such a response by the enforcers of our tax laws can only be expected. We believe that the need for such disclosures would likely be eliminated if Congress quickly and clearly outlaws tax strategy patents.

We are aware that you, along with other Members of the Senate Committee on the Judiciary, have been analyzing this issue. We urge you to propose legislation similar to the tax strategy patent prohibition contained in S. 2396 and H. R. 1908, either as a stand-alone bill or as part of the larger patent reform legislation currently under consideration.

Again, we applaud the efforts of all those, both in government and out, who are striving to rectify this strain on our tax system. Please let me know how the Roundtable can be of assistance as the legislative process moves forward. Thank you.

Very truly yours,



Stephen M. Renna
Senior Vice President and Counsel

cc: Honorable John Conyers
Honorable Lamar Smith
Honorable Charles Rangel
Honorable Jim McCrery
Honorable Max Baucus
Honorable Charles Grassley

¹ REG-129916-07, Patented Transactions, 72 Fed. Reg. 54615 (proposed Sept. 26, 2007) (to be codified at 26 C.F.R. pts. 1 and 301).