

Headline: RECon: Lobby politicians, members urged

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U.S. shopping center executives need to unite behind or against several key pending bills affecting the retail industry, or face a potentially devastating impact on future investment and development, and their own bottom lines, delegates were told this week at RECon.

On the Federal watchlist: \* HR 4839: The bill, supported by ICSC, is a response to an IRS directive that would heavily tax and undermine tools such as TIFs (Tax Increment Financing). The tax would transfer state and local tax revenue derived from TIFs and similar programs to Washington for what in essence would become an income tax on economic development, panelists said. The bill would exempt such capital contributions to development partnerships, said panelists. HR 4839 was killed in the senate previously, noted **Jimmy Maurin**, SCSM, a past ICSC chairman and chairman of **Stirling Properties** of Covington. The size and scope of the IRS directive would exceed the destructiveness of 1986 tax legislation, Maurin says. Tax rates on commercial projects could rise more than 150 percent by 2015 if the federal tax code initiative is approved, he said. "It's amazing, because a TIF encourages shopping centers and other businesses to be built in economically disadvantaged areas and provides needed grocery stores and discount stores," said panel moderator Adam Ifshin, president of DLC Management Corp., of Tarrytown, NY.

\* Capital Gains: Based on discussions with lawmakers, panelists expect a push to increase taxes on capital gains on real estate deals and other commerce from the current 15 percent to as high as 25 percent. "This is all being driven by Washington's search for revenue to cover spending on the stimulus bills, healthcare and other programs," Ifshin said.

\* Main Street Fairness: ICSC supports a sales tax on Internet sales and is pushing for legislative consideration of the long-debated topic. "It's been estimated that California alone will lose \$4.6 billion in uncollected sales tax this year" from Internet sales, said Rex Hime, president and CEO of the California Business Properties Association. "Brick and mortar retailers have to pay all the construction costs, fees, permits and taxes and those businesses do not," Hime said. "We don't look at this as a new tax. It is just an uncollected tax."

At the state level, California has looked at two measures that would restrict 1031 Exchanges allowing companies and individuals to re-invest their profits from a commercial real estate property sale, tax deferred, into another property. California legislators have backed off the push in the face opposition but are now considering restricting 1031 Exchange transactions that are executed outside California, Hime said.

Another proposed state initiative in Florida would require a public vote every time a land use for a real estate development is changed. The move would require an average of two public votes a day, said panelists.

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