

Republican Senators Will Save Millions With Special Real-Estate Tax Break

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When the U.S. Senate takes up the final tax bill this week, more than a quarter of all GOP senators will be voting on a bill that includes a special provision that could give them a new tax cut through their real estate shell companies, according to federal records reviewed by International Business Times.

The provision was not in the original bill passed by the Senate on Dec. 1. It was embedded in the final bill by Sen. Orrin Hatch of Utah, who is among the lawmakers that stand to personally benefit from the provision.

In response to Democratic lawmakers who have slammed the provision as a lobbyist-sculpted giveaway to the rich, Republican Majority Whip John Cornyn promoted on Twitter a column by Ryan Ellis, a registered bank lobbyist who has been working to influence the tax legislation and who has defended the provision.

In all, 14 Republican senators (see list below) hold financial interests in 26 income-generating real-estate partnerships — worth as much as \$105 million in total. Those holdings together produced between \$2.4 million and \$14.1 million in rent and interest income in 2016, according to federal records.

IBT first reported on the tax carve-out, which allows investors in “pass-through” entities, including real-estate partnerships such as LLCs and LPs, with few employees to deduct part of their income that passes through those partnerships. In response to IBT’s reporting, Republican Sen. Bob Corker, who owns up to \$35 million in “pass-through” real-estate interests, claimed he did not know of the carve-out when he announced his support for the legislation on Friday, after previously casting the only Republican vote against the bill in the Senate, which did not then include the provision.

In the face of a Twitter-trending hashtag #CorkerKickback, Corker has been vociferously defended by Liam Donovan, a registered lobbyist for the construction and real estate industry who is lobbying Congress on tax reform and specifically on “pass-through rates,” according to federal records.

While Republicans have argued the House version of the bill contained the controversial provision, experts have told IBT the provision appeared in the legislation only after the bill was finalized during House-Senate Conference Committee deliberations.

“The mechanism is completely new and can’t be found in any prior version of the bill,” Matt Gardner, a senior fellow at the Institute of Economics and Tax Policy, previously told IBT.

Because the provision was added by the conference committee, it is “unlikely to have been fully priced into the revenue estimate, because the new provision was never subject to the benefits of crowdsourced analysis of all its implications,” University of Southern California law professor Edward Kleinbard told IBT.



GOP senators will vote on a tax bill with a real estate tax break that would benefit 14 of them. Sens. Lamar Alexander, John Cornyn and John Barrasso. Photo: Getty Images

Corker, the Senate’s fourth richest member in 2015, with an estimated net worth of over \$69 million, reported the highest 2016 income from real-estate partnerships — up to \$7 million — among GOP senators. His income came from three properties held by LLCs that together were worth as much as \$35 million. Montana Sen. Steve Daines, whose estimated net worth was \$14.4 million in 2015, reported earning between \$425,000 and \$4.2 million last year in rental income from eight properties managed by Genesis LLC. Daines, with Wisconsin Sen. Ron Johnson, pushed for a more generous tax deduction for pass-through entities during the Senate tax bill process.

Other top earners were Johnson and Tennessee Sen. Lamar Alexander, who both earned as much as \$1 million in 2016 from real estate pass-through vehicles.

Elaine Hatch, the wife of the chairman of the Senate Finance Committee who said Monday that he wrote the real-estate tax break and disputed IBT’s report that the provision had not been in previous versions of the bill, owns a stake in a real-estate LLC worth up to \$500,000

that generated between \$5,000 and \$15,000 of income from rent/royalties, interest and capital gains in 2016.

Several of these senators were also top recipients of campaign cash from the real estate industry during the 2016 election cycle. Ohio Sen. Rob Portman’s campaign took in over \$900,000 from real estate industry PACs and individuals; Johnson received roughly \$780,000; and Georgia Sen. Johnny Isakson got \$520,000 from the industry.

Beyond Republican senators, another major beneficiary of the provision could be President Donald Trump, who owns or directs over 560 companies, most of which are LLCs or LPs. Democrats in recent days have seized on the provision — and its potential benefits to Republican lawmakers — in demanding the bill be halted.

“President Trump made several promises to the American people on tax reform, including the assurance that his tax proposal wouldn’t enrich people like him,” Democratic U.S. Sen. Tom Carper of Delaware told IBT in an emailed statement. “Unfortunately, Republicans are rushing through a tax plan that does indeed enrich the wealthiest people in our country, including business-owners like Mr. Trump. It’s regrettable and, frankly, shameful that my Republican colleagues are rushing ahead with their partisan tax bill despite the mounting questions and concerns about its provisions.”

GOP SENATORS WILL REAP FINANCIAL GAIN FROM REAL-ESTATE TAX BREAKS IN THEIR BILL

14 Republican U.S. senators reported millions in 2016 income from real estate partnerships, which get a special tax break in the final GOP tax bill.

SENATOR	STATE	MIN VALUE	MAX VALUE	MIN INCOME	MAX INCOME
Corker, Bob	TN	\$16,000,003	\$35,000,000	\$1,200,003	\$7,000,000
Daines, Steve	MT	\$5,250,008	\$22,500,000	\$485,008	\$4,215,000
Alexander, Lamar	TN	\$1,228,769	\$5,428,767	\$115,404	\$1,052,000
Johnson, Ron	WI	\$6,100,001	\$30,250,000	\$115,001	\$1,050,000
Portman, Rob	OH	\$400,003	\$850,000	\$274,502	\$274,502
Risch, James	ID	\$1,350,003	\$5,750,000	\$35,003	\$115,000
Inhofe, Jim	OK	\$2,182,000	\$2,182,000	\$50,001	\$100,000
Kennedy, John	LA	\$650,003	\$1,350,000	\$25,003	\$80,000
Isakson, Johnny	GA	\$300,002	\$600,000	\$17,502	\$55,000
Barrasso, John	WY	\$250,001	\$500,000	\$15,001	\$50,000
Strange, Luther	AL	\$51,002	\$115,000	\$15,001	\$50,000
Paul, Rand	KY	\$200,002	\$500,000	\$10,002	\$30,000
Hatch, Orrin	UT	\$250,001	\$500,000	\$5,001	\$15,000
Hoeven, John	ND	\$100,001	\$250,000	\$2,702	\$6,000
TOTAL		\$34,311,799	\$105,775,767	\$2,365,134	\$14,092,502

Source: U.S. Senate

A number of U.S. senators stand to profit from a special real-estate tax provision in the GOP tax bill. Photo: Alex Kotch, International Business Times