



International Council of Shopping Centers

ISSUE PAPER

Tax Extenders: Leasehold Depreciation/ Brownfields Remediation

- The actual economic life of a leasehold improvement is 5-10 years.
- It is estimated that there are at least 450,000 brownfields in the U.S.
- Brownfield clean-up leads to 5% to 15% increase in property value for properties up to 3/4 mile from the site.

Position: ICSC believes that the depreciation schedule for leasehold improvements should more closely reflect the actual life of market practices. As well, the immediate expensing of remediation costs is an essential aspect to encouraging developers to accept the risk and costs associated with improving our communities.

For more information contact Jennifer Platt at jplatt@icsc.org or 202-626-1404.

Background: For several years ICSC has supported efforts to make the 15-year depreciation period for leasehold improvements and expensing of cleanup costs associated with Brownfields remediation permanent. Currently, these tax provisions are extended on a year-by-year basis which makes long-range business decisions difficult.

Leasehold Depreciation - One of the most important obligations of shopping center owners is providing modern, efficient and environmentally sound retail space for their tenants and the public. In order to meet specific tenant requirements and to comply with government regulations, shopping center owners must periodically refurbish and replace many components of their buildings, including internal walls, partitions, lighting, plumbing, flooring and communication outlets. As building owners and managers consider how to incorporate energy-efficient and green building techniques, this tax incentive will be especially important.

Brownfields Expensing - In the early 1990s, under pressure from private citizens and their Congressional allies, EPA officials began to refer to lightly contaminated land as "Brownfields." Such sites have been used for light industrial purposes or as gas stations and dry cleaners. Abandoned or underutilized contaminated sites are harmful to local economies. Cleaning up and reinvesting in these properties increases local tax bases, facilitates job growth, utilizes existing infrastructure, takes development pressures off of undeveloped, open land, and both improves and protects the environment. ICSC was an early supporter of the Brownfields initiative and is an active partner in the EPA's national Brownfields conferences.

Current Activity: After years of advocating for modernization of the depreciation schedules for leasehold improvements, ICSC welcomed a temporary 15-year straight-line depreciation period for leasehold improvements and expensing for Brownfield remediation. These provisions have been included in the business tax extender package since 2005 and are currently scheduled to expire on December 31, 2009. ICSC remains hopeful that Congress will pass another round of extensions as soon as possible to encourage continued investment in our communities.

Summary: The Business Tax Extender package should be passed as soon as possible to encourage shopping center owners to invest in their communities.