



July 8, 2014

The Honorable John Boehner  
Speaker of the House  
United States House of Representatives  
Washington, DC 20515

The Honorable Nancy Pelosi  
Democratic Leader  
United States House of Representatives  
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

The National Retail Federation (NRF) supports H.R. 4718, a bill to make bonus depreciation permanent, which is scheduled for a vote later this week. In particular, we are pleased that the legislation would remove the inequity between the treatment of stores that are owned by a retailer and stores that are leased by the retailer under the bonus depreciation rules. Bonus depreciation provides an important incentive for investment in the United States, which will help to spur our sluggish economy. We urge House members to vote in favor of this bill.

The depreciable life for improvements to retail stores is too long, even when Congress extends the 15 year life for improvements to retail stores (which expired at the end of 2013). Retailers must update their stores every five to seven years to maintain customer interest. The high after-tax cost of making these investments often delays much-needed updates because retailers operate on very slim profit margins. Bonus depreciation provides a very important incentive for making these investments on the more rapid timetable needed to address competition in the marketplace. These investments help to boost economic growth. According to the Bureau of Economic Analysis, every \$1 million spent in the construction industry creates more than 28 jobs in the overall economy.

Unfortunately, current law allows bonus depreciation for improvements made to stores that are leased, but not to stores that are owned, by the retailer. This puts retailers that own their buildings at a competitive disadvantage when attempting to do the much needed updates to their stores. Approximately, half of retail stores are owned. Often small retailers own their store buildings because it allows them to better locate in high traffic areas, since they do not have the ability to lease space in the high traffic malls. In addition, small retailers often own their buildings in order to maintain an investment for their retirement. H.R. 4718 would remove this inequity in current law.

NRF is the world's largest retail trade association, representing discount and department stores, home goods and specialty stores, Main Street merchants, grocers, wholesalers, chain restaurants and Internet retailers from the United States and more than 45 countries. Retail is the nation's largest private sector employer, supporting one in four U.S. jobs – 42 million working Americans. Contributing \$2.5 trillion to annual GDP, retail is a daily barometer for the nation's economy.

NRF urges you to support H.R. 4718, which provides an important economic stimulus for the economy as a whole and which eliminates an inequity in the current law with respect to retailers who own their stores. We may consider votes on, or in relation to, this bill as a key vote for NRF.

Sincerely,

David French  
Senior Vice President  
Government Relations

cc: Members of U.S. House of Representatives