Qualified Improvement Property (QIP) includes modifications to the interior of a building, such as leasehold improvements. The 2017 Tax Cuts and Jobs Act (TCJA) sought to make permanent shorter depreciation periods for QIP to reduce the after-tax cost of these improvements, encourage long-term investment, and foster job growth and economic opportunity.

A drafting error in TCJA requires businesses to recover these costs over a much longer period of time than intended, sometimes over four decades. Firms are delaying or even cancelling renovation projects, disrupting development in retail, restaurant and manufacturing.

Congress should pass the bipartisan Restoring Investment in Improvements Act (S. 803, H.R. 1869) to correct the error and enable businesses to go forward with investment decisions.

Public entities at the state and local levels have long used incentives as a means of spurring economic development, particularly in underserved communities. Grants, contributions of land, and other incentives often determine whether or not a development is viable.

A change in tax law now requires upfront taxation of such incentives, reducing their value and increasing development costs. Bipartisan legislation in the Senate (S. 2942) would reverse this change and enable state and local governments to maximize incentive dollars.

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Though previously treated as tax-free contributions to capital under Section 118 of the tax code, these incentives are now taxed up front, reducing their value and forcing local governments to make up the difference.

NAIOP supports bipartisan legislation (S. 2942) that would restore the prior tax treatment of these incentives and ensure that local investment dollars are maximized and directed towards much-needed development projects.