NATIONAL
ASSOCIATION
OF
REAL ESTATE
INVESTMENT
TRUSTS®

...

REITS:
BUILDING
DIVIDENDS
AND
DIVERSIFICATION®

June 29, 2007

Russ Sullivan, Esq.
Democratic Staff Director
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Kolan L. Davis, Esq.
Republican Staff Director
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Re: Staff Proposal on Basis Reporting of Securities Transactions/Comments

Gentlemen:

On behalf of the National Association of Real Estate Investment Trusts (NAREIT)®, thank you for the opportunity to provide comments pursuant to the "Memorandum to Reporters and Editors" released May 25, 2007, in connection with the "staff proposal on basis reporting of securities transactions" (Staff Proposal). NAREIT is the representative voice for U.S. real estate investment trusts (REITs) and publicly traded real estate companies worldwide. Members are REITs and other businesses that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service these businesses.

We have one specific comment with respect to the Staff Proposal. Particularly since the Staff Proposal would require a significant amount of effort on the part of brokers and mutual funds to implement the suggested basis reporting rules, we echo other commentators' suggestions that brokers and mutual funds be provided with an additional two weeks – until February 15th, to report dividend income to taxpayers on IRS Form 1099-DIV.

The annual taxable income of many REITs that own and lease real property is based on some measure of their tenants' annual gross profits, an amount that cannot be begun to be computed until close of business on December 31st of a particular year.1 Tenants require some time to close their books, and then REITs, and their mutual fund investors require some time to calculate their taxable income based on the rental income derived from these tenants

On behalf of its REIT members and their investors, for over 10 years, NAREIT has undertaken a yearly project to publish annual 1099-DIV data of its members. In order for brokers to issue accurate 1099-DIV forms by the current January 31 deadline, REITs are instructed by the brokerage community to finalize and transmit to brokers the information to complete their respective Forms 1099-DIV by the end of the first week in January. Due to the nature of a REIT's business, in many cases there are a number of REITs that are forced to issue corrections to their original 1099s after the current January 31 due date, resulting in frustration, wasted time, confusion, and additional tax preparation costs for millions of investors each year.

As you may know, Senator Charles Schumer (D-NY) has introduced S. 636, which would eliminate most of these corrections by providing, brokers, mutual funds, and other securities issuers an additional two weeks to report investment income to taxpayers on IRS Form 1099.
The Securities Industry and Financial Markets Association (SIFMA) has indicated its support for this legislation, which NAREIT also supports, mainly because it would allow mutual funds and brokers additional time to process the information transmitted by REITs.

Again, the Staff Proposal would require brokers to undertake significant changes in their reporting systems. With this in mind, and the additional factors that even under existing law, the

Form 1099-DIV due date of January 31st for mutual funds and brokers often provides REITs
with insufficient time to complete accurate 1099s in time for mutual funds and brokers to send
out their 1099-DIVs by January 31st, we strongly encourage you to consider extending the Form
1099-DIV due date until February 15th for mutual funds and brokers.

Respectfully submitted,
Tony Edwards
Executive Vice President and General Counsel

1 Virtually all REITs use the calendar year because of I.R.C. § 859(a).

. ..

NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS®