



May 20, 2015

The Honorable Patrick Tiberi  
U.S. House of Representatives  
1203 Longworth House Office Building  
Washington, DC 20515

Dear Congressman Tiberi:

The National Retail Federation (NRF) extends its strong support for your introduction of legislation to make bonus depreciation permanent. In particular, we are pleased that the legislation would remove the inequity between the treatment of stores that are owned by a retailer or restaurant and stores that are leased by the retailer or restaurant under the bonus depreciation rules. Bonus depreciation provides an important investment incentive that will help to spur our sluggish economy.

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 \$2.6 trillion to annual GDP, retail is a daily barometer for the nation's economy.

The depreciable life for improvements to retail and restaurant stores is too long, even when Congress extends the 15 year life for improvements (which expired at the end of 2014). 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 that addresses competition in the marketplace, which helps 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 or restaurant. This puts retailers and restaurants 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.

We support your bill because it will lead to increased investment in the United States and economic growth. We also appreciate that your bill eliminates an inequity in current law with respect to retailers and restaurants that own their store buildings.

Sincerely,

David French  
Senior Vice President  
Government Relations