

Congress of the United States
Washington, DC 20515

Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Chairman Powell and Secretary Mnuchin,

We write in strong opposition to Nareit's request for a waiver for tax-qualified real investment trusts (REITs) from the dividends prohibitions under sections 4003(b)(4) and 4003(c)(3)(D) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act prohibits corporations receiving federal aid from buying back their stock, paying out dividends, and caps executive compensation during the term of the loan and one year thereafter. It was the intent of Congress in including those provisions to reign in irresponsible corporate behavior and to prohibit federal dollars from being used to artificially inflate stock prices, enrich shareholders, or compensate executives with exorbitant pay packages when so many hard-working, ordinary Americans do not know where their next paycheck will come from and in too many cases are ineligible for stimulus checks or unemployment benefits.

The last week of June saw another 1.43 million Americans apply for unemployment insurance, while 19.3 million remain on unemployment.¹ Yet, REIT-owned Park Hotels and Resorts, CorePoint Lodging Trust, and Apple Hospitality paid over \$105 million², \$11 million³, and \$674 million to their shareholders, respectively. Park Hotels and Resort's largest shareholders include Vanguard Group and Blackrock, both of which have trillions of dollars under management. All the while, the American Hotel & Lodging Association estimates 70% of direct hotel employees have been laid off or furloughed, and hotel workers are losing more than \$2.4 billion in wages

¹ Megan Casella & Rebecca Rainey, Politico, "It's all backwards-looking: June's positive job data obscures a grimmer reality", July 1, 2020, <https://www.politico.com/news/2020/07/01/unemployment-coronavirus-close-down-347339>

²Securities & Exchange Commission, Form 10-Q, March 31, 2020, https://www.sec.gov/ix?doc=/Archives/edgar/data/1617406/000156459020024165/pk-10q_20200331.htm

³Securities & Exchange Commission, Form 10-Q, March 31, 2020, <https://www.sec.gov/ix?doc=/Archives/edgar/data/1707178/000170717820000036/cplg10q-q12020.htm>

⁴Securities & Exchange Commission, Form 10-Q, March 31, 2020, https://www.sec.gov/ix?doc=/Archives/edgar/data/1418121/000118518520000697/ape20200331_10q.htm

each week⁵. It is unconscionable that during a moment of national, unprecedented economic hardship federal dollars would be used to subsidize firms that continue to pay out hundreds of millions of dollars to their wealthy shareholders.

Further, by definition, a REIT must pay at least 90% of its taxable income in the form of shareholder dividends and have no more than 50% of its shares held by five or fewer individuals. This virtually guarantees that taxpayer funds will be used to enrich the wealthy few at the expense of the many. Because of their unique structure, REIT's also pay no federal taxes. Should REITs require assistance to cover payroll and maintain operations they must be required to forgo their special status and apply as C corporations – subject to federal taxes and the requirements of Section 4003. Additionally, proper oversight must be exercised to ensure taxpayer funds are used primarily to keep workers employed.

The coronavirus disease 2019 (COVID19) has taken a considerable toll on the economic security of workers and their families. It is imperative that during a national moment of hardship we hold entities using public funds accountable and ensure every cent doled out by the Treasury or the Federal Reserve is appropriately used. Therefore, we strongly urge you to reject Nareit's request for a waiver under sections 4003(b)(4) and 4003(c)(3)(D) of the CARES Act.

Sincerely,



Alexandria Ocasio-Cortez
Member of Congress




Jesús G. "Chuy" García
Member of Congress



Rashida Tlaib
Member of Congress



Ayanna Pressley
Member of Congress



Jan Schakowsky
Member of Congress



Ilhan Omar
Member of Congress

⁵ American Hotel & Lodging Association, July, 2020, <https://www.ahla.com/covid-19s-impact-hotel-industry>