

The Impact of the Administration's Dividend Tax-Exemption Proposal on the Low Income Housing Tax Credit

The undersigned organizations, united in our commitment to affordable housing and community development, are deeply concerned that the Administration's proposal to eliminate double taxation of corporate dividends would have a severely adverse impact on the Low Income Housing Tax Credit program, the only significant producer of affordable rental housing for America's low-income families. We are also troubled that other tax credits important to the creation of affordable housing and strong communities, such as the Administration's proposed Homeownership Credit, the New Markets Tax Credit, and the Historic Preservation Tax Credit, would also be adversely affected.

Corporate investment accounts for more than 98 percent of the equity capital generated by the Housing Credit that makes this affordable rental housing possible. NCSHA's preliminary analysis suggests corporations would forgo Housing Credit investments in favor of maximizing the distribution of tax-free dividends to shareholders, if Congress enacts this proposal. In fact, corporations are already withholding similar credit investments in the wake of the Administration's announcement of its dividend proposal just a few weeks ago.

The Housing Credit induces nearly \$6 billion in private investment annually to produce more than 115,000 apartments affordable to America's low-income families. It produces virtually all of this country's affordable rental housing, more than 1.5 million apartments since Congress created it in 1986. Congress just two years ago increased annual Housing Credit authority by 40 percent, demonstrating its confidence in and support for this program. Eighty-five percent of the Congress, with nearly equal numbers of Republicans and Democrats, cosponsored the legislation calling for that increase.

Although we do not believe the Administration intends to undermine the Housing Credit, we are concerned this proposal puts the Housing Credit's future in serious jeopardy. The possibility of severe harm to the Housing Credit and other affordable housing-stimulating credits, combined with the increased cost of tax-exempt housing bond financing this proposal would likely induce, would have a devastating overall effect on affordable housing production.

We are continuing to analyze the impact of the dividend proposal on the Housing Credit and will release our findings soon. We are confident that the Administration

and the Congress will work with us to avoid any negative consequences for this enormously important and successful program.

To sign-on to the letter, please contact NCSHA's Nicole Gobbo at 202-624-7710 or ngobbo@ncsha.org.

National Council of State Housing Agencies
Affordable Housing Tax Credit Coalition
Alliance for Retired Americans
Alliance To End Childhood Lead Poisoning
American Association of Homes and Services for the Aging
Central Conference of American Rabbis
Chicago Community Development Corporation
Coalition for HOPE VI and Mixed Finance
Coalition of Community Development Financial Institutions
The Community Builders, Inc.
Corporation for Supportive Housing
Council for Affordable and Rural Housing
Council of State Community Development Agencies
The Enterprise Foundation
Evangelical Lutheran Church in America
Housing California
The Housing Partnership Network
Housing Preservation Project
Institute for Responsible Housing Preservation
Local Initiatives Support Corporation
McAuley Institute
Mercy Housing, Inc.
National American Indian Housing Council
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Counties
National Association of Housing Cooperatives
National Association of Housing and Redevelopment Officials
National Association of Local Housing Finance Agencies
National Community Development Association
National Congress for Community Economic Development
National Cooperative Bank
NCB Development Corporation
National Council for Community Behavioral Healthcare
National Housing Conference

National Housing Law Project
National Housing Trust
National Housing Trust/Enterprise Preservation Corporation
National Housing Trust for Historic Preservation
The National League of Cities
National Leased Housing Association
National Low Income Housing Coalition
National Multi Housing Council
National Neighborhood Housing Network
National Rural Housing Coalition
Novogradac and Company LLP
Pathway Senior Living LLC
Preservation of Affordable Housing, Inc.
Recapitalization Advisors, Inc.
Senior Lifestyle Corporation
Union of American Hebrew Congregations
United Methodist Church, General Board of Church and Society
U.S. Conference of Mayors
U.S. Jesuit Conference
Utica Citizens in Action