GSTAND
Housing • Advocacy • Education • Networking

Georgia State Trade Association
of Nonprofit Developers

REG-114084-04

September 14, 2007

LEGAL PROCESSING DIVISION
PUBLICATION & REGULATIONS
BRANCH

SEP 19 2007

Internal Revenue Service
CC:PA:LPD:PR (REG-114084-04)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, District of Columbia 20044

RE: Public Comment, Section 42 Qualified Contract Provisions

Dear Ma'am/ Sir:

In response to the proposed rule on qualified contracts published in the June 19, 2007 Federal Register, G-STAND would like to submit a comment. G-STAND represents approximately 30 nonprofit (501(c)(3)) housing development corporations throughout the State, many of which use the Low-Income Housing Tax Credit to construct affordable housing in their service areas.

GSTAND is committed to maintaining Low-Income Housing Tax Credit-funded properties as affordable housing for the lifespan of the properties. We want to ensure that properties with terminating extended use periods be priced fairly, without undue benefit inuring to the initial developers, financers, and investors in the properties. Ours members will seek to purchase properties that propose to convert to market-rate housing to maintain as large an affordable housing inventory in Georgia as possible. As such, we have the following comment to the proposed rule:

1. **Section 1.42-18(c)(2), qualified contract purchase price formula**
   The proposed rule suggests the inclusion of the "investor equity" in the establishment of the qualified contract purchase price, reduced by equity payments for building costs that are not includable in tax credit basis. We believe this would excessively inflate the qualified contract amount, thereby establishing qualified contract prices that are unattainable by affordable housing advocates seeking to preserve these properties as affordable, while providing an undue return to the equity investors. Investors providing equity to our nonprofit members developing Tax Credit projects do not require repayment of their equity investment at the end of the 15 year compliance period in order to sell their interest in the affordable housing property to the nonprofit. Rather, they want to ensure that their exit tax liability is covered by the nonprofit.

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The tax credit the investors receive over the 10-year period adequately repays their equity investment plus a return-on-investment agreed upon at the initial investment. Allowing the investor to recoup their initial capital investment again at the time of the property sale would constitute "double dipping", and would in effect price the properties out of the reach of organizations such as nonprofits that wish to continue to maintain the properties as affordable housing.

We propose that, rather than including the "qualified investor equity" as part of qualified contract purchase price formula, the IRS add the "investor exit tax liability" to the qualified contract purchase price formula. This would have the effect of making the investors whole at the property sale, preventing the double payment of capital to investors in Tax Credit projects, establishing a more reasonable purchase price for organizations seeking to preserve affordable housing, and ultimately preventing the loss of much-needed affordable housing.

Thank you for this opportunity to comment on the proposed qualified contract regulations. Please contact Elizabeth Hohl Asbury, Chairperson, G-STAND Policy & Advocacy Committee, at 229.244.4081 or me at 404.526.1260, if you have any questions.

Sincerely,

Kate Little

Kate Little
President/CEO

cc: Ronald Walker
Elizabeth Hohl Asbury