

South Carolina State Housing Finance and Development Authority  
300-C Outlet Pointe Blvd.  
Columbia, South Carolina 20210

Eugene A. Laurent Executive Director

November 13, 2006

Eric Solomon, Esq.  
Acting Assistant Secretary for Tax Policy  
Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Room 3120  
Washington, D.C. 20220

Re: Qualified Contract Price

Dear Mr. Solomon,

I understand that your office is currently working on guidance and clarification to the rules regarding the Qualified Contract Price (QCP) and procedures outlined in Section 42 of the IRS Code. As our first properties became eligible for the Option Year, we believed it was necessary to establish state guidance for owners who may wish to exercise their right to sell their property at the QCP. In 2005, South Carolina established procedures outlining how owners can exercise their right to sell tax credit properties.

South Carolina developed worksheets for owners to input their tax information and determine the QCP. It appears, however, that based on the calculations that the QCP may, in many cases, exceed the Fair Market Value (FMV) of a property. One reason this could occur is the calculation for "Adjusted Investor Equity" where owner investments are adjusted by a cost of living index such as the CPI, which, over fifteen years can add up to a substantial amount.

We are concerned that as other restrictions expire, owners will elect to exercise their Option Year and establish a legally allowed QCP that exceeds FMV. Therefore, we suggest that you consider placing a cap on the low-income portion of a property, which must not exceed the FMV for that portion, as determined by an independent licensed appraiser, approved by the state monitoring agency. We believe this would allow an owner to sell his or her property at a fair price to another owner who wishes to continue the low-income use of that property and would prevent the loss of low-income units due to an unrealistically high and financially infeasible sale price.

Your consideration of this request is appreciated.

Sincerely,

Laura Nicholson Tax Credit Program Manager  
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