

SAMPLE LETTER FOR DIVIDEND EXCLUSION PROPOSAL

The Honorable << Name of Congressperson>>

<<Address One>>

<<Address Two>>

Washington, D.C. 20515

<<Month, Day , 2003>>

Re: Dividend Exclusion Proposal and Low-Income Housing Tax Credit

<<Dear Representative/Senator Name:>>

I am writing to urge you to look closely at the effect that President Bush's plan to eliminate the double taxation of corporate income would have on the nation's supply of affordable housing. Specifically, the effect the plan would have on housing financed by the low-income housing tax credit. I also urge you to support a provision that would treat federal taxes offset by the low-income housing tax credit as federal taxes paid for purposes of the dividend exclusion proposal.

As you know, the President's proposal, as outlined initially, allows individuals to receive tax-free dividends from corporations to the extent such dividends were paid out of income previously taxed at the corporate level. If corporations choose not to distribute income taxed at the corporate level, then individual stockholders would get a step-up in the basis of the stock for the unpaid dividends.

Within that context, the plan could have a significant negative effect on low-income housing tax credit housing investments, which provide a vehicle for almost \$5 billion in private investment each year. Those corporations that invest in the low-income housing tax credit provide 98 percent of the equity capital generated by these credits.

According to a summary of the effects on real estate tax credits prepared by the CPA and consulting firm of Novogradac & Company LLP, available at www.taxcredithousing.com, the low-income housing tax credit, which was created to specifically generate equity for affordable housing production, is the sole federal production resource for the nation's affordable multifamily housing. It figures in an estimated 75 percent or more of all new affordable housing production nationwide. As these figure indicate, the effect of the administration's proposal on this program, and on the nation's supply of affordable housing, is potentially devastating.

I urge you to support a proposal that recognizes that the low-income housing tax credit should be protected in the dividend exclusion proposal so that we can continue to stimulate the economy by producing a supply of affordable housing that is decent, safe and within the reach of all Americans.

Very truly yours,

cc: Mr. Michael Novogradac,
Novogradac & Company LLP