

NAHB Resolution

Title: Exit Tax Relief
Original Sponsor: Taxation Subcommittee of the Federal Government Affairs
Committee

WHEREAS, affordable housing properties frequently have low market values relative to similar market-rate properties;

WHEREAS, there are not enough affordable housing properties to meet demand;

WHEREAS, “exit” or capital gains taxes (including taxes on recaptured depreciation) are imposed on both cash sale proceeds and any amount of debt assumed by a seller in excess of a property’s cost basis;

WHEREAS, the taxes imposed on sales of affordable properties often impede and make financially infeasible the sales of the properties because not enough cash is generated to pay the tax; and

WHEREAS, insufficient cash generated from sales to pay taxes or repay the original capital investment results in properties either being converted into market-rate properties or not being sold and, as a result, being managed inefficiently;

NOW, THEREFORE, BE IT RESOLVED that NAHB support the enactment of legislation that provides a proportional tax benefit (for example, a tax credit) to help alleviate the exit tax liabilities that cannot be paid by cash generated from the sale of affordable housing properties, or the tax liabilities on the return of the original capital investment reduced by previous cash distributions.

Board of Directors Action:	Approved
Joint Executive/Resolutions Committee Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Taxation Subcommittee Action:	Recommends Approval
Multifamily Board of Trustees Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Housing Credit Group Action:	Recommends Approval