

Resolution No. 4

Date: January 19, 2009

City: Las Vegas, Nevada

NAHB Resolution

Title: Exempt Loan Restructuring From Income Taxation
Original Sponsor: Taxation Subcommittee of the Federal Government Affairs
Committee

WHEREAS, the housing industry is confronting its most severe economic downturn since World War II;

WHEREAS, the housing downturn is spilling over to other sectors of the economy, increasing the severity of the economic recession;

WHEREAS, more than 650,000 jobs, thus far, have been lost in residential construction along with hundreds of thousands more in related industries, resulting in billions of dollars of lost tax revenue and growing economic stress for American families;

WHEREAS, the rates of new housing construction and new and existing home sales have plummeted and confidence among both housing consumers and investors has collapsed in the midst of the crisis;

WHEREAS, the resulting decline in the market values of homes and land have reduced the collateral value for developers with outstanding business-related loans, such as Acquisition, Development and Construction (ADC) loans;

WHEREAS, it is in the interest of businesses, — and particularly small businesses that constitute the majority of the home building sector, and their creditors — to work out restructuring arrangements for troubled loans to ensure the financial health of businesses and financial institutions;

WHEREAS, loan restructuring can involve interest-rate reductions, principal forgiveness, loan-term extensions and other measures that under present tax law can generate phantom income that is taxable, thereby deterring or impeding such mutually beneficial and market-based workouts; and

WHEREAS, Congress established an income tax exemption for phantom income that arises from debt forgiveness associated with a mortgage on a principal residence,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to amend Section 108 of the Internal Revenue Code to exempt loan restructuring between lenders and businesses from phantom income taxation.

| | |
|---|---------------------|
| Board of Directors Action: | Approved |
| Executive Board Action: | Recommends Approval |
| Resolutions Committee Action: | Recommends Approval |
| Housing Finance Committee Action: | Recommends Approval |
| Federal Government Affairs Committee Action: | Recommends Approval |
| Taxation Subcommittee of the Federal Government Affairs Committee Action: | Recommends Approval |