[Date]

The Honorable Jim Beall

California State Senate

State Capitol, Room 5066

Sacramento CA 95814

Dear Senator Beall,

On behalf of [your organization] I write to communicate our strong support for your Senate Bill 873 Income taxes: insurance taxes: credits: low-income housing: sale of credit.

[Organization Description]

Low-income housing tax credits are the primary source of capital to construct affordable housing. Non-profit affordable housing developers, who do not have the required tax liability on their own, must seek out private equity investments for their developments. Under current law, investors must become owners of the property to claim the credits against their state tax liabilities. Due to the fact that state taxes are deductible from federal taxes, a reduction in the state tax liability increases the federal tax liability for the investor. With the federal corporate tax rate at 35%, *investors will generally invest no more than 65 cents for each dollar of state credit.* SB 873 addresses this issue by allowing a developer who is awareded state credits to sell the credits to an investor without admitting the investor to the ownership partnership and thereby increasing the value of the credit to the investor.

**Allowing the sale of state low income housing tax credits in this manner will:**

* Significantly increase the value of the tax credit without additional cost to the state
* Increase the efficiency of the program and generate more affordable housing units for the same level of state tax expenditure

Thank you for your leadership to promote the creation of more affordable homes for lower-income individuals and families in California. We strongly support your SB 873 and are grateful for your efforts.

Sincerely,

[Name and Title ]

cc: Michael Lane, Policy Director, Non-Profit Housing Association of Northern California (michael@nonprofithousing.org)