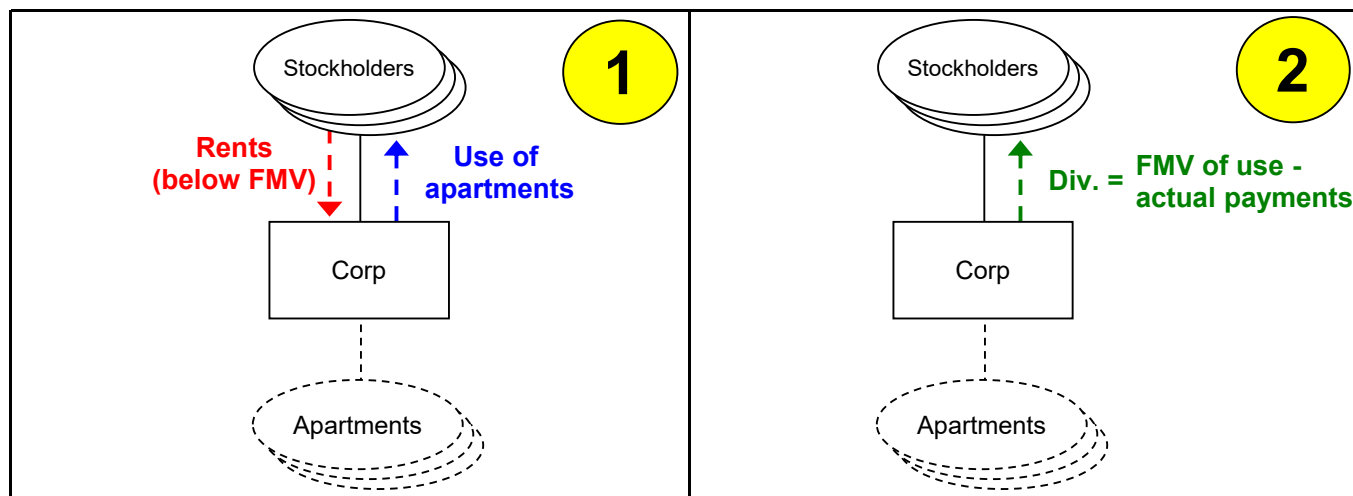


Bargain Rentals To Shareholders Results in Constructive Dividends

Bargain Rental

Constructive Dividend



Where a corporation is formed to own and operate an apartment project for profit and its stockholders are allowed by the corporation to rent an apartment in the project at a lower rental than is charged the general public, the excess of the fair rental value of the apartment over the amount of rent paid by each stockholder as a tenant is treated, for Federal income tax purposes, as a distribution by the corporation under the provisions of section 301. The amount of such excess is includible in the gross income of each stockholder to the extent that it constitutes a dividend. The amount of the excess which constitutes a dividend is that part of such excess which is considered to have been derived from the corporation's earnings and profits to the extent provided by section 316.