

Tax Credit News !!!!!

Effective immediately, 100% LIHTC properties no longer need to recertify tenants in the second year with third part verifications. When you move in a qualified household make sure everything is completed and you have done your due diligence to the best of your ability to make sure that the household is a qualified household. After the initial move-in, the annual certification can be a self certification. The self certification form can be found on our website.

8823 Guide Changes

Student Status:

- If you have a student that is not receiving Section 8 assistance: All forms of student financial assistance are excluded from annual income.
- If a student is receiving Section 8 assistance: All financial assistance received in excess of tuition is includable in income.
- Income exceptions to receiving Section 8 assistance: The student is over the age of 23 with dependent children or the student is living with his or her parents who are *applying for or* receiving Section 8 assistance.
- The HUD rule for counting children under joint custody as occupants for eligibility is: The children must spend at least 50% of their time in the household. The IRS has clarified it's position, stating "If disputed, determine which parent claimed the child/children as dependents for purposes of filing a federal income tax return."

Tenant Income Certification Effective Date:

- The effective date of a tenant's income certification is the date that the tenant moves in. Income recertification's, if required, must be completed annually based on the anniversary of the effective date.
- Income certifications may be signed up to 120 days prior to the effective date, provided all verifications are within 120 days of the effective date.
- All adult members of a household should sign the income certification before, or when, the household moves in. Any member of the household 18 years of age or older must sign the required forms. This includes the lease.

Changes in Family Size:

- If a family size increases: The addition of a new member to a low-income household requires income certification of the new member, including third-party verification. How the new tenant's income is treated is as follows:
- In a Mixed Income Project: The new tenant's income is added to the income disclosed on the existing household's most recent income certification. Requalification isn't required. If total new income for the expanded household exceeds 140% of the LIHTC qualifying income level, the available unit rule is in effect. The effective date of the certification doesn't change, nor does the due date for recertification.

Changes in Family Size (Cont)

- In a 100% Low-Income Project: The new tenant's income is added to the income disclosed on the existing household's original income certification.
- Original Household No Longer Occupies the Unit: Once all of the original members of the household have vacated a unit, the remaining tenants must be certified as a new income qualified household, unless:
- For Mixed-Income Projects: The newly created household was income qualified, or the remaining tenants were independently income qualified at move-in; or

Changes in Family Size (cont)

- For 100% Low Income Projects: The remaining tenants were independently income qualified at move-in.
- Note: Failure to certify a new household member is considered noncompliance (household ineligible at move-in) and reported on form 8823, Line 11a.

Self-Employed Individuals:

- A tax return must be filed for all self-employed individuals who operate sole proprietorship businesses or otherwise report income on federal tax return Schedule C, regardless of whether the taxpayer reports a profit or a loss. Management needs to make better use of tax returns for self-employed individuals.

Violations of the Available Unit Rule:

- This section has taken on added importance since owners of 100% low income projects are no longer required by federal rules to complete annual tenant income recertification's. For purposes of applying the available unit rule only, all households documented as initially income qualified households will be considered income qualified as long as the owner **demonstrates due diligence** when completing the initial income certification. The available unit rule is violated if an owner of a 100% low income project fails to rent a unit to an income qualified household and cannot demonstrate due diligence when completing the initial income certification.

Project Not Available to the General Public:

- The updated Guide notes the statutory changes made by HERA to LIHTC General Public Use Rules. The general public use rules will not be violated because of occupancy restrictions or preferences that favor tenants who:
 - 1. have special needs;
 - 2. are members of a specified group under a federal or state program or policy that supports housing for such a specified group; or
 - 3. are involved in artistic or literary activities.

Miscellaneous:

UPCS Violations:

- State agencies must report all UPCS violations identified during a physical inspection. The agency notifies all managers of an upcoming on site inspection, therefore, you have an opportunity to correct problems prior to our inspection.

Utility allowances:

- You can find the information for utility allowances on page 18 of the 8823 guide. This category of information is unique to each individual property as each property has different utility needs.