

**2009**

MISSISSIPPI HOME  
CORPORATION

# **[HOUSING TAX CREDIT COMPLIANCE MONITORING PLAN]**

This Manual is designed to provide a basic description and explanation of the rules and regulations of the Housing Tax Credit program as it relates to developments receiving an allocation of credits in the state of Mississippi pursuant to Section 42 of the Internal Revenue Code.

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*The Mission of the  
Mississippi Home  
Corporation is to  
offer the  
opportunity of a  
safe, decent, and  
affordable home to  
every  
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# GENERAL POLICIES AND PROCEDURES

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The Corporation will adhere to the following policies and procedures when carrying out its compliance monitoring obligations:

1. Applicants should verify prior to submitting an application for tax credits that they s/he is in compliance with all programs offered or administered by the Corporation. The Corporation must receive compliance status requests at least 45 working days before a tax credit application cycle. A charge of \$55.00 per hour will be assessed to cover the cost of researching and processing an applicant's compliance status request. Requests received after this time may not be processed by the anticipated deadline date. Each request for a compliance status letter should consist of:
  - Written request from the owner and/or approved registered agent;
  - List of developments owned/managed, organized by the development's project identification number, development name, and location.
  - Specify a deadline date or date request is needed;
  - Outline the type of information needed (copies of 8823's, general 'good status' letter, compliance status, etc.)

In addition, any request for a compliance status letter received from the owner or authorized official of a Housing Tax Credit (HTC) development for submission to an unrelated third-party source (entity other than the owner) must include written approval from the owner outlining the specific information needed, as well as the items noted above, if applicable.

2. The Corporation will monitor all HTC developments in accordance with the applicable Qualified Allocation Plan and approved HTC application. Any discrepancies and/or problems noted with said documents should be clarified before receipt of IRS form 8609. After issuance of IRS form 8609, the Corporation will monitor for compliance strictly, by what is noted therein.
3. The Corporation will report all instances of noncompliance (corrected or not) identified prior to the Corporation's issuance of IRS form 8609 directly to the IRS's Washington, D.C. office.
4. The Corporation requires household members age 18 and older, emancipated minors, and 17-year old residents that will turn 18 during the certification year, to execute all HTC certification documentation. In the event said person(s) is physically unable to execute said documents, an authorized agent (i.e., power of attorney) may do so on his/her behalf with authorization to do so from the physically challenged household member. For household

members executing eligibility documents with an “X”, said execution (signature) must be witnessed by a third party, generally someone other than management and/or owner and of legal age and sound mind to do so.

5. The ORIGINAL HTC tenant file and the ORIGINAL support documentation must be available for review upon request. Failure to provide said documents will result in the issuance of IRS form 8823.
6. The Corporation will issue final audit letters, in writing, within 45 days of the date of the inspection.
7. The Corporation, at its discretion, may allow “same day correction of minor discrepancies” at the time of an onsite audit inspection.
8. The Corporation will charge \$55.00 per hour and an additional 15 cents per copy to research the compliance status of a development and/or to retrieve and provide copies of agency stored compliance correspondence. All research fees must be received and processed by the Corporation before the requested information will be released.
9. Effective January 1, 2003, the Fundamental Compliance Monitoring training conducted by the Corporation is mandatory within 45 days of receipt of the development’s IRS form 8609 issuance date is mandatory of all owners/managements agents of “NEW” tax credit developments after receiving IRS form *8609 Low-Income Housing Credit Allocation Certification*.
10. The Corporation will report to the IRS all instances of noncompliance that is corrected within three years of the original noncompliance correction period. The Division will not review nor issue a “corrected” 8823 for instances of noncompliance corrected after such time has elapsed.

# INTRODUCTION

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The information contained in these instructions is provided by Mississippi Home Corporation (the 'Corporation') for use by owners and managers of developments in the state of Mississippi who has received an allocation of Housing Tax Credits (HTC's). Section 42 of the Internal Revenue Code (the "Code") mandates that housing credit agencies adopt a plan to monitor developments for compliance with the requirements of Section 42 of the Code and the representations set forth in the approved tax credit application. This requirement applies to all buildings placed in service that have received a housing credit allocation.

This Compliance Monitoring Plan (the 'Plan') is to assist owners, developers and managing agents in complying with the monitoring requirements of Section 42 of the Code (***see Regulation #1***) and the monitoring requirements of the Corporation. Additional actions or documentation concerning occupancy and rent restrictions may be required by the Code, by the Internal Revenue Service (IRS) or by the Corporation in order to satisfy reporting and low-income use requirements.

The Corporation, in an effort to fulfill its monitoring obligation under the Code, implemented a compliance monitoring program that went into effect on January 1, 1992, as amended herein. Under this program, the Corporation seeks to ensure that development owners and managers follow the requirements as set forth in the Code. *NOTE: The Corporation reserves the right to retain an agent or other private contractor to perform compliance monitoring. In this event, the agent or other private contractor may be delegated the functions of the Corporation to monitor compliance, except for the responsibility of filing IRS Form 8823.*

Because laws governing the HTC Program are frequently amended, occasional updates, revisions and/or modifications to this Plan may be necessary.

***This Plan is designed to convey Mississippi's interpretation of Section 42 of the Internal Revenue Code (IRC), associated rules and regulations, amendments and modifications. It is not intended to be a legal interpretation of the IRC.***

***Policy and procedures noted in this Plan are effective March 1, 2009, unless noted otherwise herein.***

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# CHAPTER 1 – HOUSING CREDIT PROGRAM FUNDAMENTALS

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## 1.1 OVERVIEW

Congress adopted the low-income housing tax credit program as part of the Tax Reform Act of 1986 (Section 42 of the Internal Revenue Code) to encourage the construction and rehabilitation of rental housing for lower income households.

Tax credits offer a direct dollar-for-dollar federal income tax savings and benefit to owners of affordable rental housing developments (including acquisitions, rehabilitations, and new constructions) who are willing to set-aside a minimum portion of the development's units for households earning 60 percent or less of the gross area median income. The amount of the tax credit available to an owner is calculated based on the cost of the development and the number of low-income units. The amount awarded to any given owner cannot exceed the amount needed to make the development financially feasible. The dollar-for-dollar tax benefit of a development may be applied to an owner's tax liability each year for 10 years.

## 1.2 THE VALUE OF THE HOUSING CREDIT

The value of the housing credit to an owner of a tax credit development is determined by a number of factors, including but not limited to how much cost is involved in the construction of the development, the percentage of units/buildings set-aside for low-income use and an established credit percentage.

The housing tax credit serves as a direct benefit to the owner of the tax credit building/development. Owners who receive an allocation of tax credits often raise capital for their developments by selling 'interest' in the development through a process called syndication to limited partner investors, who are also considered owners of the development from a limited perspective.<sup>1</sup> The developer/owner, i.e., general partner, remains the primary owner of the

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<sup>1</sup> A limited partner investor generally owns 99 to 99.9% of the partnership interest in the development without actually acquiring management control.

development from a limited perspective.<sup>2</sup> The tax benefits, including profits and losses, flow to the partners in proportion to their ownership interest in the limited partnership.

## A. Applicable Fraction

The value of the housing credit to a development owner is directly tied to the building's applicable fraction. A building's applicable fraction, or required percentage of qualified units, is generally targeted at the time of an owner's application for tax credits, formally assigned at the time of final credit allocation (the issuance of IRS form 8609 *The Low-Income Housing Allocation Certification*) and validated at the close of the first year of the credit period.<sup>3</sup> This validation of the applicable fraction marks the maximum units/percentage set-aside for low-income use for the building and must be acquired and/or maintained each year upon placing a building in service.<sup>4</sup>

The applicable fraction is calculated based on the lesser of the:

1. The number of low-income units (numerator) divided by the actual number of units in the building (denominator); or
2. The total square footage of low-income units (numerator) divided by the total square footage of the building, less any staff units, if applicable.

*NOTE: When determining which units to include as low-income in the numerator and which to include in the denominator, be sure NOT to include EMPTY units (i.e., units never qualified) in the numerator. Since these units have never been occupied, they should only be counted in the denominator. Include in the numerator any units reported as "vacant" at the end of the first year IF these units were occupied for at least 30 days AND were previously occupied by a qualified household.*

## B. Eligible Basis

The value of the credit is also determined by the portion of the development's cost attributed to the construction and/or rehabilitation of the development, the eligible basis. For newly constructed developments, the eligible basis is the approved cost of construction at the end of the first year of the tax credit period (this allows developers to include in the eligible basis costs that are incurred after the building placed in service date). The eligible basis of substantially rehabbed developments is the sum of all rehabilitations cost aggregated over 24 months and

<sup>2</sup> A general partner generally owns from one-tenth of one percent (.1%) to one percent (1%) of the partnership interest in the development.

<sup>3</sup> Credit period is the ten-year period in which an owner of a tax credit development is eligible for the dollar-for-dollar tax benefit.

<sup>4</sup> Placed in Service date is generally the date the building is first ready for occupancy. It is not the date the unit was first leased to a qualifying resident.

approved cost of rehabilitation provided the development meet the minimum amount required by regulations. For developments acquired by acquisition, the eligible basis is the cost of acquiring the building/development. In all instances, the cost of land is excluded from eligible basis.

### C. Qualified Basis

The qualified basis of a building contributes to the value of the housing credit in that it is used to calculate the amount of the tax credit. The calculation of a development's qualified basis is obtained by multiplying the applicable fraction by the development's eligible basis. Likewise, it represents the number of units occupied by housing credit qualified households on the last day of the taxable year in which the development placed in service or on the last day of the following taxable year.

#### *First Year Credit Percentage*

A building's qualified basis is initially established at the end of the first year of the credit period, the year in which the owner first begins to claim the HTC. In order to determine the first year credit percentage (i.e., amount of credits allowed), an owner must use a modified percentage to reflect the average portion of units in building that were occupied by low-income households. To calculate the modified percentage as of the end of each FULL MONTH of a building's in service year, add each monthly percentage together and divide by 12.

**Table 1: Determination of First Year Credit Percentage**

| Month                                        | Occupied | Total Units | Occupied by<br>Total | Monthly AF    |
|----------------------------------------------|----------|-------------|----------------------|---------------|
| January                                      | 1        | 10          | 1/10                 | 10%           |
| February                                     | 3        | 10          | 3/10                 | 30%           |
| March                                        | 3        | 10          | 3/10                 | 30%           |
| April                                        | 4        | 10          | 4/10                 | 40%           |
| May                                          | 5        | 10          | 5/10                 | 50%           |
| June                                         | 7        | 10          | 7/10                 | 70%           |
| July                                         | 7        | 10          | 7/10                 | 70%           |
| August                                       | 7        | 10          | 7/10                 | 70%           |
| September                                    | 8        | 10          | 8/10                 | 80%           |
| October                                      | 9        | 10          | 9/10                 | 90%           |
| November                                     | 10       | 10          | 10/10                | 100%          |
| December                                     | 10       | 10          | 10/10                | 100%          |
| <b>TOTAL of Monthly Applicable Fraction:</b> |          |             |                      | <b>740</b>    |
| <b>TOTAL divided by 12:</b>                  |          |             |                      | <b>61.67%</b> |

**NOTE:** The tax credit amount allowed on this building for the first year would be 61.67% based on the lease-up schedule.

## 1.3 THE CREDIT ALLOCATION

Tax credits are allocated annually to each state by the federal government based on a per capita formula.<sup>5</sup> HTC's are then awarded to developments which best meet the state's housing needs. The criterion for development selection is defined within the State's Qualified Allocation Plan (QAP).<sup>6</sup> Analytical procedures are used to determine the amount of HTC's to be awarded in order to make the development financially feasible.

An allocation of tax credits can occur in one of two ways: annual credit authority allocation or a tax-exempt bond allocation.

### A. Annual Credit Authority (ACA) Allocation

Under the QAP, the Corporation allocates tax credits from its per capita annual credit authority (ACA). Each state housing finance agency (HFA) is granted an annual housing credit equivalent to \$2.20 per capita, with a minimum allocation of \$2 million. In any given calendar year, the aggregate tax credit amount available for allocation to qualified affordable housing developments in the state of Mississippi includes the state's ACA, plus any unused credit authority carried forward from the previous year and any credits available from the national pool.<sup>7</sup> This does not include credits that are available outside of the state cap for developments financed with tax-exempt revenue bonds subject to the state private activity bond allocation ceiling.

The allocable credit authority reflects the ceiling amount for assignment to all qualified developments in the state. Only the first year allocation amount is counted against the state's tax credit ceiling, although the owner is entitled to take the same annual credit amount nine additional times (assuming program compliance) during the credit period.

In the state of Mississippi, owners meeting certain selection criteria are generally awarded credits, not to exceed twenty-five (25%) of the total credits reserved, or allocated in any one funding round.

Among the selection criterion that the state of Mississippi uses are:

- Development location
- Housing need characteristics
- Development characteristics

<sup>5</sup> The per capita amount determined by the latest official estimate of the state's population.

<sup>6</sup> The Qualified Allocation Plan (QAP) outlines specific housing priorities for the state of Mississippi that are appropriate for local conditions.

<sup>7</sup> The national pool consist of a collection of unused and returned credits from each state's ACA that the IRS makes available to state housing credit agencies for additional credit allocation/authority, as applicable.

- Sponsor characteristics
- Location (Qualified Census Tract, participant in a concerted revitalization plan)
- Tenant populations with special housing needs
- Development utilization of the public housing waiting list in resident selection

An allocation of HTC's by way of an ACA is generally very competitive and contingent upon strict underwriting guidelines.

## **B. Tax-Exempt Bond Allocation**

Tax credits are also available non-competitively by way of a tax-exempt bond allocation.<sup>8</sup> Although a development financed with private activity tax-exempt bonds does not receive an allocation from the state's ACA, the development must be consistent with the Corporation's QAP plus other limitations for tax-exempt financing. Tax credits obtained through the use of tax-exempt bonds are not counted against the per capita state limit.

The Corporation monitors developments that received an allocation of credits by way of a tax-exempt bond allocation in accordance with the same procedures for ACA allocations.

## **1.4 BASIC PROGRAM REQUIREMENTS**

Once an allocation of housing credits has been made, recipients of the credit (i.e., owners) must adhere to four basic program requirements: low-income occupancy, restricted rents, compliance period and resale requirements.

### **A. Low-Income Occupancy**

As a condition to the housing credit, an owner of a tax credit development must agree to make a portion, a minimum set-aside, of units in the development available for occupancy by low-income families with incomes at or below 60% of the area median gross income (AMGI). This portion of units, which is generally selected by the owner at the time of application and as shown on IRS form 8609 *The Low-Income Housing Tax Credit Allocation Certification*, establishes the minimum low-income occupancy required by the development throughout the compliance and extended use periods.

### **B. Restricted Rents**

In addition to the income restrictions mandated by the HTC program, an owner must agree to keep the rents of tax credit units affordable to low-income households. The maximum rent allowable under the HTC program are established based on the area median income, the development's minimum set-aside, a utility allowance estimates for tenant-paid utilities and any mandatory charges, if applicable.

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<sup>8</sup> A tax-exempt bond allocation is an allocation of credits to a development whereby more than 50% of the development's eligible basis is financed with private activity tax-exempt bonds.

### **C. Compliance Period**

Once an allocation of tax credits has been made and the development has been placed in service (PIS), an owner must comply with the program's affordability requirements of 15 years. Additionally, an owner receiving an allocation of credits in 1990 or a subsequent year must execute an extended use agreement for the development that establishes, at a minimum, an additional 15 year affordability period.<sup>9</sup>

### **D. Resale Requirements**

According to IRS regulations, an owner of a tax credit development desiring to sell his/her development may do so provided s/he sale the development to a buyer that agrees to maintain the low-income occupancy requirement of the development.

## **1.5 THE PRINCIPAL PLAYERS & RESPONSIBILITIES**

### **A. Owners and Managers**

Owners and managers of tax credit developments are required to comply with the following responsibilities/requirements:

- Occupancy and rent restrictions
- Annual Reporting Obligations
- Provide safe, decent and affordable housing
- Pay monitoring & noncompliance fees, where applicable
- Keep abreast of program changes and revenue rulings
- Submit corrective action documentation in the event of noncompliance
- Comply with agency request for monitoring reviews

### **B. Residents**

Occupants of a tax credit unit are responsible for providing information and documentation needed regarding each household's eligibility (i.e., income, assets, and full-time student status). Residents are expected to update household eligibility information at least once annually unless the development qualifies for an IRS Recertification Waiver.<sup>10</sup>

### **C. The Corporation**

The Corporation is responsible for enforcing the rules and regulations of the HTC program by:

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<sup>9</sup> The low-income use affordability period of development's allocated credits post 1989 is generally 30 years. Affordable housing provided beyond this requirement is elected by the owner of the development by way of the development's extended use agreement (LURA). Thus, the actual period in which a development is required to provide affordable housing differs, per development, based on the owner's election and obligation to the HFA.

<sup>10</sup> See the Housing Economic and Recovery Act of 2008.

- Providing guidance and assistance to owners and managers on program requirements
- Monitoring developments for program compliance
- Reporting all applicable compliance violations to the IRS
- Collecting fees, where applicable

#### **D. The Internal Revenue Service**

The Internal Revenue Service (IRS) performs the following activities:

- Provides the Corporation with guidance of tax credit requirements
- Process owner's tax returns and accompanying documentation claiming tax credits for the development; and
- Recapture the tax credits from owners who do not properly adhere to the requirements of the program.

### **1.6 KEY PROGRAM DOCUMENTS**

#### **A. IRS Revenue Notices and Rulings & Procedures**

Periodically, the IRS publishes notices and revenue rulings that specify additional requirements under the HTC program. Owners should familiarize themselves with all notices and rulings that relate to the operation of a HTC development.

#### **B. Land Use Restriction Agreement**

All participants in the HTC program receiving an allocation of credits post 1989 are required to execute an extended use agreement, a deed restriction, extending the affordability period of the development for an additional 15 years beyond the initial compliance period. In signing the LURA, the owner agrees to the restrictions on the use of the development as set forth in the restrictive covenants.

#### **C. State of Mississippi Qualified Allocation Plan**

The state of Mississippi's Qualified Allocation Plan (QAP) specifies how the state of Mississippi will allocate tax credits for any given year based on housing preferences and priorities. The QAP outlines the state's selection criteria and any other program requirements.

#### **D. State of Mississippi Compliance Monitoring Plan**

The Compliance Monitoring Plan was designed to help owners of tax credit developments in the state of Mississippi meet their obligations that are outlined in the provisions of Section 42 of the IRC and of their respective LURAs. The Plan focuses on the responsibilities of owners once they are required to begin leasing tax credit units to low-income families.

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# CHAPTER 2 - FEDERAL COMPLIANCE REQUIREMENTS

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## 2.1 OVERVIEW

**F**ederally, in order for an owner to acquire and maintain his/her credit claiming rights, s/he must adhere to a number of program requirements, including low-income occupancy, restricted rents, qualified full-time students, IRS notices and rulings, and extended use provisions.

## 2.2 LOW-INCOME OCCUPANCY

An owner of a tax credit development must agree to make a portion, a minimum set-aside, of the units in the development available for occupancy by low-income families. This portion of units establishes the minimum low-income occupancy<sup>11</sup> required of the development throughout the compliance and extended use periods. Once a minimum set-aside election is made, the decision is irrevocable.

### A. Minimum Low-Income Occupancy Set-Aside

The most fundamental requirement of the HTC program is that pertaining to the MSA. The MSA represents the smallest percentage of units required of a development at all times in order for an owner to claim and continue to claim the housing tax credit. An owner may choose from one of the following MSA elections:

1. **20/50 Set-Aside** – An owner's election of a 20/50 set-aside indicates that s/he agrees to ensure that a minimum of 20 percent or more of the residential units in the building are both rent restricted and occupied by individuals whose gross household income is 50 percent or less of the area median gross income adjusted for family size;
2. **40/60 Set-Aside** - An owner's election of a 40/60 set-aside indicates that s/he agrees to ensure that a minimum of 40 percent or more of the residential units in the building are both rent restricted and occupied by individuals whose gross household income is 60 percent or less of the area median gross income adjusted for family size; or

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<sup>11</sup> The minimum set-aside of a development is percentage of units an owner must acquire and maintain in order to be eligible for the annual housing tax credit.

3. **25/60 Set-Aside** - An owner's election of a 25/60 set-aside indicates that s/he agrees to ensure that a minimum of 25 percent or more of the residential units in the building are both rent restricted and occupied by individuals whose gross household income is 60 percent or less of the area median gross income adjusted for family size.<sup>12</sup>

In addition to the noted, an owner, at his/her sole discretion may elect to serve extremely low-income household's by agreeing to reserve 15% of the low-income units at the development to households earning 40% or less of the AMGI.<sup>13</sup>

Once an owner reaches and maintains the required minimum set-aside, s/he is eligible to claim the tax credit amount throughout the development's credit period.<sup>14</sup>

## **B. Additional Low-Income Occupancy Requirements**

In addition to the minimum set-aside election required for participation in the HTC program, an owner of a tax credit development (at his/her sole discretion) may elect to provide additional units for occupancy by low-to-moderate income households. This election, which is generally noted at the time of the final tax credit application, determines the amount of tax credits for which a development may qualify. An owner has the right to claim tax credits up to the amount allocated by the State Allocating Agency provided s/he has set-aside the additional units for low-income households and the extended use agreement<sup>15</sup> reflects the increased occupancy percentage (i.e., applicable fraction). NOTE: An owner's election to provide additional low-income occupancy is not a federal requirement; however, if an owner makes this election, s/he must adhere to the requirements in order to claim the maximum amount of credits permissible under the allocation.

## **2.3 RESTRICTED UNIT RENTS**

According to IRC 42(g)(2)(C), a unit qualifies as a tax credit eligible when the gross rent does not exceed 30 percent of the imputed income limitation applicable to such unit. Generally, the rent limit for a particular unit is determined by the number of bedrooms in the unit and the applicable income limit for the development as it relates to an owner's MSA election.

The other factors that may affect the maximum rent of a qualifying household includes tenant-paid utilities, mandatory charges, and state specific requirements such as owner-based rental assistance.

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<sup>12</sup> The 25/60 minimum set-aside election is only available to owners with developments located in New York City.

<sup>13</sup> See Section 142(d)(4)(B)

<sup>14</sup> The credit period consist of the 10 consecutive years over which the tax credit is claimed.

<sup>15</sup> The extended use period represents the additional years beyond which the original

## 2.4 SUITABLE FOR LOW-INCOME OCCUPANCY

For purposes of computing the MSA, all low-income units must be physically maintained in a manner suitable for occupancy under IRC 42(l) (3) (b) (ii). In ensuring compliance with the development's physical condition standards, all low-income units must be deemed safe, decent and in good repair. *(See Chapter 7 of this Plan for a complete discussion of the physical inspections procedures and requirements.)*

## 2.5 EXTENDED LOW-INCOME HOUSING COMMITMENT

Section 42 of the IRC provides that no credit will be allowed with respect to any building for the taxable year unless an extended low-income housing commitment (as defined in Section 42(h) (6) (B)) is in effect as of the end of the taxable year.<sup>16</sup> Additionally, Section 42 provides that the term "extended low-income housing commitment" mean any agreement between the taxpayer and the housing credit agency that requires that the applicable fraction for the building for each taxable year in the extended use period to not be less than the applicable fraction specified in the agreement. Additionally, Section 42 prohibits certain other actions as described in sub-clauses (1) and (II) of Section 42(h) (6) (E) (ii).

## 2.6 SPECIAL OCCUPANCY RESTRICTIONS

In addition to the above noted basic program requirements, HTC development owners must also adhere to various other special occupancy restrictions as it relates to the operation of the development. These restrictions are:

### A. Full-time Students

A household comprised entirely of full-time students generally disqualifies the unit for tax credit purposes. A full-time student is defined by the Code (Section 151(c) (4)) as an individual who during each of five (5) calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student at an education organization.<sup>17</sup> The term "educational organization" includes elementary schools, junior and senior high schools, colleges, universities, and technical, trade and mechanical schools. It does not include on the job training. The only noted exemptions to this rule are students in pre-school and correspondence school.

A full-time student household can occupy a tax credit unit if the household meets (and documents) at least one of the following IRS full-time student exceptions:

- The tenant(s) is(are) married and file (or entitled to file) a joint federal tax return;

<sup>16</sup> Section 42(h)(6)(A) and Section 42(h)(6)(B)(i)

<sup>17</sup> An education organization is one which normally maintains a regular faculty and curriculum, and normally has an enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried out.

- All tenants are receiving Title IV of the Social Security Act – Temporary Assistance for Needy Families (TANF);
- The household consist of a single-parent(s) with children who are a dependent of at least one of the parents, either the mother or the father, whether or not the absent parent will reside in the unit;
- All tenants are enrolled in a job training program under the Job Training Partnership Act (JTPA) or a similar federal, state, or local program; or
- The student(s) was previously under the care and placement of the state agency responsible for administering a plan under Part B, or Part E, of Title IV (*i.e., a former foster care participant.*)<sup>18</sup>

## B. Staff Units

Tax credit regulations allow certain units in a building awarded tax credits to be designated as a common area unit, a residential staff unit.<sup>19</sup> A residential staff unit(s) designation is a unit that has been set-aside, usually in the development's final tax credit application, for occupancy by a full-time resident manager, maintenance person, and/or security officer<sup>20</sup> and considered available for the general public.

As a result, a staff unit is considered an approved common area unit that is not subject to the income requirement of Section 42 of the IRC. In accordance with Revenue Ruling 92-61 and Revenue Ruling 2004-82, the adjusted basis of a unit occupied by a full-time resident staff is included in the eligible basis of a qualified low-income building under Section 42(d) (1), but the unit is excluded from the applicable fraction under Section 42(c) (1) (B) for purposes of determining the building's qualified basis.

### ***Procedures for Agency Approval of Staff Unit***

A residential rental unit that was not identified as a staff unit in the development's final tax credit application must meet tax credit eligibility requirements in order for the unit to be eligible under the housing tax credit program.

Under special circumstances, a residential rental unit may be converted to a staff unit after submission of the final tax credit application. However, in this instance, the development owner must submit to the Corporation for approval a written request (and support documentation) outlining the reason for the staff unit.

At a minimum, the request should address the following:

1. Why an on-site staff person is needed.

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<sup>18</sup> Foster care means substitute care for children placed away from parents or guardians and for whom the state agency has placement and care responsibility, including placement in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, child care facilities, etc.

<sup>19</sup> Common area unit is an area considered functionally necessary to the development.

<sup>20</sup> Full-time is defined as whatever is reasonably required at the development. It does not necessarily represent the number of hours worked onsite.

2. An explanation as to how residents would benefit from the inclusion of this staff unit. (Attach applicable support documentation)
3. A complete listing of the unit/building number(s) in which the staff unit(s) is being requested, as well as the unit type.
4. Name of employee(s) to occupy staff unit upon approval, if applicable, the staff unit designation (resident manager, security officer, courtesy officer, etc.) and percentage of time employee(s) will dedicate to THIS DEVELOPMENT.
5. A declaration regarding the prior tax status of this unit(s) (i.e., previously claimed credits, never claimed credits, etc.).
6. A declaration as to whether or not this unit has been treated as a revenue generating unit(s) prior to this request and the future intent regarding the same.

*NOTE: Additional information may be requested upon the Corporation's review of the above noted information.*

### C. Housing for the Elderly

Tax credit regulations also allow for housing specifically designated for elderly residents, individuals age 55 years of age and older.<sup>21</sup> In order for a development to qualify as a housing community designed especially for the elderly, the development must adhere to the following:

- 100% of the units are reserved and/or occupied by elderly residents age 55 or older or by persons meeting Rural Housing Service (RHS) or the Department of Housing and Urban Development (HUD's) definition of elderly;<sup>22</sup>
- Develop policies and procedures which demonstrate intent to provide housing to the fifty-five (55) or older age group, or for persons meeting the RHS or HUD definition of elderly;
- Significant facilities and services specifically designated to meeting the physical or social needs of older persons or for persons meeting RHS or HUD definition of elderly.

### D. Transitional Housing for the Elderly (Assisted Living Facilities)

Assisted living facilities, facilities designated to help individuals who are unable to live safely on their own, are also eligible for a housing tax credit allocation.<sup>23</sup> These facilities are designed to provide assistance with daily living such as bathing, dressing, laundry, housekeeping, meals, and assistance with medication. They are not to be used as an alternative to skilled nursing facilities (i.e., hospitals, nursing homes, sanitariums, life care facilities, intermediate care facilities, etc.)

<sup>21</sup>The Fair Housing Act exempts certain types of elderly housing developments from the law of discrimination against families with children. Housing designated specifically for the elderly is considered one of the exemptions.

<sup>22</sup> RHS and HUD's definition of elderly is where the tenant or co-tenant is 62 years of age or older or handicapped/disabled so long as they are members of the elderly household.

<sup>23</sup> IRC Reg. Ruling 98-47 Tax-exempt Ruling on Assisted Living

but rather to provide a level of long-term care suitable for many seniors and people with disabilities.

Section 42 of the IRC allows tax credits on assisted living facilities if the facility is a residential rental property available to the general public.<sup>24</sup> Likewise, an assisted living facility may qualify for tax credits if non-housing related services are offered to residents AND the amount of skilled nursing, medical or psychiatric care is limited.

## E. Small Owner-Occupied Buildings

An existing building with four rental units or less and with one additional unit occupied by the owner or a related person can qualify for tax credits if the building is rehabilitated under a development plan sponsored by a qualified nonprofit organization or by a state or local government agency. In this instance, more than 80 percent of the building can be eligible for tax credits.

## F. Unit Transfers

During the duration of a household's occupancy in a tax credit unit, circumstances may warrant a household to relocate, i.e., transfer from one unit to another unit. According to tax credit guidelines, unit transfers must be handled cautiously as an improper relocation may result in the loss of the housing credit.<sup>25</sup>

### 1. Unit-to-Unit Transfer/Relocation

When a current tax credit eligible household moves to a different unit within the same building, the newly occupied unit adopts the status of the vacated unit. Thus, if a household with income that exceeds the applicable income limitation moves to a vacant unit in the same building, the newly occupied unit becomes over-income. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

### 2. Building-to-Building Transfer/Relocation

Historically, a unit relocation that resulted in a household transferring from one unit to another unit in a different building would require the transferring household to complete a full certification subject to initial program eligibility requirements. This process, which is commonly known as a move-out, move-in occurrence, did not follow the 'swap unit' status concept. The IRS (by way of Revenue Ruling 2004-82) clarified its intentions regarding a unit transfer noting that a unit transfer resulting in a relocation from unit-to-unit in the **same building** or unit-to-unit in a **different building** of the same development follow the same swap unit procedure – no new INITIAL certification eligibility is needed.

<sup>24</sup> A building unit or development is considered available for general public use when the development is available for occupancy by the general public in conformance with Treasury Regulation 1.42-9.

<sup>25</sup> The IRS considers buildings that are not part of a multiple building development as 'separate developments.' Owners make this election for multiple building developments on Part II, line 8b, of the IRS 8609 form.

*NOTE: The IRS cautions performing unit transfers during the first year of the credit period as no unit can be counted more than once towards the development's MSA requirement. (See also page Chapter 4.3(B) for more information on this subject).*

*Gross household income at or below 140% of current income limit*

When a previously qualified household move to another unit between buildings during any year of the 15-year credit period and the gross household income is NOT greater than 140% of the income limit, the vacated unit assumes the status of the newly occupied unit had immediately before it was occupied by the current resident. The relocation has no apparent negative consequence on the owner's credit claiming ability.

*Gross household income above 140% of current income limit*

When a previously qualified household's income exceeds 140% of the applicable income limit wishes to move to a different building, the newly occupied unit will be treated as a non-qualifying unit.

Tax credit developments with a targeted applicable fraction of 100% must perform an income recertification **prior to** a building-to-building unit transfer to assess whether the household's income exceeds 140% of the income limit, including those with annual recertification waivers. Mixed-income developments<sup>26</sup> may rely on the most recent income certification for said determination provided the most recent certification does not exceed a year in duration. In either case, if the household's income exceeds 140% of the AMGI, the household cannot transfer to the new unit without disqualifying the unit and without jeopardizing an owner's future credit claiming ability for the unit. **(See Chapter 4 of the Plan for tax credit requirements applicable to household's whose gross annual income exceeds program limitation).**

## **G. The Next Available Unit Rule**

In accordance with Section 42(g)(2)(D)(i), all households determined to income eligible at move-in shall continue to be considered income eligible at recertification in the event the gross household income exceeds program limits. In exchange for this protection, the IRS requires an owner of a tax credit development to lease the next available unit of smaller or comparable size to an income eligible household if the previously qualified household's income exceeds current program limits by 140%.

## **H. The Unit Vacancy Rule**

According to Section 1.42-5 of Title 26 CFR Treasury Department Regulation, "if a low-income unit in the development became vacant during the year, reasonable attempts must be made to

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<sup>26</sup> Mixed-income developments are developments whereby occupancy is targeted to both low-to-moderate income households and market households.

rent the unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any unit in the development were or will be rented to tenants not having a qualifying income.” In complying with this rule, an owner must, when leasing a previously occupied tax credit unit, rent the vacated unit or any other unit of “comparable or smaller size” that may come available to income qualified residents.

## 2.7 PROGRAM PROHIBITIONS

Under the HTC program, certain occupancy prohibitions occur as it relates to potential and existing residents. In order for an owner to maintain his/her credit claiming abilities, it is essential that s/he is fully aware of key program prohibitions.

### A. Discrimination against Section 8 Households

Effective August 10, 1993, by way of the Omnibus Budget Reconciliation Act, Congress prohibited an owner of a housing tax credit development from refusing to lease a unit in the development to an applicant solely because the applicant holds a voucher or certificate issued under Section 8 of the United States Housing Act of 1937.<sup>27</sup> In support of the same, an owner must execute a LURA inclusive of this prohibition.

### B. Unlawful Evictions

Pursuant to Revenue Ruling 2004-82 (*See Regulation #7*), during the compliance and extended use periods, an owner may only evict residents occupying qualifying tax credit units for good cause. Generally, good cause means the serious or repeated violation of material terms of the lease with respect to federal public housing at 24 CFR Section 966.4(1)(2) or the failure or refusal of a household to vacate the premises when there is a defective condition or damage that is so substantial that it is economically infeasible to remedy the defect with the household in possession.

Non-renewal of a lease by the owner without good cause is also prohibited. All termination and non-renewal notices served upon residents must include a list of the specific violations(s) constituting “good cause” so as to allow the Corporation to monitor an owner’s compliance with this requirement.

### C. General Public Use

A HTC residential rental unit must be made available to the general public at all times. A residential unit is considered for use by the general public if the unit is rented in a manner consistent with housing policy governing discrimination. If not, the unit is not considered a qualified low-income unit and is thus not eligible for the HTC.

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<sup>27</sup> See Section 42(h)(6)(B)(iv) of the IRC.



## D. Short-term Occupancy

HTC units must be rented or made available for rent on a non-transient basis. Generally, a unit is considered occupied on a non-transient basis if the initial lease term under the HTC program is for six (6) months or longer. The only exception to this rule is for Single-Room Occupancy (SRO) units that may be rented on a month-to-month basis.<sup>28</sup> A lease can be renewed on a month-to-month basis, but only after an initial lease term of a full six (6) months has expired.

## E. Certain Mandatory Charges

According to the IRS, a tax credit unit is considered residential rental property notwithstanding the fact that certain services (other than housing) are provided. The IRS cautions, however, that any charges to low-income households for services that are not optional generally must be included in the gross rent calculation of the household.<sup>29</sup>

Application fees may be charged to cover the actual cost of checking a prospective household's income, credit history, and landlord references. The fee is limited to recovery of the actual out-of-pocket costs. No amount may be charged in excess of the average expected out of pocket costs of checking household qualifications at the development. Customary fees, normally charged, such as damage deposits and pet deposits are also permissible. However, an eligible household cannot be charged a fee for the work involved in completing the additional forms or documentation required for the program, such as the Tenant Income Certification.

Charges for non-optional services such as a washer and/or dryer hookup fee and built-in or on storage sheds or lockers (paid month-to-month or in a single payment) is permissible but must always be included in a household's gross rent calculation. Additionally, according to the IRS, month-to-month lease fees and mandatory renters insurance are considered rent. Although these fees are allowable, the amounts charged must be included in the gross rent calculation and below the applicable rent limit.

Decorating fees or fees for preparing a unit for occupancy must not be charged. According to the IRS, owners are responsible for physically maintaining units in a manner suitable for occupancy.

*NOTE: If tenant facilities (e.g., parking, garages, swimming pools, etc.) were included in the eligible basis, they must be made available to all tenants on a comparable basis and a separate fee must not be charged for their use.*

<sup>28</sup> A single room occupancy unit is a unit with separate living areas and shared bathroom or cooking facilities or contains one facility but not both and generally provided as transitional housing for the homeless as allowed under Section 42(i)(3)(B)(iii) and (iv) of the IRC.

<sup>29</sup> A service is considered OPTIONAL when the service is not a condition of occupancy and there is a reasonable alternative. See IRS 8823 Guide and Treasury Regulation 1.42-11.

## 2.8 ADMINISTRATIVE & REPORTING REQUIREMENTS

In exchange for the dollar-for-dollar HTC, an owner, throughout a development's compliance and extended use periods, is required to adhere to certain administrative and reporting responsibilities. An owner's adherence to these requirements affords the IRS the ability to track an owner's compliance with program rules and regulations.

### A. Owner Reporting

In accordance with Section 1.42-5(c) (1), an owner must annually certify to the Corporation as to his/her continuing compliance with all program requirements. At minimum, said certification is to include an owner's certification of compliance with:

- The elected minimum set-aside requirement;
- A household eligibility requirement;
- Rent restrictions;
- General public use provision and tenancy;
- Vacant unit and next available unit provisions;
- If the income of households in a low-income unit increases sufficiently, the next available comparable or smaller unit will be rented to low-income households;
- Program prohibitions;
- Special occupancy provisions;
- State and local building code inspection requirements; and
- Non-discriminatory practices

### B. Administrative Monitoring Reviews

State HFA's are responsible for monitoring HTC development's for compliance with requirements of the IRC. In doing so, the Corporation performs certain administrative monitoring reviews (i.e., desk audits, onsite file audits, physical condition inspections, etc.,) in order to determine an owner's compliance with said requirements and associated regulations. These reviews must include inspections of at least 20 percent of the low-income units and of the income certifications and documentation at least once every three years.

Additionally, in conjunction with the agency monitoring oversight, to help cover the cost of monitoring, the code allows state monitoring agencies to collect monitoring fees to be paid upfront or on an annual basis, to be determined by the state monitoring agency.

### C. Record-Keeping

Owners must maintain all development records documenting compliance with program requirements. At a minimum, eligibility documentation must be maintained throughout the

compliance period as well as six years after the tax filing dates for the last year of the compliance period (some 21 years).<sup>30</sup>

It is recommended that an owner establish a long-term method of retaining critical program initial eligibility documentation. Long-term retention of development records may be stored in a method other than paper format (i.e., scanned, microfilm, etc.). The IRS cautions, however, that the files be saved in a method easily retrievable in the future if ever needed.

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<sup>30</sup> First year records are critically important as they prove an owner's compliance with the development's initial MSA requirements (i.e., the development's first year eligible basis, qualified basis and applicable fractions).

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# CHAPTER 3 - STATE COMPLIANCE REQUIREMENTS

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## 3.1 OVERVIEW

State housing credit agencies are charged with the responsibility of monitoring for compliance the rules and regulations of the HTC program. With this responsibility, state credit agencies must ensure all applicable rules and regulations are carried out in accordance with federal guidelines and/or governing documents. Additionally, state monitoring agencies may adopt requirements that address certain state housing needs and priorities. These requirements are outlined in this chapter in accordance with the state's Qualified Allocation Plan (QAP).<sup>31</sup>

## 3.2 STATE MANDATED COMPLIANCE REQUIREMENTS

In the state of Mississippi, some requirements of the HTC program are state mandated of all program participants. These state mandated requirements generally deal with the extending affordability period of developments and a development's financial reserve requirements.

### A. Extended Affordability Period

An extended affordability period of at least 30 years is required of all developments awarded an allocation of credits post 1989. This extended affordability period, which is mandated by way of Section 42 and documented in a development's Land Use Restriction Agreement (LURA), serves as an owner's commitment to the Corporation to maintain affordable housing for a specified period of years, which may extend beyond the extended low-income housing use period mandated by the IRS. Such a commitment also prohibits an owner from terminating the extended affordability period. Generally, owners determine the extended affordability period in the final tax credit application.

### B. Reserve Requirements

Additionally, upon the issuance of a tax credit allocation, the Corporation requires an owner to establish reserves (i.e., replacement and operating) to which periodic contributions are required. At the end of the first year of the credit period, and on an annual basis thereafter, an owner must show evidence that the operating and replacement reserve accounts have been

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<sup>31</sup> The QAP, or Qualified Allocation Plan, details the selection criteria and application requirements for housing tax credits and tax-exempt bonds for a particular state. It lists all deadlines, application fees, restrictions, standards, and requirements.

established and maintained (i.e., funded) in accordance with the minimum (per unit) contribution as outlined in the governing QAP for the development. An owner's failure to properly fund the reserve accounts is considered a major noncompliance event.

#### *Replacement Reserves*

Replacement reserves are monetary contributions made to a FDIC-insured financial institution on the behalf of a development to be used for capital improvements and system replacements. The cost of these capital improvements and system replacements should exceed \$5,000 for developments with 24 units or less and exceed \$10,000 for developments above 24 units. Replacement reserve requirements increase at a rate of four percent (4%) per year.<sup>32</sup> Usage of replacement reserves for expenditures other than capital improvements and/or system replacements is strongly prohibited. Generally, funding of the replacement reserve account commences on the date a building/development places in service (PIS); however, depending on when the permanent financing closed on the development, this date may differ.

#### *Operating Reserves*

Operating reserves must be six months of the development's operating expenses. Calculation of operating reserves includes replacement reserves.

*\*Both the Replacement and Operating reserve accounts must be maintained in a FDIC-insured financial institution.*

### 3.3 OWNER- ELECTED OBLIGATIONS

For many developments, the owner has further elected to provide certain other housing enhancements (i.e., deeper income targeting, non-profit participation, renting to residents included on public waiting lists, or provide owner rental subsidy, etc.,). These housing enhancements, which generally come by way of state identified selection criteria,<sup>33</sup> must be maintained and well documenting in the corresponding development files. The selection criteria associated with a development is based on the year of the QAP and the development's final HTC Application.

#### **A. Additional Low-Income Occupancy**

Although Section 42 requires an owner to elect a minimum occupancy percentage of which affordable rental units will be provided, an owner may also make a commitment to target more households than required or households at lower income levels than required by federal regulations.<sup>34</sup>

##### 1. Additional Low-Income Occupancy

<sup>32</sup> For the 1999 allocations, the replacement reserves are to increase at a rate of three (3%) per year.

<sup>33</sup> Selection criterion identifies state specific housing needs and priorities.

<sup>34</sup> The percentage of affordable units to total number of units is equal to the percentage of tax credits available for use in that period.

An owner of a HTC development may also make a commitment to serve more families than required by the IRS or the state monitoring agency. This higher than required occupancy percentage generally occurs because of the difficulty found in most markets of mixing affordable income and market rate tenants. Another advantage to higher occupancy by affordable income households is the increase in the percentage of tax credits eligible to be utilized. The percentage of affordable units to total number of units is equal to the percentage of tax credits available for use in that period.

## 2. Deeper Income Targeting

An owner may also elect to serve households at incomes that are more restrictive. This restriction, commonly referred to as 'deeper targeting', may apply to all or part of the affordable housing units.

Deeper income targeted units, which serve a certain percentage of families at 50% or less of the AMGI, are considered 'floating' units whereby an owner is allowed to qualify a household meeting the deeper income targeting requirements for any low-income unit.<sup>35</sup>

Due to an owner's obligation to serve a certain number of very low-income families, regular monitoring of a household's gross annual income is essential. The gross annual income of a household designated as meeting the 'deeper income targeting' requirement must always comply with the 50% of AMGI occupancy restriction, with an allowance for a slight income increase of up to 60% of the AMGI before replacement of the unit is required. Additionally, the rent of a deeper income targeted household must always be restricted to 50% of AMGI.

Generally, deeper income targeted occupancy requirements are outlined in a development's LURA.

## B. Housing for the Elderly

An owner of a tax credit development that is designated specifically for the elderly population must elect the type of elderly housing to be provided. The types of elderly housing are:

### 55 and Older Elderly Housing

A 55 and older elderly tax credit housing community is one in which at least 80 percent of the units in the development have one resident who is at least 55 years of age or older. NOTE: Developments awarded tax credits under the point selection criterion for elderly housing must have at least one resident age 55 years of age or older in 100% of the low-income units.

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<sup>35</sup> At the time of allocation, an owner is required to provide a list of fixed units anticipated to be reserved for households meeting the deeper income targeting requirements. This requirement was only to evidence to Allocation an owner's acknowledgement of his/her requirement. An owner is not required to fix deeper income targeted units.

### 62 and Older Elderly Housing

A 62 and older elderly tax credit housing community is one in which all units in the development are occupied by residents who are at least 62 years of age or older.

#### ***Services/Facilities for the Elderly***

In addition to age requirement, multifamily developments that set-aside 100% of its units for the elderly population must also provide at least six (6) of the nine (9) services or facilities listed below:

- Congregate dining facilities
- Social and recreational programs
- Emergency or preventative health care or programs
- Information and counseling
- Recreational activities
- Homemaker services
- Outside maintenance and referral services
- Transportation to facilitate access to social services
- An accessible physical environment

*NOTE: In a '55 and older' elderly development whereby tax credits were awarded under the point selection criteria for elderly housing, at least one resident must be age 55 (or older) in 100% of the low-income units.*

## **C. Assisted Living Facilities**

In the state of Mississippi, in order to qualify as a tax credit eligible assisted living development, the development must adhere/provide/offer the following:

- Non-transient housing
- Restricted income and rent;
- Basic Service Package which is typically offered for a fixed monthly fee;
- Optional Service Package<sup>36</sup> whereby the resident(s) is (are) allowed to choose to receive certain services (i.e., assistance with bathing, dressing, grooming, ambulation, eating, laundry, housekeeping, physical therapy, visiting the barber or stylist, shopping, and self-administered medication (including opening packaging, reading labels and checking dosages);

<sup>36</sup> For a service to be considered optional, a resident(s) must be allowed to take occupancy under the Basic Care Package ONLY whereby rejecting the Optional Service Package.



- Tenant selection process/criteria that ensure that residents are healthy enough to live independently; yet, requires minimal assistance with activities of daily living, nursing, medical or psychiatric services; *and*
- Individual sleeping quarter(s)/unit(s) that have a lockable door that is (are) separate and distinct from the other units in the unit/facility.

*NOTE: A resident(s) can be required to prove OPTIONAL services being provided by an alternative service provider. Forced participation in an Optional Service Package makes the package non-optional as a condition of occupancy thus making the cost of the service 'rent'.*

#### **D. Extended Affordability Period**

At an owner's election, the development may be subject to an additional low-income occupancy affordability period beyond the 30-year requirement of the IRS (i.e., a 15-year compliance period and a minimum 15-year extended use period). In such a case, an owner is expected to comply with all rules and regulations outlined in the development's LURA, final tax credit application and Compliance Monitoring Plan. The actual term of the extended affordability period may vary from owner to owner.

#### **E. Tenant Community Services & Significant Amenities**

A development owner may promise to offer tenants community services in at least two (2) unrelated areas<sup>37</sup> and provide at least two (2) unrelated significant amenities not otherwise required by the entity providing financing or typically present in low-income rental housing.

##### ***Community Services/Significant Amenities***

An owner electing to provide tenant community services and significant amenities to low-to-moderate income families must annually evidence compliance by maintaining/providing, at minimum, a community service log book of all community services offered during the year, a roster detailing the name and unit number of all attendee(s) (including the date, time and topic of any class held), development records, pictures, etc.<sup>38</sup>

Additionally, upon request, an owner must provide to the Corporation documentation of benchmark measurement tools (i.e., tenant feedback surveys, assessments, etc.) used to assess the overall success and/or benefit of the service(s) provided.

<sup>37</sup> Unrelated service area is defined as services whereby the service is un-connected in scope or structure.

<sup>38</sup> In the event of a "no show", the owner should indicate such on the roster and maintain a copy for personal records and agency review, if requested.

Figure 1: Examples of Acceptable Community Services

| COMMUNITY SERVICES:                |                                              |
|------------------------------------|----------------------------------------------|
| <b>Personal Development</b>        | <b>Child Development</b>                     |
| I Computer Classes                 | I After School Program                       |
| II GED Training                    | II Child Care Services                       |
| III Job Training                   |                                              |
| IV Foreign Language Courses        |                                              |
| <b>Counseling Programs</b>         | <b>Community Awareness Events/Activities</b> |
| I Homebuyer Education              | I Fire Safety                                |
| II Credit Counseling               | II Health Fair                               |
| III Personal Budget                | III Drug and Alcohol Prevention              |
| IV Mental Health Program           | IV Crime Watch                               |
| EXAMPLES OF SIGNIFICANT AMENITIES: |                                              |

- Furnished clubhouse or community building with designated tenant activities and meeting rooms;
- Full perimeter fencing (non-chain link) with controlled access gate (wrought iron or wood security fencing);
- Playground area and equipment;
- Washer and dryer connections in individual units (Must have capability to service side-by-side units or opposite wall units. Stackable units are acceptable for elderly and rehab developments.);
- Ceiling fans in living areas and bedrooms;
- Tenant Security (Ex: Electronic locking system, individual alarm system...);
- Swimming Pool;
- Landscaped area including a gazebo with sitting area;
- Basketball, volleyball, or tennis courts;
- A playground area with a minimum of four (4) separate pieces of equipment.<sup>39</sup>

### ***Term of Commitment***

An owner must maintain development records documenting services and amenities to be provided as indicated in the final HTC application. Tenant community services must be provided for a minimum of ten (10) years beyond the placed in service date. Additionally, an owner must maintain the formal contractual agreement that appears on the service provider's letterhead and both the applicant and service provider has executed. The service contract must also

<sup>39</sup> The Corporation will accept commercial grade multi-function single structures that provide a minimum of four (4) separate play activities.

disclose the location and occurrence of the services. At a minimum, services must be provided on a quarterly basis but may differ depending on obligations as outlined in the service contract.

Failure to provide documentation of such is considered a noncompliance event with the Corporation and will be noted as such.

## **F. Housing for Persons on Public Housing Waiting List**

An owner electing to offer housing to persons on the public housing waiting list must maintain documentation in the development file evidencing the occasional use of the public housing waiting list.

## **G. Owner-based Rental Assistance**

Owner rental assistance (ORA) is a development- based rental subsidy paid to a household by an owner. The intended purpose of the ORA is to serve as a direct rental benefit to the subsidized household's out-of-pocket rental amount thereby offsetting the household's net tenant-paid rent.

In order to ensure the fair and equitable distribution of an owner's rental assistance/subsidy, an owner, when administering ORA payments, is required to adhere to the following criteria:

1. Maintain documentation proving assistance is/was being provided to a minimum of fifty-one percent (51%) of the development's units that are eligible under the tax credit program;
2. Provide rental assistance payments for a period not less than five (5) years commencing on the later of the development's placed in service date or the date of issuance of the first owner subsidy payment;<sup>40</sup>
3. Provide a minimum of fifty dollars (\$50) per unit, per month in rental assistance whereby the tenant-paid rent is reduced by the amount of the ORA payment;
4. Establish and maintain throughout the rental assistance period comparable rental amounts for assisted and unassisted units of the same size, square footage and/or amenities. The MAR for units of the same size, location, square footage and/or amenities must NOT differ between assisted or unassisted units.
5. Maintain documentation proving the establishment and continued maintenance of a rental assistance account. Note: Annual funding must be evident.
6. Establish a plan that identifies how households will be selected for housing assistance payments (including the maintenance of a waiting list) to be reviewed periodically by the Corporation. Additionally, included in this Plan, an owner, in determining eligibility

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<sup>40</sup> An owner receiving an award of HTC's in 2001 and 2002 and electing to provide ORA must provide rental assistance payments for not less than 15 years commencing on the later of the development's PIS or the date of the first subsidy payment.

as to who will receive owner's rental assistance, should give preference to household with no "tenant-based" assistance whose gross income is at or below 50% of the AMI, elderly residents and single-parent households.

## H. Single-Family Lease Purchase Developments

Some owner's elect to construct, certify, lease and manage small planned urban developments containing townhomes, patio homes, and/or stand-alone single family units as affordable housing for persons who qualify under the requirements of Section 42, as amended, of the IRC. The goal of the program is to provide the opportunity for participating families to lease the units to be constructed and then purchased for ownership.

Generally, single-family lease purchase developments have been planned out to provide major financial incentives for those families who convert to home ownership after the HTC compliance period has elapsed. In preparation for home ownership, at minimum, an owner of a single-family lease purchase development must conduct/provide the following:

- Significant amenities and supportive services (to be carried out on a monthly basis);
- Planned monthly seminars in home ownership counseling, budgeting, parenting, job skills, and educational training and maintenance;
- Participant interviews, monitoring and evaluation;
- Periodic assessment of credit worthiness (i.e., annual financial reports);
- Home Maintenance Training; and
- Lease-purchase agreement<sup>41</sup>

## I. Non-profit Participation

A development owner electing to provide housing in conjunction with a qualified non-profit organization<sup>42</sup> must ensure the non-profit organization materially participates in the development throughout the compliance and extended use periods.<sup>43</sup>

In order to materially participate, the qualified nonprofit must be engaged in the activities of the development on a regular, continuous, and substantial basis. Example: a non-profit Executive Director that is onsite at the time of agency visit and is instrumental in the correction of any cited noncompliance.

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<sup>41</sup> A lease purchase agreement or lease addendum advising tenants of the available purchase option at the end of the fifteen (15) year lease period must be provided to qualifying residents at the time of initial occupancy and reiterated periodically (preferably once annually).

<sup>42</sup> A qualified non-profit organization may include corporate subsidiaries of nonprofit organizations as long as one or more nonprofits owns 100 percent of the stock of the corporation, but do not include nonprofits that are affiliated with or controlled by a for profit organization.

<sup>43</sup> Material participation of a non-profit must be involved to the intent noted in Section 469(h) of the IRC.

### 3.4 COMPLIANCE TRAINING

#### A. Technical Assistance

The Corporation offers technical assistance on an as needed basis to participants of the HTC program. Technical assistance is available to owners, developers, managing agents and/or staff via one-on-one trainings, group trainings, and conferences. Generally speaking, all technical assistance trainings are available free of charge, twice a month, by appointment and availability.

#### B. Quarterly Briefings

In addition to the above noted technical assistance training, the Corporation host quarterly compliance monitoring briefings. The goal of the briefings is to allow any party interested in developing or managing a HTC development or seeking to obtain a broader knowledge of the HTC program information to obtain knowledge of the following:

- Understanding federal regulations as it relates to determining household eligibility
- Understanding specific program rules implemented by the Corporation
- Developing an effective rental application and getting the information you need
- Income and rent limits
- Annual income and asset verifications
- How to complete the Corporation's mandatory reporting forms
- Other topics deemed necessary by the Corporation

Quarterly briefings are open to the public. Seating is generally limited and available on a first come, first serve basis. The Corporation reserves the right to limit the number of briefings conducted per year.

*NOTE: No group and/or conference training request will be granted during the months of February, November and December.*

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# CHAPTER 4 - DETERMINING & DOCUMENTING HOUSEHOLD ELIGIBILITY

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## 4.1 OVERVIEW

The primary requirement of participants involved in the HTC program is to comply with the program's four basic requirements (i.e., maximum income and rent restrictions, full-time compliance period and disposition procedures). In order to do this, an owner must understand how to properly qualify a household for tax credit purposes.

## 4.2 THE INITIAL CERTIFICATION

Before a household can be counted as a low-income unit, it must be established that the household qualifies (i.e., meet all applicable program eligibility requirements). To determine whether a household is eligible under the tax credit program, an owner must first gather and verify some basic information regarding the household's size and composition, gross annual income and assets, as well as full-time student status.

### A. Rental Application

All applicants desiring to lease a tax credit unit must be required to complete a written rental application whereby providing certain pertinent household information critical in making an accurate determination of initial occupancy.<sup>44</sup> A good rental application is one that has at least the following information:

- The name, sex, birth date and relationship of each person who will occupy the unit (legal name should be given just as it will appear on the lease and TIC form) or is/will be considered a part of the household during the next 12 months.
- An employment history (consisting of the name of the company, supervisor, address, telephone number and salary) of each adult household member expected to occupy that unit or is/will be considered a household member during the next 12 months. If an individual is unemployed, the unemployment status must be stated on the application and an *Affidavit of Non-Employment* form must be acquired from said individual at each

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<sup>44</sup> If more applications for a tax credit unit is (are) received than available, a waiting list must be maintained. The Rental Application must be dated and time stamped to ensure proper placement of the waiting list.

certification as long as the person remains unemployed. *NOTE: Date of termination is required on any changes in employment status from the time of initial application for residency and/or recertification questionnaire to the time of the most recent certification/recertification.*

- All sources and amounts of current and anticipated annual income expected during the next twelve months, including the current and/or estimated value of assets.
- Full-time student status of each household member expected to occupy the unit or is/will considered a part of the household during the next 12 months. *NOTE: A full-time student household must meet one of the student exceptions provided by the IRS. (See Chapter 2 of this Plan.)*
- The signature of the applicant and the date the application was completed. It may be necessary to explain to the applicant that all information is considered sensitive and will be handled accordingly.

### ***Household Composition Determination Procedures***

Once a properly completed rental application has been acquired, an owner can then begin the approval process by assessing essential eligibility information provided therein: household composition, full-time student status, and gross annual income.

#### **1. Household Size/Composition**

The actual household size of a prospective family is highly essential in determining eligibility because the size of a household determines the maximum allowable income the household can make in order to be considered eligible for occupancy. If the gross income of a household (based on the verified household size) exceeds the maximum allowed under tax credit rules and regulations, then the household is not eligible to reside in a tax credit unit.

#### ***What Constitutes a Household?***

Any group of persons living together, other than ineligible full-time students, can constitute a household. The total gross income for all members of a household (with the exception of those persons listed in Section 5.5(7) & (8) of this Plan) should be combined for purposes of determining the required income limits.

#### ***Who Counts as a Household Member?***

A household or family includes the applicant, co-applicant, and all other persons who will make the dwelling their primary residence for all or part of the next 12-months. Also inclusive are temporary absent family members (e.g., students away at school, an unborn child, members of the armed forces or temporary duty) or children under joint custody that live at least 50 percent of the time with this household and can be documented through third-party written documentation (i.e., guardianship or custody papers, etc.).



*NOTE: When applicable, the name and relationship of verified live-in aides and foster children and/or foster adults must be listed on the TIC form such with support documentation in the file.*

**Who does NOT count as a household member?**

Verified live-in aides, nurses or attendants, absent children (less than 18 years of age) who will be in the unit less than 50% of the time; verified foster children or foster adults and permanently absent family members do not count as household members.

**2. Full-time Student Status**

Before making a determination that a household is eligible to reside in a tax credit unit, an owner must ascertain whether the prospective family is comprised entirely of full-time students. If the household IS comprised entirely of full-time students, then the owner must determine if the full-time student household is eligible under tax credit student eligibility guidelines. Initially, the best way to make this determination is to ask the household a series of questions pertaining to the overall student status. Some good questions to ask are:

- Do all occupants of the household meet the full-time student definition as noted by the IRS?
- Does the applicable educational institution deem the occupant a full-time student?
- Has/will all occupants attend school at least five (5) months out of the 12-month calendar?

If the answer to EACH question above is “yes”, then the household should be noted as a full-time student household and a determination of the IRS’ exception must be identified, along with written documentation supporting the qualifying exception. **(See Chapter 2 of this Plan.)**

On the other hand, if the answer to any of the questions is “no”, then the household is not considered a full-time student household and support documentation from the educational institution is NOT needed unless a household member(s) other than the head, co-head or the spouse, is eligible for the maximum \$480.00 full-time student’s earned income calculation. In this instance, the owner should proceed to determine if the household is income eligible.

Inquiry regarding a household’s full-time student status must be documented annually in the tenant file of each qualifying household.

*NOTE: The TIC form created by the Corporation is “inclusive” of the above student eligibility requirements and is considered an acceptable “inquiry” regarding student eligibility. When applicable, full-time student documentation from the institution is also needed to support student status. (For further information on student eligibility, refer to Section 42(i)(3)(D) of the IRC.)*

## **B. Income Support Documentation**

Income support documentation must be acquired verifying the ANTICIPATED income and eligibility of a qualifying household.<sup>45</sup> In doing so, all income support documentation must be completed in accordance with the income verification guidelines as stated in Chapter 5 of this Plan and in accordance with HUD’s Occupancy Handbook 4350.3, Rev. 1, Change 2. Using the income verifications acquired from all sources of income (including both actual and anticipated), an owner must calculate the total gross annual income for the household. This amount is then compared to the applicable income limit for the household to determine income eligibility. If the verified total gross household income is at or below the current income limit, the household is considered income eligible and must certify to the validity and accuracy of the information on the TIC form before occupancy can be granted.

*NOTE: A Tenant Release and Consent form must be acquired from each household member age 18 and older (and 17 year-old residents that will turn 18 during the certification period) granting an owner/management agent authorization to verify personal household information. A Tenant Release and Consent form must be acquired at the time of application and on an annual basis thereafter as required.*

## **C. The Tenant Income Certification (TIC)**

One of the most important steps required in documenting a household’s eligibility is to certify the accuracy of the information provided. As a result, Section 42 of the IRC requires an owner to acquire a properly completed tenant income certification (TIC) form at the time of initial move-in (initial tax credit eligibility date for acquisition/rehabilitation developments) and thereafter on an annual basis for each qualifying household, as required. The TIC form must be executed by each household member age 18 and older, including 17 year old residents that will turn 18 during the certification period AND the owner or representative of the management company, no earlier than five (5) days before the move-in/initial tax credit eligibility date. In most cases, the effective date of the TIC should coincide with the move-in/initial eligibility date of the household.

<sup>45</sup> Anticipated income is the amount of income a household can reasonably expect to receive over the next 12-months.

*Initial Eligibility for Acquisition/Rehabilitation Developments with Existing Residents*

Qualifying units/residents for the HTC program on developments that have undergone acquisition/rehabilitation or a simple rehabilitation can be challenging. In many instances, there is the presence of “existing residents” whose qualification must first be determined. As a result, all existing residents (as is the case of any new occupants), must be initially qualified for the tax credit program.

According to Rev. Procedure 2003-82, a unit occupied before the beginning of the credit period will be considered a low-income unit at the beginning of the credit period, even if the household’s income exceeds the income limit at the beginning of the first year of the credit period, if the following two conditions relative to income eligibility are met:

- The household qualified the unit at the time the owner initially acquired the building or the date the household started occupying the unit, whichever is later; *and*
- Written documentation of the initial HTC eligibility is maintained. In order to determine the eligibility of existing residents with HTC regulations, a properly completed TIC form and all support documentation must be acquired in accordance with the following guidelines:

*Acquisition/Rehab Developments*

The initial certification for households occupying a unit at the time of acquisition must be completed within 120 days of the development’s acquisition placed in service (PIS) date. The move-in date on the TIC should be no earlier than the acquisition PIS date. The effective date of the initial HTC eligibility certification is the date of acquisition since there is no move-in date. The income limits in effect at the time of the acquisition PIS date should be used when determining income eligibility.

If a household moves into a unit after the building is acquired but before the beginning of the first year of the compliance period, the tenant certification is completed using the income limits in effect at the time of the certification and the effective date is the date the household moves into the unit.

*Rehabilitated Developments Only*

The initial certification must be completed within 120 days of the development’s rehab placed in serviced date. The move-in date on the TIC should be no earlier than the rehab PIS date. The effective date of the initial HTC eligibility certification may be any date the owner chooses on or after the PIS date; however, the date should not exceed the 120-day timeframe and must coincide with the initial eligibility date. NOTE: Verifications must be no older than 120 days from the effective date and all verifications must be completed and received prior to the effective date.

## D. The Lease Agreement

The initial lease agreement with a period of at least six (6) months must be acquired from all tax credit eligible households in order to document and ensure non-transient housing.<sup>46</sup> An exception is granted to housing for the homeless and single-room occupancy (SRO) housing whereby a minimum lease term of at least one month is allowed.

The Corporation considers a lease to be valid if it is properly completed, contains all the necessary signatures, has a term effective from the date of move-in and/or the tax credit initial eligibility date AND at least six (6) months in length.

In addition to the above, the Corporation strongly encourages lease agreements that cover the following provisions:

- Residents who intentionally misstate household size or income or otherwise attempt to mislead the owner as to the household's eligibility will be evicted;
- Failure to provide the required certifications, sources of income, and permission to verify income are grounds for eviction;
- Any changes in the household composition within the first six (6) months of occupancy must be reported to the owner. ***(Refer to Section 4.3 of the chapter for the Corporation's policy on additional household members);***
- The owner and/or owner's representative, a representative of the Corporation, and a representative of the IRS reserves the right to enter the unit to inspect the physical conditions of the unit; *and*
- A statement explaining the development is a participant in the HTC program and the tax credit units are under certain program regulations including income eligibility, full-time student status eligibility and annual recertification requirements.

*NOTE: Lease agreements/addendums for an acquisition/rehabilitation and/or rehabilitation-only development must be for a term of six (6) months and commence on the effective date of the initial certification for the HTC program.*

## 4.3 THE RECERTIFICATION

According to Section 42 of the IRC, an owner of a tax credit development must ensure that each resident of a qualified HTC unit have their total eligibility re-examined annually in order to document continuous program eligibility. This re-examination is commonly referred to as a "recertification".

<sup>46</sup> Non-transient housing is considered housing whereby occupancy is not short and sporadic but generally for a term of at least six (6) months.

The procedures for recertifying an existing, previously qualified household is virtually the same as determining initial eligibility – perform a compliance check on the household’s size, income, assets, and student status.

The time frame in which a household must be recertified is no later than the anniversary date of a qualifying resident’s initial occupancy/eligibility date or no later than the twelve-month anniversary date of the most recent 2002 TIC form on file for RHS financed developments whereby an re-examination of a households continued eligibility does not exceed 12 months.

Because the process of acquiring recertification eligibility information (i.e., verification of income, assets, student status) is frequently a time consuming process and because income support documentation is not always returned in a prompt manner, it is highly recommended that an owner initiate the recertification process 90-120 days prior to the expiration date of the existing TIC. An owner’s failure to recertify a household within the appropriate timeframe may be considered a noncompliance event and reportable to the IRS. ***(See Section 4.4 of this Chapter for information regarding the IRS Recertification Waiver.)***

## **A. Change in Household Composition**

Changes in the household composition of a previously qualified family is of the utmost importance when assessing a family’s ongoing eligibility as it not only determines the proper income, but it also affects what action an owner/management agent should take to ensure compliance with other essential program requirements (i.e., available unit rule, unit vacancy rule, unit transfers, etc.). Therefore, to properly document the ongoing eligibility of a previously qualified household, an owner must again inquire about the household composition and assess any changes and the consequences thereof, if applicable.

### **1. Additional Occupants**

At the time of recertification, if a change in household composition has occurred, an owner/management agent must determine the effective date of the change if not previously disclosed. If the change occurred during the first six months of occupancy, then the income of the new person(s) must be added to the income of the existing household to determine if the household remain initially income eligible at the time the additional occupant was added. An assessment of the household’s income must also be re-examined (including the income of the additional household member) in order to ensure the additional occupant did not (will not) income disqualify the household. If s/he does, the unit disqualifies as an eligible tax credit unit commencing on the date of the household change. The unit is again considered an eligible tax credit unit once a qualifying household occupies the unit or the unit again meets the tax credit eligibility requirements.

To the contrary, if the change occurred after the first six (6) months of the household’s occupancy and/or is being requested along with the scheduled recertification of the household, a household may continue to add members without affecting the household’s

initial eligibility in so long as at least one member of the ORIGINAL household composition continues to reside in the unit.<sup>47</sup> For mixed-income developments, the addition of a household member to an existing low-income household requires the income certification for the new member of the household, including all applicable third-party verifications. The new tenant's income is added to the income disclosed on the existing household's tenant income certifications. The household continues to be considered income qualified; however, if the combined income exceeds 140%, the owner must apply the next available unit rule (**See Section 4.3(B) (1) of this Chapter**).

*NOTE: A certification done in conjunction with the noted requirement does NOT reset the recertification due date. The annual recertification is due in accordance with the standard recertification schedule.*

## 2. Reduction of Occupants

If any member of an existing, previously "qualified" household vacates a household within the first six (6) months of initial occupancy, then the income of the remaining household member must be assessed to determine if the household remains initially income eligible. If the household's income exceeds the income limit, the household is no longer considered an eligible tax credit unit. Certain exceptions to this rule may apply. For specific exceptions, contact the Corporation.

## 3. Vacancy of ORIGINAL Occupants

In the event ALL ORIGINAL resident(s) vacates a unit thereby leaving the unit to be occupied by a resident(s) that was not a part of the original household (whether it's a friend and/or family member), the remaining resident(s) must be IMMEDIATELY initially certified for the unit unless the remaining resident(s) was (were) income qualified at the time s/he first took occupancy of the unit. If the anticipated total gross household income of the remaining person(s) exceeds the current applicable income limits, then the unit is not considered a qualifying tax credit unit. If the anticipated gross household income of the remaining person(s) does NOT exceed the current applicable income limit for the household size, then the unit must be certified as a new move-in thereby required to complete all the necessary paperwork required of an initial eligibility certification.

## 4. Full-time Student Household

The full-time student status of a household must be examined annually for ongoing eligibility. According to the IRC, if the student status of a household member(s) changes whereby all occupants are full-time students, the household must meet at least one of the student eligibility exceptions even though they were eligible at the time of original

<sup>47</sup> An original resident is a resident that took possession of the unit at the time the unit was initially qualified for tax credit purposes.

occupancy. If the household does not meet one of the IRS exceptions (see Chapter 2 of this Plan), the household is not considered program eligible and the unit is no longer considered a tax credit eligible unit. The NAUR does not apply to a full-time student household. ***(Refer to Section 42(i)(3)(D) of the Internal Revenue Code for additional information on this prohibition.)***

## B. Change in Gross Household Income

Once a determination has been made as to the household composition for the next 12-months, the next step is to determine the household's anticipated annual income for the next 12-months. In doing so, an owner/manager should adhere to the same data collection procedures of an initial certification unless the development is exempt from doing so by way of the IRS' recertification waiver ***(See Chapter 4.4 of this Chapter for eligibility criteria).***

### 1. Household Income Determined to be over the Current Income Limit

At recertification, if the total gross household income exceeds the latest available income limits based on the re-verified household size, the following determination must be made:

#### Gross household income at or below 140% of current income limit

At recertification, when a previously qualified household has gross household income NOT greater than 140% of the current income limit, there is no apparent negative consequence the household's continued eligibility or an owner's credit claiming ability. An owner should continue the certification process by obtaining all required documentation and continue business as usual.

#### Gross household income above 140% of current income limit

At recertification, when a previously qualified household's income exceeds 140% of the applicable income limit, an owner must rent the next available unit of comparable or smaller size to a qualifying household. Additionally, an owner must adhere to specific program guidelines as it relates to the development type (i.e., 100 percent low-income development or mixed-income development<sup>48</sup>). ***(See Chapter 4 of the Plan for tax credit requirements applicable to household's whose gross annual income exceeds program limitation).***

#### Next Available Unit Rule (NAUR)

The next available unit rule (NAUR) states that if at recertification a household's anticipated annual income exceeds 140% of the latest income limits, the household is still eligible for residency, but the next comparable or smaller vacant unit(s) in the building must be rented to a qualified low-income household(s) for the development to remain in compliance. The NAUR further states that subsequent vacant unit(s) of comparable or smaller size in the building must be leased to eligible household's until

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<sup>48</sup> A mixed-income development is a development whereby occupancy is targeted to both low-to-moderate income households and market rate households.

the low-income unit is no longer needed to maintain a building's low-income occupancy requirements. If a comparable vacant unit is not rented to a qualified low-income household, the development owner would be leasing an unrestricted unit and thereby, the previous tax credit unit designation no longer applies for that building. **(See Regulation #3.)**

2. Household Determined to be in Noncompliance

If at recertification, a household is determined to be in noncompliance with program requirements (i.e., failure to recertify, non-qualified full-time student, etc.), an owner must immediately begin taking corrective action steps. If the owner initiates an eviction proceeding in an attempt to adhere to program requirements (and in accordance with applicable local, state and federal laws) and the household vacates the unit, no recertification is necessary. If, however, for some reason, it is determined that the household will not vacate the unit as anticipated, a recertification will be necessary within 120 days of the determination.<sup>49</sup> If a recertification evidences noncompliance with program requirement, the unit is no longer considered a qualified low-income unit and may not be eligible for the credit.

## 4.4 ANNUAL RECERTIFICATION WAIVER

Effective July 30, 2008, under the Housing Economic and Recovery Act (HERA), Section 3010, an owner of a 100% low-income HTC development is granted a waiver of the annual recertification obligation as required by Section 42 of the IRC provided no residential unit(s) in the development is occupied by a household whose income initially exceeds the applicable income limit. A 100% low-income development is one in which all residential units in the development (excluding common area) is reserved and/or set-aside for families earning at or below 60% of area median income AND recognized by the Corporation as 100% low-income through the issuance of an allocation of credits representative of the same.

### A. Eligibility Criterion

A HTC development meeting the following criteria is automatically eligible for the annual recertification waiver as permitted by the IRS by way of H.R. 3221:

- An active 100% HTC development; **and**
- Free of all major noncompliance (federal and state)<sup>50</sup>

<sup>49</sup> Court documentation evidencing the steps taken to remove the noncompliant household must be maintained in the resident file.

<sup>50</sup> Free of all major noncompliance means there are no outstanding IRS Forms 8823 issued to the IRS or unresolved State compliance requirements. An owner unsure of his/her compliance status may request a Compliance Status Research Review to be conducted by the Corporation in accordance with the research guidelines specified in Chapter 11 of this Plan.



## B. Record-Keeping

An owner of a development eligible for the automatic recertification waiver must adhere to the following record-keeping requirements:

1. Acquire and maintain a FULL CERTIFICATION for:
  - All households at the time of initial occupancy of a tax credit designated unit
  - Any unit relocations/transfers that occur between buildings
  - Any household vacancies that consist of all ORIGINAL household members
  - Households occupying deeper income targeted units
2. Acquire and maintain in the household file an annual *Student and Rent Declaration* form from all low-income residents, commencing no later than the anniversary date of the household's initial certification and to continue thereafter on an annual basis until the household vacates the unit. At a minimum, the annual *Student and Rent Declaration* form will allow the Corporation to collect certain data (e.g., student status) for determination of compliance with Section 42.
3. Upon request, prepare and submit within the prescribed timeframe any and all paperwork/reports deemed necessary for the Corporation to determine compliance with program and state-imposed requirements (e.g., utility allowance documentation, full-time student eligibility, deeper income targeting, etc.).
4. Annually certify 100% low-income use to the Corporation

## C. Revocation

An owner of a HTC development that is exempt from performing an annual recertification as mandated by Section 42 of the IRC is still responsible for the preparation and maintenance of certain compliance records and reports throughout the development's compliance and extended use periods. An owner's failure to adhere to said requirements may result in the immediate revocation of the recertification waiver.

Examples of compliance violations that may warrant an immediate waiver revocation includes, but is not limited to the following:

- Ineligible household(s) (e.g., over-income);
- Failure to respond to agency requests for monitoring and/or compliance reports;
- Outstanding major federal/state noncompliance violations;
- Fraud (resident and/or owner/management)<sup>51</sup>

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<sup>51</sup> Resident and/or management fraud is defined as the deliberate intent to provide eligibility information not reflective of the household's true eligibility status (i.e., misstate gross annual income, full-time student status, etc.).

*NOTE: Management fraud will result in a permanent revocation of the recertification waiver.*

- Failure to adhere to the eligibility and/or record-keeping requirements of the annual recertification waiver; and
- Significant noncompliance and/or blatant disregard to program requirements

The revocation of an annual recertification waiver will require an immediate full certification of all low-income households. All full recertifications are required within 90 days of the Corporation's determination. Additionally, a full recertification is required annually thereafter for all units until the earlier of a subsequent recertification waiver issued by the Corporation or evidence of satisfactory compliance. A full recertification(s) must be completed in a manner consistent with the Corporation's most current recertification policy. Refer to Table 2 for specifics.

*NOTE (1): A development with a 100% Recertification Waiver must adhere to IRS Revenue Procedure 2003-82 Safe Harbor provisions that address the eligibility of residential rental units during or before the first year of the credit period. (See Regulation #10 for more information on this requirement).*

The Corporation will notify the IRS of all instances of noncompliance in accordance with current compliance policy. Likewise, the Corporation will continue to monitor all HTC developments not meeting the above noted eligibility requirements consistent with the same.

## 4.5 INTERIM CERTIFICATIONS

The guidelines for the HTC program do not require qualifying households to report interim changes after a household has been initially certified and/or recertified for the HTC program. As a result, interim certifications are not subject to the review of the Corporation. However, if during an interim certification it is found that there is/has been a change in a household's composition thereby resulting in the vacancy of all initial occupants or the addition of an adult household member age 18 or older, a NEW certification may be required. ***(See section 4.3 of this Chapter for more on documenting changes to a household at recertification)***

Additionally, although an interim certification is not required in the tax credit program, a change in the monthly gross rent amount of a household must be reflected in the resident file and all applicable compliance reports. Notation of a rental change must be made to the applicable TIC form in the "comments" section with the effective date and reason(s) for the change. A new certification is not needed to simply document a revised rental amount.

Table 2: Annual Recertification Waiver Consequences of Noncompliance

| Consequence Type  | Agency Review Type                                                                                                                                                                                                                  |                                                                                                                                                                                                                                        |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | Tenant File                                                                                                                                                                                                                         | Physical                                                                                                                                                                                                                               |
| <b>Probation*</b> | <ul style="list-style-type: none"> <li>1-2 isolated instances of noncompliance</li> </ul>                                                                                                                                           | <ul style="list-style-type: none"> <li>Failure to respond;</li> <li>Partial correction of certain compliance violations</li> </ul>                                                                                                     |
|                   | <ul style="list-style-type: none"> <li>Quarterly Occupancy Status Report w/copies of the TIC &amp; support documentation of all new move-in's</li> </ul>                                                                            | <ul style="list-style-type: none"> <li>Quarterly Physical Inspection Report w/copies of all unit inspection reports signed off by the resident</li> </ul>                                                                              |
|                   | <ul style="list-style-type: none"> <li>Mandatory tenant file training within 90 days of determination</li> </ul>                                                                                                                    | <ul style="list-style-type: none"> <li>Mandatory physical inspection training within 90 days of determination</li> </ul>                                                                                                               |
|                   | <ul style="list-style-type: none"> <li>Commences at agency determination of noncompliance and continue until end of the calendar year immediately following the year of the probation</li> <li>Noncompliance review fees</li> </ul> | <ul style="list-style-type: none"> <li>Commences at agency determination of noncompliance and to continue until end of the calendar year immediately following the year of the probation</li> <li>Noncompliance review fees</li> </ul> |
| <b>Revocation</b> | <ul style="list-style-type: none"> <li>Pattern of egregious noncompliance (i.e., multiple over-income households; ineligible students, rental overages</li> <li>Full recertifications required of ALL households</li> </ul>         | <ul style="list-style-type: none"> <li>Pattern of egregious noncompliance;</li> <li>No corrective action implemented within 30-days of MHC 1<sup>st</sup> physical inspection</li> </ul>                                               |
|                   | <ul style="list-style-type: none"> <li>Two consecutive probations within a three year period</li> </ul>                                                                                                                             |                                                                                                                                                                                                                                        |
|                   | <ul style="list-style-type: none"> <li>Waiver revoked for a period not less than 3 years</li> </ul>                                                                                                                                 |                                                                                                                                                                                                                                        |

*\*An owner's adherence to MHC's recertification probation requirements is not an indication of compliance with the IRS recertification requirements of 100% low-income occupancy. In order for a recertification waiver to be valid, an owner must be able to evidence compliance.*

# CHAPTER 5 - INCOME & ASSET DETERMINATION AND RESPONSIBILITIES

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## 5.1 OVERVIEW

One of the most essential requirements of the tax credit program is ensuring that the total gross household income of a prospective or existing family does not exceed program established income limitations.

Under the HTC program annual income is defined as the amount of gross household income (before any taxes or deduction) anticipated being received during the 12-month period following certification of eligibility (or following the recertification of eligibility). The income eligibility guidelines for the HTC program are found in HUD's Occupancy Handbook 4350.3, *The Occupancy Requirements for Subsidized Multifamily Housing*.

## 5.2 INCOME LIMITS

The income limits that apply for purposes of determining a household's eligibility as a low-income household depend upon the minimum set-aside election made by the owner of the development. The (HUD), which publishes income limit information for each state, by county or metropolitan statistical area, generates the actual income limits that apply to the HTC program. HUD's income limits reflect the median income level, the low-income (80%) level, the very low-income (50%) and the extremely low-income (30%). The HTC program uses HUD's very low-income median income limit for income determination purposes.

HUD's income limits are generally updated on an annual basis. The Corporation, upon receipt of HUD's update, issues revised limits for HTC developments reflecting the 50 percent and 60 percent figures. Household eligibility is determined by the income limit in effect on the date the household income was certified.

The IRS requires an owner of a HTC development to begin applying new income limits by the later of the effective date provided by HUD for the new limits or 45 days after the new limits are published by HUD.

***National Non-Metropolitan Income Limits***

Effective July 30, 2008, the HERA increased the income limits for certain HTC rural developments to the greater of Area Median Income Limit or the National Non-metropolitan Income Limit.<sup>52</sup> Said limitation is applicable to a 'rural development' or 'rural area'<sup>53</sup> of which is considered to have a population consistent with the following:

1. *Not in excess of 2,500 inhabitants, or*
2. *In excess of 2,500 but not in excess of 10,000 if it is rural in character, or*
3. *In excess of 10,000 but not in excess of 20,000, and*
  - A. *Is not contained within a standard metropolitan statistical area, and*
  - B. *Has a serious lack of mortgage credit for lower and moderate –income families, as determined by the Secretary and the Secretary of Housing and Urban Development. For purposes of this subchapter, any area classified as 'rural or a 'rural area' prior to October 1, 1990, and determined not to be 'rural' or a 'rural area' as a result of data received from or after the 1990 or 2000 decennial census shall continue to be so classified until the receipt of data from the decennial census in the year 2010, if such area has a population in excess of 10,000 but not in excess of 25,000, is rural in character, and has a serious lack of mortgage credit for lower and moderate-income families.*

The Corporation approves the use of the greater income limit for certain HTC developments provided the development(s) meet the definition of rural, including all future modifications/definitions.

The Corporation must approve the use of the non-metropolitan income limits for qualified developments located in an ineligible area. Additionally, an owner of a development located in eligible area that plan to utilize the non-metropolitan income limits when qualifying a household must notify the Corporation in writing of his/her the intent to do so.

This provision is not applicable to tax credit developments financed with tax-exempt bonds nor does it apply to certain ineligible areas in the state of Mississippi, including counties that are a part of a metropolitan statistical area (MSA).

*NOTE: A development allocated credits by way of the GO (Gulf Opportunity) ZONE legislation that placed in service in 2006, 2007 & 2008 is also eligible to use the Non-Metropolitan Income limits. (See GO Zone legislation of 2005)*

<sup>52</sup> Section 520 of the Housing Act of 1949

<sup>53</sup> A rural development and/or rural area is considered any open country, or any place, town, village, or city which is not a part of or associated with an urban area.

## 5.3 COMPONENTS OF ANNUAL INCOME

When determining income eligibility, there are two components of annual income that an owner or management representative should be aware of when attempting to qualify a household: Regular Income and Asset income.

**\*\*AN OWNER IS ENCOURAGED TO REFER TO CHAPTER 5 OF THE HUD OCCUPANCY HANDBOOK FOR A COMPLETE LIST OF INCOME & ASSET INCLUSIONS AND EXCLUSIONS AS WELL AS FOR ASSISTANCE IN DETERMINING THE GROSS ANNUAL INCOME OF A HOUSEHOLD.\*\***

### A. Regular Income

Regular income is considered income generated from traditional sources (i.e., gross wages and salaries, tips, bonuses, over-time and bonuses), social security, retirement benefits, welfare and other forms of public assistance and payments in lieu of earnings (e.g., unemployment compensation, workers' compensation, etc.).

Generally, the regular income of every person listed as a household member age 18 and older, including 17-year old residents that will turn 18 during the certification year, should be included in the tax credit income calculation procedures. This includes any non-employment income (e.g., TANF/AFDC, SSI, etc.), as well as any unearned income for the benefit of a minor (i.e., child support or asset income).

Special consideration should be given when calculating the household income of certain absent family members.

*NOTE: Annual income is not the same as adjusted income. Annual income generally corresponds to the gross income, with no adjustments.*

### B. Asset Income

Income that is normal generated by savings accounts, real estate, stocks, bonds and other forms of capital investment, excluding interest in Indian trust land to which any household member has access, is considered asset income. The calculation of asset income depends on the cash value of the asset. The cash value of an asset is the amount the household would receive should the asset be converted to cash. When calculating cash value, consider the fair market value of the asset minus any reasonable expense(s) that would incur in selling or converting the asset to cash (e.g., penalties for early withdrawal, broker and real estate commissions, legal fees settlement costs, etc.).

Effective October 11, 1994, under IRS Revenue Procedure 94-65 Income from Assets (**See Regulation #9**), an owner does not need to verify the income from assets of a household as long as the household's combined assets do not exceed \$5,000 AND s/he provides a signed and

sworn statement to this effect. On the other hand, if the cash value of all assets is greater than \$5,000, an owner is required to include the greater of either: 1) the actual annual income received from these assets or 2) an imputed income.<sup>54</sup> If the total cash value of all assets is \$5,000 or less, owners are to include the actual income received (i.e., monthly, quarterly or annual from interest checks, dividend checks, etc.,) into its total gross household income calculation.

*NOTE: Asset income of minors should be included in the gross household income calculation. All income derived from assets should be listed on the applicable TIC form and calculated in accordance with the appropriate procedures.*

*An Under \$5,000 Asset form is required of all household member age 18 and over for each certification year, including emancipated minors and 17-years old residents that will be turning 18 during the certification period.*

#### EXAMPLE

*The Jones family has a certificate of deposit (CD) in the amount of \$12,000 earning interest at a rate of 3%. The penalty for early withdrawal is 2 months of interest.*

*Step 1: Multiply the value of the asset (the CD) by the interest rate*

$$12,000 \times 0.03 = \$360.00$$

*Step 2: Divide the annual income generated by 12 (no. of months in a year) =*

$$\$360.00 / 12 = \$30.00$$

*Step 3: Multiply the interest per month by the number of months to which the penalty will be assessed:  $\$30.00 \times 2 \text{ months} = \$60.00$*

*Step 4: Take the value of the asset, less the penalty, to get the cash value of the CD*

$$\$12,000 - \$60.00 = \$11,940.00$$

## 5.4 VERIFICATION OF ANNUAL INCOME

One of the key requirements of the HTC program is to ascertain the anticipated income of a household for eligibility determination purposes. In doing so, it is necessary to acquire a verification(s) of a household's gross annual income at the time of initial move-in/eligibility and again at the time of the household's annual recertification, when applicable. Tax credit regulations require the verification of all regular sources of income, including asset income over \$5,000 at the time of a household's initial occupancy/eligibility for the HTC program.

<sup>54</sup> Imputed income is the total of all assets multiplied by HUD's current passbook rate of 2%.

Verifications must include information acceptable to the Corporation and consistent with income determination procedures noted under Section 8 of the U.S. Housing Act of 1937, as amended.

## A. Verification Requirements

When verifying income, an owner must:

- Verify all regular sources of income and assets for household members age 18 and older, including the income and assets of all household members that will turn 18 during the certification period;
- Obtain written verification of income directly from the source (under NO circumstance should a resident(s) be allowed to deliver income verification documents to verifying officials); *and*
- Retain all verification documentation for at least three years after an applicant is rejected or has vacated a unit.

Inaccurate information/verification may lead to an incorrect determination of a household's eligibility, which could result in leasing a unit(s) to ineligible households.

## B. Methods of Verification

HTC regulations require an owner of a tax credit development to count all "reasonably anticipated" income when determining the total gross household income. In acquiring income support documentation/verification, an owner must use a method acceptable to the Corporation and in accordance with HUD Handbook 4350.3 in order to ensure receipt of all reasonably anticipated income. Verifications transmitted via third party, second-hand or oral (documented) are considered acceptable methods of verification.

### 1. Third-Party Written

Third-party written verification, the most preferred verification method, is defined as documentation of income received from an independent outside source (i.e., an applicant's employer, caregiver, etc.). Third-party verifications transmitted via mail, fax or hand delivery are acceptable to the Corporation if acquired in accordance with the verification retrieval procedures as outlined in this chapter.

In the event third-party verifications are not available, an owner may acquire second-hand or an oral verification in order to satisfy the income verification requirement. In doing so, an owner must document in the file all efforts to obtain the verification via third-party transmission, including a detailed explanation as to the reason the verification was not obtained.

At minimum, the following documentation must be included in a resident's file before utilizing an alternative verification method:

- A copy of the date-stamped original request to the third-party entity/person; and



- Written notes-to-file detailing all follow-up attempts, and reason for determination that verification is not viable.

*NOTE: Hand-delivered verifications must include an agency stamp.*

## 2. Second-Hand

Second-hand verifications are defined as verifications received by check stubs, grant awards letters and W-2 forms. This method of verification, although acceptable to the Corporation, should be used with extreme caution. Oftentimes second-hand verifications do not produce enough information in order to make an accurate determination of the household's income (i.e., no name, frequency of pay, etc.).

Check stubs are the most common form of second-hand verification. When using check stubs to verify a household's annual income, be sure to acquire the following information:

- Six (6) consecutive check stubs issued within 120 days of the move-in or recertification date, if applicable;
- Pay frequency, number of hours worked and rate of pay;
- The resident's name, social security number and pay period; *and*
- Year-to-date (YTD) earnings

Additionally, second-hand verifications, when applicable, must include the signature and date of authorized personnel.

## 3. Verbal/Oral

When a third-party written verification and/or second-hand verification are not possible prior to move-in/recertification, direct contact or oral verification with the source is acceptable to the Corporation. This method of verification should only be used AS A LAST RESORT. The conversation of the Verbal/Oral verification must be documented in the resident's file by use of the *Documentation of Telephone Verification* form whereby it contains all the information that would be included in a written verification (i.e., the name and title of the contact, the name of the onsite management representative accepting the information and the time and date the information was provided). In addition, the file of the resident must be well documented detailing the attempts made to obtain the third-party written verification. Failure to follow the above noted requirements constitute an invalid verification and will be noted as such.

All income verifications must be date-stamped as they are received and processed prior to a prospective resident taking occupancy of a HTC unit or any required recertification.

*NOTE: Absolutely no changes, corrections, and/or clarifications are to be made to any verification documents. Document changes, corrections and/or clarifications on a Documentation of Telephone Verification or Memo. The use of whiteout to make corrections is strictly prohibited!*

## C. Methods of Verification – Special Sources/Circumstances

Income support documentation from certain sources is subject to specific verification requirements:

### 1. Social Security Verification:

Periodic payments received from Social Security must be included when determining annual income. This includes any payments received by adults on behalf of minor or by minors for their own care and support. Gross benefit amounts should be used to calculate annual income from Social Security benefits.

The following sources are considered sufficient verification of Social Security benefits:

- *Copy of awards or Benefit Statements.* This statement is generally issued when benefit commences or when a change in the benefit amount occurs (i.e., cost-of living increase). The awards benefit verification must be applicable for the certification period. Once received, it remains valid for one (1) year; or
- *Third-party Benefit Verification.* Third-party benefit verifications are generally acquired from the agency providing the benefits. The third-party benefit verification must be received and issued within 120-days of the certification (or recertification) effective date.

In the event a Social Security benefit statement and/or agency verification is not obtainable, an owner may attempt to acquire the verification by way of the following:

#### Telephone Request

The prospective and/or existing resident calls the regional office of the Social Security Administration at 1.800.772.1213 and requests a written copy of the benefit amount. Benefit statements are generally mailed out within one day of receiving the request.

#### Written Request via Regular Mail.

Resident/Manager mails a written request of Social Security benefits to the Social Security Administration (postage paid, self-addressed envelope).

Written Request via the Internet

Request a Benefit Statement via the website at [www.socialsecurity.gov](http://www.socialsecurity.gov). Click under the Online Direct Services and look under Services for people who get benefits and select Request a Benefit Verification Letter.

2. Zero/Very-Low Income Household Verification

Households with a verified annual gross income of \$2,500.00 or less must complete a *Certification of Daily Needs* form detailing how the household's basic needs is/will be satisfied. The *Certification of Daily Needs* form must be completed in addition to an individualized *Certification of Zero Income* form **(See Appendix C)**.

Under the HTC program, no minimum amount of income is necessary in qualifying applicants for residency. However, management has the authority to set minimum income requirements as long as such requirements are not in conflict with the requirements of the HTC program and/or any Fair Housing Law. Some applicants for housing may receive rental assistance from a federal or state agency that allows them to rent a tax credit unit even if they do not earn sufficient income. In this case, an owner cannot refuse to rent to a household that is otherwise income qualified solely because s/he is the holder of a Section 8 Rental Assistance voucher or certificate.<sup>55</sup>

3. Support Staff Verification

The verification of income for residential support staff must be acquired in accordance with standard verification procedures. Any rental concessions given to the support staff must be included as income. The amount of the rental concession or the reason for the lack thereof must be noted on the employment verification form.

4. Enterprise Income Verification (EIV) System

The Enterprise Income Verification (EIV) system is a web-based system that contains tenant benefit and wage-related data for use by HUD's business partners. Specifically, the data is used by owners and management agents to assist them in verifying the employment and income of existing tenants at recertification to ensure that the right benefits are going to the right person(s).

Unfortunately, at this time, HUD does not currently permit owners to use EIV information for verifications in the tax credit program. Those owners/managers authorized by HUD to use the EIV or any other income documentation, must be able to provide income support documentation for tax credit auditing purposes.

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<sup>55</sup> See Federal Register issued January 14, 2000, Compliance Monitoring and Misc. Issues Related to the LIHC.

## 5. Work Number Verification

When calculating income from earnings derived from the Work Number,<sup>56</sup> owners must ensure receipt of all pages of the verification. Additionally, an owner must calculate income based on the greater of the year-to-date earnings, commencing no earlier than the first day of the first month of the certification year and the average income of the most current six check stubs.

## 6. Military Pay

When calculating income for military personnel, an owner must consider the following entitlements:

- Base Pay
- BAQ (Basic Allowance Quarters)
- BAS (Basic Allowance for Subsistence (i.e., food))
- VHA (Variable Housing Allowance)
- CA (Clothing Allowance)
- FDP (Foreign Duty Pay)
- Reserve Active Duty Pay
- Separation Pay
- Cost of Living Allowance
- Station Housing Allowance II
- Summer Camp Pay
- Special Duty Pay
- Station Housing Allowance

The following sources of Military income should NOT be included the gross income calculation:

- One-time payments (i.e., re-enlistment bonus) – This is considered an asset; *and*
- Imminent danger pay (i.e., hazardous duty)<sup>57</sup>

Additionally, in accordance with Section 3005(a) of the Housing Assistance Act of 2008, military basic housing allowance is excluded from the gross income computation of a resident(s) if the development is located in any county or adjacent county in which a qualified military installation is located.<sup>58</sup> The new rule applies to certifications completed between July 31, 2008 and December 31, 2011.

## D. Term of Verification

In accordance with HUD Handbook 4350.3 REV 1, Change 2, all verifications of income are valid for 120 days prior to a resident(s) move-in and/or recertification date. If a TIC has not been

<sup>56</sup> The Work Number is an agency that contracts with employers to provide employee information to housing providers and other benefit-providing entities.

<sup>57</sup> Imminent danger pay is defined as combat in a hostile fire zone.

<sup>58</sup> A qualified military installation is one that has a military installation or facility with 1,000 or more members as of June 1, 2008. See the requirements of IRC 142(d)(2)(B)(iii)(1) for more information on this requirement.

properly completed and signed within 120-days of the household's move-in and/or recertification date (documented), then a new verification must be acquired to document the household's gross annual income. Oral follow-up verifications previously used to extend verification are no longer permissible or accepted.

Acceptable forms of verification for specific types of income situations are listed in Appendix C of this Plan.

## 5.5 INCOME CALCULATION METHODOLOGY

In calculating the total anticipated income for a household, an owner must adhere to the applicable tax credit income restriction levels (based on the area median gross income, the minimum occupancy set-aside election, and the household size) for a development. In doing so, a proper determination of a household's gross annual income must be performed.

### A. Income Calculation Procedures

#### 1. Full/Part-time Employment

Annual income from full or part-time employment should be calculated in accordance with the following:

- Hourly wages by 2080 (based on a 40 hour/wk)
- Weekly wages by 52
- Bi-weekly wages by 26
- Semi-monthly wages by 24
- Monthly wages by 12

In calculating annual income from employment other than full-time employment, multiply:

- Hourly wages by the number of hours the individual is expected to work per week x 52. If a range of hours is given, you must calculate the annual income using the higher end of the range. The lower spectrum of the range should NEVER be used in calculating income.
- If the hourly pay is less than current minimum wage rate, hourly earnings must be calculated by using the minimum wage rate in effect at the time of the certification/recertification.<sup>59</sup> In this instance, there is no need to include the additional 20% mandatory tip calculation. **(See section 5.5(A)(2) of this chapter for more on tip calculation requirement).**

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<sup>59</sup> Effective July 24, 2008, the federal minimum wage for covered nonexempt employees is \$6.55 per hour. Effective July 24, 2009 the federal minimum wage for covered nonexempt employees will increase to is \$7.25 per hour.

- Weekly pay is the number of weeks the individual expects to work; if the pay is irregular, calculate a weekly average pay.
- Other periodic amounts (monthly, bi-weekly, etc.) by the number of periods the individual expects to work.
- If Year-to-Date (YTD) information is not listed on the paystub or employment verification, obtain this information from the employer. To calculate YTD wages, count the number of weeks from the date the YTD period starts to the end of the YTD period noted on the most current paystub. Then take the total YTD wages and divide them by the number of weeks in the entire period. Take the resulting amount and multiply it by 52 in order to project the applicant/resident's income for a full year.

*NOTE: The greater of the YTD earning and the verified earnings should be used when calculating a resident(s) gross annual income from a particular source.*

## 2. Bonus/Over-time/Tips

When determining the gross income of a household, calculation of reported bonuses, over-time and/or tips is required. All amounts should be converted to annual amounts. When calculating earnings from a range of over-time hours worked, an owner must use the higher end of the range.

Income from tips must also be determined for inclusion in gross income calculation. Individuals working in the food industry, personal service industry (i.e., such as hair stylists, or manicurists), and the gaming industry typically receive tips. Effective March 1, 2005, if tip income is NOT separately listed on the *Verification of Employment* form, then 20% of the verified gross annual must be included in the income calculation.

## 3. Anticipated Raises

When determining income from earnings, always include verified, anticipated raises/increases. If the employer indicates that a raise is anticipated AND provides the amount of the raise; yet does not indicate the effective date of the increase, calculate the anticipated raise for the entire 12-month/52 week period. If the employer indicates that a raise is anticipated AND provides the effective date as well as the amount of the raise, calculate the anticipated raise for the applicable period only.

## 4. Self-Employment

When determining income from a business, include salaries paid to adult household members, net income from the business, and other cash or assets withdrawn by any family

member – except if the withdrawal is the reimbursement of cash or assets the family invested in the business. Business income must be documented in the resident file using the *Self-Employment Affidavit* form provided by the Corporation.

Compute net income in accordance with the requirements outlined in HUD Handbook 4350.3 REV 1., Change 2.

#### 5. Alimony/Child Support

Any child support amount received and/or reasonably anticipated by a prospective and/or existing resident must be included when determining income. Child support benefits should be calculated in accordance with the following:

- Child Support Obligated/Sporadically received

*MDHS clients:* Calculate average amount of child support received over the last 12 months or since the inception of child support payments(s) commencement date is less than 12 months.

*Non-MDHS clients:* Calculate full obligated amount unless it can be evidenced that payment has not been received and legal enforcement steps have been taken to acquire support. If evidence of legal steps is provided, calculate child support income by taking an average of the amount of child support received over the last 12 months.

- Child Support Obligated/Not received

No calculation needed\*

*\*Verification from MS Division of Child Support Enforcement (MDHS) showing at least a 12-month history of non-payment must be obtained.*

- Child Support Obligated/Payment received as scheduled

Calculate average amount of child support received over the last 12 months or since the inception of child support payments if payment(s) commencement date is less than 12 months.

#### 6. Partial Year Income

In accordance with HUD Handbook 4350.3 Rev.1, “income that may not last for a full 12 months (e.g., unemployment compensation, teachers that work nine months) should be calculated assuming circumstances will last a full 12 months.”

#### 7. Permanently Absent Family Member

When a family member is permanently absent from the household (e.g., spouse who is in a nursing home), the head of household can consider said person(s) a member of the

household and count any income associated with the permanently absent family member OR NOT consider the permanently absent family member as a part of the household and disregard any income associated with the permanently absent family member.<sup>60</sup> The decision to count the income of a permanently absent family member is solely the decision of the head of household.

#### 8. Temporarily Absent Family Member

Generally, the income of a temporarily absent family member (i.e., spouse or head/co-head of household in the military or away working in another city) must be calculated in the annual income calculation regardless of the monetary amount the absent member is actually contributing to the household. Additionally, a temporary absent family member (excluding the head, co-head, or spouse) on active military duty must be removed as a household member and his/her income must be excluded unless said person(s) leaves a spouse or dependent in the unit, which in this case, the person is considered a household member and a calculation of his/her income is required.

#### 9. Adult Student Living away from Home

When a student (other than the head, co-head or spouse) is counted as a member of the household, the student's<sup>61</sup> income must be counted in the household's income when determining the maximum income limit for the household. However, only the first \$480.00 of the full-time student's earned income can be counted towards the total household income calculation. The unearned income (i.e., grants, scholarships, etc.) of a student must always be counted! This includes all financial assistance in excess of tuition (except for student loans) of a student enrolled at an institution of higher learning regardless of the full-time or part-time student status.

In calculating the unearned income of a student, an owner or management agent must adhere to the following student income calculation guidelines:

- Exclude financial assistance grants as income;
- Include as income grants for room/board; and
- Exclude the financial assistance of any kind that is received by students over the age of 23 with dependent children or living at home with parents.

#### 10. Seventeen Year Old Resident

An owner may start a certification 120 days before the effective date (whether for initial qualification or recertification). In doing so, a household member under the age of 18

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<sup>60</sup> A permanently absent family member may not be named as the head of household, spouse or co-head of household.

<sup>61</sup> A student is one who spends holidays and summer recess, etc., with the household while pursuing a full-time education.



(including emancipated minors) at the time the certification paperwork is completed, but will turn 18 during the 12 months after the certification effective date, must provide income verification information. Additionally, owners will need to obtain income verifications to support any income figures provided on the rental application/recertification questionnaire. The anticipated income of the 17-year-old for the months after he/she will turn 18 is the only income that should be counted.

## B. Income Limit Calculation Methodology

The methodology required in order to determine income eligibility is as follows:

- Step 1 Determine the household size (HHS).
- Step 2 Determine the development's minimum set-aside (MSA)
- Step 3 Find the corresponding HHS and minimum set-aside amount listed on the applicable income and rent limits chart. The point where the two meet is the maximum income the household can have (per that household size) in order to reside in the unit.

### EXAMPLE

*The manager of CBA Apartments, a tax credit community, has a three-person household with a verified income of \$14,500 wanting to rent a two (2) bedroom tax credit unit. The owner agreed to rent 40 percent of the units at 60 percent (40/60) of the area median income. The owner does not pay the utilities at the development.*

*(Utility allowance estimates are as follows: 1 bdrm = 60; 2 bdrms = 75; and 3 bdrms = 85)*

Figure 2: Stone County

| Stone County | Percent of Median | 1 Person    | 1.5 Persons | 2 Person    | 3 Person           |
|--------------|-------------------|-------------|-------------|-------------|--------------------|
| MFI          | 50%               | \$13,650.00 | \$14,625.00 | \$15,600.00 | \$17,550.00        |
| \$38,000     | 60%               | \$16,380.00 | \$17,550.00 | \$18,720.00 | <b>\$21,060.00</b> |

**Question (1):** What is the maximum allowable income for this household?

**Answer (1):** **\$21,060.00**

#### Methodology:

- Step 1 Determine the household size, HHS = 3
- Step 2 Determine the development's minimum set-aside (20/50 or 40/60), CBA's MSA is 40/60.

Step 3 Find the corresponding HHS and MSA amount listed on the chart above. The maximum allowable income for this household is the point at which these two figures meet. **{ \$21,060.00 }**

## 5.6 DIFFERENCES IN REPORTED INCOME

An owner should give prospective and/or existing residents the opportunity to explain any significant differences between the amount reported on the application/recertification questionnaire and amounts reported on third-party verification in order to determine actual income. The file should be documented to explain any differences.

Likewise, an owner must keep accurate records of the dates and sources of verification of tenant data but need not submit such information to the Corporation at that time. However, the Corporation reserves the right to inspect the tenant files, after reasonable notice, to ensure that the proper verification procedures are followed.

## 5.7 INCOME LIMITS FOR DEVELOPMENTS WITH MULTIPLE FUNDING SOURCES

HTC development owners must also be aware of other income requirements and special restrictions that may apply to the development if layered with other financing types.<sup>62</sup> Knowledge of the compliance criteria of all funding sources is particularly important when ensuring program eligibility. When a development receives financing or funding from another program or lender (i.e., HOME, RHS, Tax-exempt bonds, etc.,) that imposes stricter tenant income requirements or longer restrictions, the development must comply with those provisions, as well as the tax credit provisions.

### 1. HOME

Tax credit developments paired with HUD's HOME program which requires 20% or less of the area median income whereby the remaining units can be leased to households with a gross income up to 80% of the AMGI, must take extra precaution when certifying households for both programs.<sup>63</sup> In this instance, it becomes critical that developments pay particular attention to the owner's elected federal minimum set-aside as it could be higher or lower than that required/allowed under the HOME program.

<sup>62</sup> A tax credit development may be layered with other affordable housing programs such as HOME, RHS 515 which also have minimum income and rent requirements.

<sup>63</sup> The HOME program requires a percentage of units based on the number of units that are HOME Assisted units rather than the total number of units. The ratio calculated based on the HOME funds received by the development and the total eligible development cost.

For example, if the HOME program maximum income requirement is at 50% of the AMGI; you cannot have 60% units in a 50% deal, but you can have 40% or 50% units in a 60% deal. In addition, the HOME program may require certain units to be designated possibly by a certain floor or a certain building; the tax credit program requires a minimum percentage, based on a building.

## 2. RHS 515

Tax credit developments that receive funding from Rural Housing Services (RHS) must also proceed with caution when income qualifying a household for HTC compliance.<sup>64</sup> Under the RHS program, a household's *adjusted income* must be at or below 80% of AMGI.<sup>65</sup> This RHS fundamental requirement could be the cause of an ineligible tax credit household since the tax credit program utilizes the anticipated gross annual income rather than the adjusted income used by the RHS program.

## 3. Tax-Exempt Bonds

Tax-exempt bond financed developments are generally income restricted only. However, when paired with tax credits, the development becomes income and rent restricted as the tax credit program requires a restriction of both. In light of such, the maximum income levels must be adhered to whereby the gross annual income of all tax credit households is at or below the applicable income limits.

The Corporation strongly suggests that the income limit for the HTC program be determined first, then the applicable income set-aside election of the other funding sources when determining a household eligibility for the HTC program.

# 5.8 AREA MEDIAN GROSS INCOME (AMGI)

IRS Revenue Ruling 94-57 ***Changes in Area Median Gross Income (AMGI) (See Regulation #5)*** provides guidance to development owners on the effect of changes in AMGI on initial tenant qualification and the next available unit rule. Owners must apply this revenue ruling regardless of when a development received a tax credit allocation. The ruling explains that the income limit used to initially qualify tenants in a tax credit unit fluctuates with changes in AMGI, which must be in effect at the time of initial occupancy as the qualifying income limit. Lowering of the applicable AMGI does not retroactively disqualify a tenant who initially qualified under a higher AMGI.

<sup>64</sup> RHS provides below market loans to development's meeting certain rural area definitions. In exchange, the development must adhere to RHS program requirements.

<sup>65</sup> Adjusted income is the income amount less certain allowable cost such as medical expenses and child care. The HTC program utilizes anticipated annual income without any adjustments.

A decrease in AMGI decreases the income limit used to determine whether a development owner must rent any available unit to a new low-income tenant, and an increase in AMGI likewise increases the income limit used to determine whether a development owner must rent any available unit to a new low-income tenant. A building does not have one AMGI level.

*HUD Hold Harmless Policy (Sec. 3009 of HERA)*

Section 3009 of HERA modifies the determination of the Area Median Gross Income (AMGI) limits for purposes of tax-exempt bonds and tax credits. HERA continues the existing HUD “hold harmless” practice that ensures AMGI will not decline for a development, even if the area median income declines. It also appears to provide for a minimum increase in median incomes in 2009 and beyond and resets the clock for some developments, using 2008 as base year. ***For specifics regarding this modification, refer to the HERA of 2008.***

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# CHAPTER 6 - GROSS RENT DETERMINATION

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## 6.1 OVERVIEW

Section 42 of the IRC requires that low-income units be rent-restricted whereby the total rental amount charged to the household is no more than a rent limit calculated in the manner provided by law and intended to be affordable to prospective households. As a result, an owner must ensure that the gross rent, the total tenant-paid rent charged for a unit, and an allowance for tenant-paid utilities and mandatory charges, if applicable, to eligible households is within the rent limit requirements. The rent limit is defined as 30% of the applicable limit for an imputed occupancy, less an allowance for all utilities paid by the household and all mandatory charges.

## 6.2 RENT LIMITS

According to Section 42 of the IRC, the rent of a tax credit unit must also be restricted for an owner to be eligible to claim the tax credit. A unit is considered to be rent restricted when the maximum allowable rent for the household is restricted whereby it's affordable to low-to-moderate income households. In doing so, participants of the HTC program must establish a tenant-paid rent amount that does not exceed the program's maximum allowable rent (MAR).<sup>66</sup> Calculation of the MAR for a particular household/unit is determined primarily by the year of the tax credit allocation. Developments allocated tax credits post 1989 calculate the MAR based on the number of bedrooms in the unit with an adjustment for tenant-paid utilities and mandatory charges.<sup>67</sup>

The rent limit for the HTC program is set on a unit-by-unit basis, with adjustments for unit size, development minimum set-aside, income limits and an estimated allowance for tenant-paid utilities.

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<sup>66</sup> The maximum allowable rent calculation is based on the tax credit allocation. Post-1989 allocations calculate the MAR based on the number of bedrooms in the unit with an adjustment for tenant-paid utilities and mandatory charges. Developments allocated tax credits prior to 1990 determined the MAR based on the size of the household occupying the unit with an adjustment for tenant-paid utilities and mandatory charges.

<sup>67</sup> See the Omnibus Budget Reconciliation Act of 1989.

In order to calculate the MAR utilizing this method, the IRS established a basis for the number of people to occupy a unit. This basis was determined based on an “imputed occupancy” assumption for each unit size of 1.5 persons, 1.0 person for efficiency units.<sup>68</sup>

## 6.3 MAXIMUM ALLOWABLE RENT DETERMINATION

Participants of the HTC program must establish a tenant-paid rent amount that does not exceed the HTC maximum allowable rent amount (MAR). The MAR equals the actual out-of-pocket rent amount a household will pay plus a utility allowance for any eligible tenant-paid utilities. A unit is considered rent restricted when the gross rent (i.e., the tenant paid rent plus utility allowance, if applicable) of the household(s) does not exceed 30% of the imputed income limitation applicable to such unit under Section 42 of the IRC 42(g)(2)(C). The imputed occupancy assumption allows a development receiving tax credit allocation post-1989 to identify the number of bedrooms a prospective household desires (when determining rents) and multiply it by an imputed occupancy of 1.5 persons (or 1.0 person for efficiency units) to get the tax credit rent limit for the unit before adjustments for any tenant-paid utilities and/or mandatory charges.

The MAR calculation does not include any payments made under other government agencies or nonprofit organizations, such as Section 8 rental assistance, RHS 515 rental assistance, or any other comparable rental assistance program.

### A. Methodology

Calculation of the MAR for a particular household/unit is determined primarily by the number of bedrooms in the unit with an adjustment for tenant-paid utilities and mandatory).<sup>69</sup> Generally, to determine the MAR for an eligible household, an owner must utilize the following methodology:

1. Determine the unit size desired.
2. Multiply unit size by an imputed occupancy assumption of 1.5 persons.
3. Utilize the applicable tax credit rent limit chart to find the corresponding MSA (20/50 or 40/60) for the development.
4. Find the point in which the imputed bedroom size and the MSA meet.

***This is the tax credit rent limit.***

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<sup>68</sup> The imputed occupancy assumption allows a development receiving tax credits post 1989 to identify the number of bedrooms a prospective household desires when determining rents and multiply it by an imputed occupancy of 1.5 persons to get the tax credit rent limit for the unit before adjustments for any tenant-paid utilities and/or mandatory charges.

<sup>69</sup> Development’s allocated credits prior to 1990 calculated the MAR based on the household size.

5. If applicable, subtract the applicable utility allowance estimate and any mandatory charges.  
*This is the MAR for the unit.*

**EXAMPLE**

*The manager of CBA Apartments, a tax credit community, has a three-person household with a verified income of \$14,500 wanting to rent a two (2) bedroom tax credit unit. The owner agreed to rent 40 percent of the units at 60 percent (40/60) of the area median income. The owner does not pay the utilities at the development.*

*(Utility allowance estimates are as follows: 1 bdrm = 60; 2 bdrms = 75; and 3 bdrms = 85)*

**Figure 3: Stone County Rent Limits**

| Percent of Median | 1 Person | 1.5 Persons | 2 Person | 3 Person        |
|-------------------|----------|-------------|----------|-----------------|
| 50%               | \$341.25 | \$365.63    | \$390.00 | \$438.75        |
| 60%               | \$409.50 | \$438.75    | \$468.00 | <b>\$526.50</b> |
|                   |          |             |          |                 |

**Question (1):** What is the maximum allowable rent (MAR) for this unit size?

**Answer (1):** **\$526.50**

**Methodology:**

- Step 1 Determine the unit size  
Unit size = 2
- Step 2 Multiply unit size by an imputed occupancy of 1.5  
(2 (bedroom unit) x 1.5 (imputed occupancy) = 3
- Step 3 Find the corresponding minimum set-aside for CBA  
Minimum set-aside is 40/60.
- Step 4 Find the point in which the imputed household size and the minimum set-aside meet.  
Corresponding HTC rent limit = {\$526.50}.
- Step 5 If applicable, subtract the applicable utility allowance and any mandatory charges. The MAR for this household is the point at which these two items meet, less the applicable utility.

*NOTE (1): The gross rent for a unit may be at or below the unit's MAR. A gross rent amount that exceeds the MAR is considered a noncompliance event reportable to the IRS.*



*NOTE (2): If rent is charged for a residential staff unit, the unit may disqualify as a common area unit unless the unit is income qualified. Additionally, any reduction in rent in exchange for services must be considered as income to the household.*

## B. Services

Generally, the gross rent should not include fees for services required for occupancy at the development. Examples of non-optional services include meals, transportation, assistance with medicine, etc. The only way a fee can be assessed for the said services is IF the charge is optional and a realistic alternative to the service is available. Additionally, gross rent should not include fees paid to the owner of a development by a governmental assistance program or by a 501(c) (3) nonprofit organization for supportive services which also provides rental assistance if the amount of assistance provided for rent cannot be separated from the amount provided for supportive services [Section 42(B)].<sup>70</sup>

In the case of a SRO unit or transitional housing for the homeless, supportive services include any service provided to assist tenants in locating and retaining permanent housing [Section 42(g)(2)(B)(iii)].

## C. Development Facilities

The gross rent of a unit should not include a fee for use of development facilities (such as swimming pool, club house, etc.) IF the facility was included in the development's eligible basis. If the facility (ies) was/were not included in the development's eligible basis, then an owner may assess fees for optional use of said facilities. In this instance, the fee amount charged is not considered rent.

## 6.4 UTILITY ALLOWANCE

According to Section 42(g)(2)(B), the gross rent must include the cost of utilities paid directly by the tenant, except for telephone, cable and internet services. When applicable the rent limit must be adjusted according to a utility allowance schedule whereby granting qualified residents a utility allowance estimate for qualified tenant-paid utilities.

<sup>70</sup> A supportive service includes any service provided under a planned program of services designated to enable residents of a residential rental development to remain independent and avoid placement in a hospital, nursing home, or intermediate care facility for the mentally or physically handicapped.

## A. Utility Allowance Source Providers

According to Treasury Regulation 1.42-10, documentation of a development's utility allowance estimate must be acquired from an authorized utility provider. Authorized utility allowance providers include the following:

### 1. Public Housing Authority (PHA)

The Public Housing Authority (PHA) generates a utility allowance estimate based on average usage consumption data for a particular area. Unless a development is subject to the utility allowance guidelines as stated in IRS Reg. 1.42-10, the PHA is the appropriate utility allowance estimate source provider.

### 2. Department of Housing and Urban Development (HUD)

Buildings whose rents and utility allowances are reviewed by HUD annually must use the HUD approved utility allowances.<sup>71</sup> When there is a below-market HUD loan on a building, the applicable utility allowance for all rent restricted units in the building is the HUD utility allowance. On the other hand, the applicable allowance for any rent restricted unit occupied by residents receiving HUD Section 8 assistance is the Section 8 allowance. The utility allowance only applies to the unit in which a resident receives Section 8 assistance, and not to any other units in the building.

### 3. Rural Housing Services (RHS)

A Rural Housing Service (RHS) approved utility allowance must be used in a development that is RHS assisted (this includes any units occupied by households receiving Section 8 Rental Assistance payments). Additionally, if a unit receives RHS rental assistance, then the entire building becomes subject to RHS utility allowance.

### 4. Local Utility Company\*

Alternatively, the owner (or the tenant) may obtain utility cost estimates from the appropriate local utility company. The owner must furnish the Corporation with a copy of the utility company's estimated utility costs for units of similar size, construction and geographic area to the low-income development. If the utility service is deregulated, the estimate may be obtained from just one of the multiple utility companies offering the same utility service to the building.

### 5. HUD Utility Schedule Model\*

A building owner may calculate a utility estimate using the HUD Utility Schedule Model that can be found on the HTC page at [www.huduser.org/datasets/lihtc.html](http://www.huduser.org/datasets/lihtc.html) (or successor URL). Utility rates used for the HUD Utility Schedule Model must be no older than the rates in

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<sup>71</sup> HUD has an allowance for 'single-family' residences and another allowance for 'multifamily' developments. It is the responsibility of an owner of a HTC development owner to assure the correct utility allowance is utilized.

place 60 days prior to the beginning of the 90-day period before new rates have to become effective. *(See Appendix E for specific instructions)*

#### 6. Energy Consumption Model\*

A building owner may calculate a utility allowance estimate using an energy and water and sewage consumption and analysis model, energy consumption model. The energy consumption model must, at a minimum, take into account specific factors including but not limited to unit size, building orientation, design and materials, mechanical systems, appliances, characteristics of the building location. The utility consumption estimates must be calculated by either a properly licensed engineer or a qualified professional approved by the Corporation that has jurisdiction over the building. The building owner and qualified professional must not be related parties. Use of the energy consumption model is limited to the building's consumption data for the 12-month period ending no earlier than 60 days prior to the beginning of the 90-day period before the new rates have to become effective.

The utility rates used for the energy consumption model must be no older than the rates in place 60 days prior to the beginning of the 90-day period. In the case of newly constructed or renovated buildings with less than 12-months of consumption data, the qualified professional may use consumption data for the 12-month period of units of similar size and construction in the geographical area in which the building containing the units is located.

*NOTE (1): If the development is not regulated by HUD or RHS, the owner may use the applicable PHA utility allowance.*

*\*NOTE (2): An owner must acquire written approval from the Corporation before the utility allowance from this source may be implemented at a development site. Additionally, the Corporation will assess a \$150.00 fee per development, per request to review and approve utility allowance request.*

### B. Utility Allowance Changes/Updates

Utility allowances should be updated annually and at the time rents are being determined and/or revised. The utility allowance is subject to periodic increases to be determined by the applicable source.<sup>72</sup> Documentation of the utility allowance used for a particular year should be kept in each resident file and made available to the Corporation upon request.

If at any time during the development's compliance period the applicable utility allowance changes, the new utility allowances must be used to compute the MAR within 90 days of the change. Copies of the new estimates must be provided to the Corporation and made available

<sup>72</sup> Approved utility allowance source providers are HUD, RHS, local utility company, licensed engineer or qualified professional.

to all tenants in the building at the beginning of the 90-day period before they can be used for determining the gross rent of rent restricted units. The building owner must pay for all cost incurred in obtaining the estimates.

*Utility Allowance Increase*

*An increase in utility allowance estimate generally reduces the net cash rent paid by a qualifying household. If the change results in a reduction of rent, the lower rent must be used for rents due 90 days after the change, regardless of whether the change takes place in the middle of the lease term.*

*Utility Allowance Decrease*

To the contrary, a decrease in utility allowance estimates generally increase the net cash rent paid by qualifying households. If the change in the utility allowance results in an increase in the MAR, the higher rent must be applied in accordance with procedures outlined in Section 6.5 of this Chapter.

NOTE: Utility allowance updates, an increase or decrease, must be applied (and documented) in the files of all low-income units within the above noted time frame.

The building owner must pay for all costs incurred in obtaining utility allowance estimates. The building owner is not required to review the utility allowances or implement new utility allowances until the building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year of the credit period, whichever is earlier.

An owner is not barred from using different options for computing utility allowances for different utilities, or from changing the option used to calculate the utility allowance. The building owner must retain any utility consumption estimates and supporting data as part of the taxpayer's records. The Corporation must report to the IRS as noncompliance if the owner has understated the utility allowance for the building under the particular option chosen, and some or all of the building's units are no longer rent-restricted as a result.

*Utility Sub-metering/Ratio Utility Billing*

If the cost of any utility (other than telephone, cable television, or internet) for a residential rental unit is paid by the tenant through the owner of the building, the gross rent for that unit shall not include any of the applicable utility allowances mentioned above. This ends the ability of owners to use a utility allowance if they employ a utility sub-metering or a ratio utility billing system (RUBS) in their building. The final rule<sup>73</sup> disallows a utility allowance if utility costs are billed monthly to residents based on actual usage or a formula and are paid by or through the owner. An owner can continue using such systems but will not be able to use a utility allowance. Instead, the owner will have to carefully track and keep records of the amount billed to each tenant each month and make sure that the sum of this charge and the rent payment by

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<sup>73</sup> Utility Allowance Citation - 26 CFR Part 1, Section 42 Utility Allowance Regulations Update, July 29, 2008

each HTC resident each month does not exceed the maximum permitted tax credit gross rent amount.

## 6.5 CHANGES IN RENT

The MAR that can be charged may fluctuate up and down as the county median income fluctuates year to year. When this happens, special care must be taken to ensure the proper rental amount is being charged.

### A. Rental Decreases

If the rent limits for a development changes in the middle of a lease term and the gross rent charged by the owner exceeds the new HTC MAR, the owner must reduce the gross rent of all affected units to conform to the new schedule, regardless of the rent change date stated in the lease. Generally, changes in rent may be made at the time of a household's recertification based on updated income limits from HUD.

Through the Omnibus Budget Reconciliation Act of 1989, Congress established a "rent floor" by providing that the maximum permissible rent for any unit may not fall below the initial rent when the unit was first occupied. Thus, if the median income in the area falls, the rents do not need to be reduced below original levels.

Under IRS Revenue Procedure 94-57 *Maximum Rent and Maximum Rent Floor (See Regulation #8)*, effective for developments receiving initial allocations or determination letters after September 23, 1994, the rent floor is established on the date of allocation. However, an owner may establish the rent floor for a development at the PIS date provided the owner has informed the Corporation of the designation prior to placing a building/development in service.

If the owner does not make the election by a building's PIS date, the IRS will treat the rent floor as taking effect on the date of allocation. For those developments receiving an initial allocation or determination letter prior to September 23, 1994, an owner may establish the rent floor for a building using either the allocation date or the PIS date. Additionally, these development owners are not required to notify the IRS of this election.

### B. Rental Increases

Rent increases for low-income units are computed in the same manner as the initial rent. However, there are certain rules that apply when processing rent increases. They are:

1. Any rent increases due to changes in income limits or adjustments in the utility allowance are to be implemented at the time of lease renewal or when the tenant is recertified.

An increase in the rent paid by a HUD Section 8 or RHS Section 515 household to an amount in excess of HTC rent limit is allowable at recertification provided the rent

increase is mandated under the provisions of the Section 8 or RHS 515 rental assistance programs.<sup>74</sup> Typically, an increase occurs if a household's income increases significantly, more than 30 percent, of the household's adjusted monthly income. Rental increases that causes the amount of rent paid by the household to exceed the HTC MAR rent limit is known as "overage." Rental overages must be handled in accordance with following:

*Section 8 Project Based:*

The increase is allowable if the Section 8 subsidy is reduced by the rent overage.

*RHS Section 515:*

Developments allocated credits before 1991, the rental overage is not allowed to be paid by the household. The owner must pay the difference in the rental overage amount. Developments allocated credits after 1991, rental overage can be collected in so long as the overage is repaid to RHS.

2. The rent for a unit occupied by an over-income household is still subject to the rent restrictions of the credit program if the unit is to remain in compliance.

Hence, an increase in the maximum tax credit rent does not automatically entitle an owner to increase rents in the middle of a lease term.

## 6.6 RENTS FOR UNITS WITH OVER-INCOME HOUSEHOLDS

Owners and managers of tax credit developments are required to comply with the following responsibilities:

### A. Mixed-Income Developments

At a mixed income development, once a household has been determined over-income, that is, the gross annual income exceeds the applicable income limit by 140%, the gross rent for the household/unit(s) must remain rent restricted until a tax credit unit of comparable or smaller size is rented. Upon renting of the next available unit rule (NAUR), an owner may then set the rent for the over-income unit at the market rate or an unrestricted amount.

### B. 100 Percent HTC Development

At a 100% low-income development, if the gross annual income of a low-income unit exceeds the limit by 140%, the gross rent of the household/unit can never exceed the maximum allowable tax credit rents. Although the gross annual income exceeds the tax credit limit, the tax credit program allows the over-income household to remain in the unit and the unit would still be eligible for tax credit purposes.

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<sup>74</sup> In order for a household to have a rent amount in excess of HTC rent amount, the household must be previously qualified as tax credit eligible.

All vacant units or next available unit(s) must be rented to a qualified household.

*Refer to Regulation #4 and Chapter 2 for additional information regarding the NAUR.*

## 6.7 RENTS FOR UNITS WITH RENTAL SUBSIDY

Generally speaking, the MAR rent limitation for a tax credit unit (i.e., rent limit less the utility allowance and any mandatory charges) does not include any payments made under other government agencies or nonprofit organizations, such as Section 8 rental assistance, RHS 515 rental assistance, or any other comparable rental assistance program. **(See Section 2(O)(2)(B)(i) of the IRC).** Thus, an owner, when establishing the MAR for a rental assisted unit, should generally disregard any rental assistance payment(s). However, there are certain rules that apply based on the type of assistance the development receives/offers. These rules are based on tenant-based rental assistance and development-based rental assistance:

### A. Tenant-based Rental Assistance

Tenant-based rental assistance (TBRA) is financial assistance offered to help individual households in an effort to better afford housing costs (i.e., rent, utilities, etc.) associated with market-rate units. Under the HTC program, although TBRA provides rental assistance to qualifying households, said assistance does not affect the gross rent for the unit, only the payments made directly by the tenant. **(See Section 42(O)(2)(B)(i) of the IRC)**

According to HUD Final Rule 24 CFR Part 983, a development with project-based (PBV) may have a maximum gross rent amount in excess of HTC rent limits. HUD urges, however, PHAs to subsidize a reasonable market rent for a unit assisted through a PBV contract.<sup>75</sup>

### B. Development-based Rental Assistance

The gross rent of a household residing at a tax credit development receiving and/or providing development-based rental assistance (i.e., rental assistance payments made on the behalf of needy families directly to the development owner through a federal or owner-generated subsidy) is generally not affected by the rental assistance “subsidy” payment. However, the manner in which the subsidy payment is to be applied depends on the type of assistance provided: Project-based Section 8 or RHS or Owner-subsidized.

#### 1. Section 8/RHS

Under most development-based programs, the household generally pays 30% of monthly adjusted income in rent. In turn, the development owner has a contract under which the applicable federal agency pays the owner the difference between the contract rent and the household’s portion of the rent. Although HUD/RHS makes rental payments to the owner on

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<sup>75</sup> On December 19, 2007, this rule was revoked by HUD thereby again allowing the rents to be established following standard procedures for the tenant-based voucher program.

the behalf of the household, in this instance, it is not treated as a part of the household's gross rent calculations, as the MAR for units receiving development-based rental assistance (i.e., Section 8 or RHS) only applies to payments made directly by the tenant(s) with an adjustment for any tenant paid utilities.

Additionally, a portion of the rent paid by Section 8 tenants can exceed the tax credits rent ceiling in so long as the owner receives a Section 8 assistance payment on behalf of the resident. If no subsidy is provided, the tenant may not pay more than the maximum allowable by the tax credit program.

## 2. Owner Rental Assistance

Owner rental assistance (ORA) is a development based rental subsidy paid to a household by an owner. The intended purpose of the ORA is to serve as a direct rental benefit to the subsidized household's out of pocket rental amount thereby offsetting the household's net tenant paid rent.

### Maximum Allowable Rent (MAR)

When determining the applicable rent for a household receiving ORA, the MAR should be used to determine the maximum rent payment allowable for the unit size (i.e., the same size, location, square footage and amenities), which is, according to the Corporation's definition, the HTC rent limit less a tenant-paid utilities and any mandatory charges. This is the most rent an owner may charge for a particular unit. The MAR may be used to determine the total out-of-pocket rent related expenses for a household; however, the rent may need to be further adjusted for the ORA.

### How to Apply the ORA

To apply ORA, an owner must first establish the MAR for the unit. Once the MAR has been determined, the owner should apply all rental credits (i.e., Section 8, Housing Choice Voucher) with the exception of the ORA. This will generate the households' net rent. From the net rent, the ORA should be subtracted. If the net rent is the amount being charged. Otherwise, the ORA should be subtracted from the net tenant-paid contribution.

### ORA Reassignment/Revocation

At the time of recertification, the subsidized household's income needs to be re-examined for continued eligibility. Effective March 1, 2007, in order to remove/reassign ORA for a subsidized household, the household's gross income must be at or above 60% of AMGI. When this happens, the ORA must be pulled and reassigned to the next qualifying household on the waiting list. When reassigning ORA, preferences must be given to the elderly, single-parent households and non-subsidized households.

ORA may be discontinued and/or revoked for an assisted household/unit under two (2) conditions:



- The ORA contract period has expired. An owner must provide assistance through the end of the subsidized families certification period unless a lease addendum exists specifying the ORA expiration date; or
- Household is deemed in noncompliance for failure to comply with request for certification in a timely manner (i.e., failure to comply with requests for certification in a timely manner, failure to respond to 90, 60, 30 day recertification renewal notices). ORA can be removed from a subsidized household if the household fail to provide the necessary paperwork within 10 business days of the recertification or Rent and Student declaration due date.

# CHAPTER 7 - COMPLIANCE REPORTING AND ADMINISTRATIVE RESPONSIBILITIES

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## 7.1 OVERVIEW

**A**n owner of a tax credit building is required to keep records for each qualifying low-income household in the development as well as make these records available to the Corporation upon request for monitoring. Thus, proper record keeping is crucial to the success in maintaining compliance. According to Section 42 of the IRC, an owner, in support of the same, must annually report to the state monitoring agency the status of his/her development as it relates to adherence to the requirements of the HTC program.

## 7.2 DEVELOPMENT RECORDS

During the 15-year compliance and extended use periods, it is the responsibility of an owner to maintain (by building) certain types of records evidencing compliance with program record-keeping requirements.

### A. Tenant Files

- Rental Application/Recertification Questionnaire
- Tenant Release and Consent Form
- Income/Asset Verifications, or applicable verification of non-employment or zero-income
- Child Support Affidavit
- Tenant Income Certification (TIC)
- Inquiry/Verification of full-time student status
- Initial dwelling Lease/HTC Lease Addendum
- Utility allowance documentation (to support all UA figures listed in file), *if applicable*
- Social Security Card/Picture I.D. Card/Drivers License (all residents)
- Notes to file, *if applicable*

*See Appendix C for a complete list of mandatory certification forms.*

### B. Unit Listing

- Listing of each unit number
- Listing of number of bedrooms

- Listing of tenant names
- Floor space of units
- Move-in date for occupied units
- Move-out date for vacant units
- Number of household members in each unit
- Household income for each unit
- Rent paid by household
- Utility allowance
- Unit status (low-income or unrestricted)

### C. Development Files

Owners must maintain all development records documenting the eligible basis and qualified basis of each building for the first year of the credit period, as well as six years after the tax filing date for the last year of the compliance period or extended use period, if applicable. Long-term retention of development records may be stored in a method other than paper format (i.e., scanned, microfilm, etc.). The IRS cautions, however, that the files be stored in a method easily retrievable in the future if ever needed.

### D. Documentation of Selection Criterion

Owners of developments awarded points<sup>76</sup> for items such as deeper targeting, non-profit participation, renting to residents included on public housing waiting lists, or providing rental subsidy, etc., separate records must be maintained documenting the participation and/or inclusion of each. The selection criteria associated with a development is based on a specific year and according to the development's original application for HTCs. Thus, an owner must know his/her point selection criteria in order to maintain compliance. ***(See Figure 4 below for a listing of the Point Selection Criteria for the state of Mississippi.)***

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<sup>76</sup> A point references the point value given to owners upon in the ranking of the HTC application...

**Figure 4: State of Mississippi Point Selection Criterion (1996-2009)**

| Criteria                                                                         | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 |
|----------------------------------------------------------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Rent at least 20% of units @ 50% of AMI                                          | X  |    |    |    |    |    |    | X  |    |    |    |    |    |    |
| Rent at least 20% of units @ 50% of AMI for 40 years or more                     |    |    |    |    |    |    |    | X  | X  | X  | X  | X  | X  | X  |
| Rent 100% of units @ 50% of AMI for 40 years or more                             | X  |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Rent 100% of units @ 50% of AMI                                                  |    | X  | X  |    |    |    |    |    |    |    |    |    |    |    |
| Rent 75% of units @ 50% of AMI                                                   |    | X  | X  |    |    |    |    |    |    |    |    |    |    |    |
| Rent 50% to 74% of units @ 50% of AMI                                            |    | X  | X  |    |    |    |    |    |    |    |    |    |    |    |
| Extend Use for 40 years or more                                                  |    | X  | X  | X  | X  | X  | X  |    | X  | X  | X  | X  | X  | X  |
| Rent at least 40% of units @ 50% of AMI for 40 years or longer                   |    |    |    | X  | X  | X  | X  |    |    |    |    |    |    |    |
| Rent 20 to 39% of units @ 50% of AMI for 40 years or longer                      |    |    |    | X  | X  | X  | X  |    |    |    |    |    |    |    |
| Development location                                                             | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Area of Chronic Economic Distress, QCT or DDA                                    | X  | X  | X  | X  |    |    |    | X  | X  | X  | X  | X  | X  | X  |
| Three or more bedrooms in at least 25% of the total number of units              | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Significant Community Services or Amenities                                      | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Significant Participation by local Tax-Exempt Organization or unit of Government | X  | X  |    |    |    |    |    |    |    |    |    |    |    |    |
| Public Housing Waiting List                                                      | X  | X  |    |    |    |    |    |    |    |    |    |    |    |    |
| Preserves Existing LI housing                                                    | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| 100% LI Use                                                                      | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Development-Based Owner Rental Assistance                                        | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Tenant-based Rental Assistance                                                   | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Elderly Development Designation                                                  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Community Support                                                                | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |    |
| Development Readiness                                                            | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Prison Labor                                                                     | X  | X  |    |    |    |    |    |    |    |    |    |    |    |    |
| Development located in Empowerment Zone or Enterprise Community                  | X  | X  |    |    |    |    |    |    |    |    |    |    |    |    |
| 5% Equity Contribution                                                           |    |    | X  |    |    |    |    |    |    |    |    |    |    |    |
| Application Workshop                                                             |    |    |    | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Replacement and/or Operating Reserves                                            |    |    |    |    |    |    | X  | X  | X  | X  | X  | X  | X  | X  |
| Developer Experience                                                             |    |    |    |    | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Management Experience                                                            | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Single-family leased purchase developments                                       | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Preservation or Hope VI Development                                              | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Mixed-Income Development                                                         | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Energy Efficiency                                                                | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Additional Amenities                                                             | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Additional Single-Family                                                         | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |
| Acq./Rehab of USDA Section 515 Housing                                           | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  | X  |

Source: State of Mississippi's Qualified Allocation Plans (years 1996-2009)

## 7.3 REPORTING REQUIREMENTS

Once a development has placed in service, the owner must start submitting certain compliance reports (quarterly and/or annually) to the Corporation. At a minimal, these reports document a development's low-income occupancy by providing specifics as it relates to a qualifying household's eligibility (i.e., income, rents and full-time student status). The Corporation performs a review of an owner's compliance report(s) to assess an owner's compliance with tax credit requirements.

### A. Quarterly Reporting

During lease-up, an owner of a development/building(s) receiving an allocation of HTC's will be required to submit to the Corporation for review a **Quarterly Status Report** detailing lease-up activity of a development. This report documents project activity during the lease-up period and commences on the 15th day of the month after the quarter in which the first building places in service. An owner is required to submit the Quarterly Status Report *until the later of the development receipt of IRS form 8609 or 100% occupancy* (provided the development is in compliance and has resolved all compliance matters during this period). Upon meeting these requirements, the Corporation will convert the development to reporting on an annual basis. (See Appendix G for quarterly reporting forms). The Quarterly Status Report consists of the following:

- Quarterly Status Compliance Report – Part A (with Part I and the top of Part II completed signed and dated);
- Occupancy (Rent Roll) Report – Part B (per building); and
- Utility allowance documentation (to support all UA figures listed in file), *if applicable*

All quarterly occupancy reports must be submitted to the Corporation in accordance with the following report schedule/dates:

| Reporting Period | Due Date                 |
|------------------|--------------------------|
| January – March  | April 15 <sup>th</sup>   |
| April – June     | July 15 <sup>th</sup>    |
| July – September | October 15 <sup>th</sup> |
| October – Dec.   | January 31 <sup>st</sup> |

Additionally, the Occupancy Report must be submitted to the Corporation electronically utilizing the Corporation's Applied Oriented Design/Certification Online System.

### B. Annual Reporting

According to Section 1.42 of the IRC, during the compliance period, an owner of HTC development is required to submit, on an annual basis, information pertaining to the development's compliance status. This information, which is commonly referred to as the Annual Owner Certification Report (AOC), includes data relating to the status of each tax credit building in the development (i.e. report of any casualty losses), as well as eligibility information

of each qualifying tax credit unit. The AOC Report is due to the Corporation *on or before* January 31st of each calendar year for the preceding calendar year, effective January 1, 2007.

An AOC Report is required of all owners with active HTC developments, excluding owner's with developments that have not received IRS form 8609 AND have not acquired 100% initial occupancy as of 12/31 of the reporting year.

The annual Compliance Report consists of the following:

- An Owner Certification of Continued Program Compliance Certification (OCCPC);\*
- Supplemental Certification of HTC Compliance;
- Applicable Utility Allowance support documentation;
- An Occupancy (Rent Roll) Report for each HTC building in the development;\*
- IRS Tax Form (8609) *Low Income Housing Tax Credit Allocation Certification*

*\*Electronic submission required*

#### 1. Owner Certification of Continued Program Compliance

An owner of a HTC development must certify, under a penalty of perjury, that the development meets the requirements of Section 42 by noting that:

- *the development meets the minimum set-aside election test (the 20/50 test, the 40/60 test or the 25/60 Test, under sections 42(g)(4) and the 15/40 test);*
- *the development has received an annual low income certification and documentation for each low income tenant;*
- *each low income unit is rent restricted;*
- *all units are for use by the general public on a non-transient basis (an original lease term of a full six months or longer) and each building is suitable for occupancy;*
- *reasonable attempts will be made to rent any vacant low income units and no comparably sized or smaller units will be rented to non-low income households while the vacancy exists;*
- *if the income of households in a low-income unit increases sufficiently, the next available comparable or smaller unit will be rented to low-income households;*
- *there has been no change in eligible basis and all tenant facilities included in eligible basis are available to all tenants without charge;*
- *the state or local unit responsible for making building code inspection did not issue a report of a violation for the development. If the governmental unit issued a report of a violation, the owner is required to attach a copy of the report of the violation to the annual certification submitted to the Corporation. An owner must state on the certification whether the violation has been corrected. Retention of the original violation report is not required once the Corporation reviews the violation and completes its inspection, unless the violation remains uncorrected;*
- *the owner has not refused to lease a unit in the development to a Section 8 applicant because the applicant holds a Section 8 voucher or certificate;*
- *the owner did not evict or otherwise have a resident's lease terminated for other than good cause; and*

- no finding of discrimination under the Fair Housing Act has occurred for the development (a finding of discrimination includes an adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court).

## 2. Supplemental Certification of HTC Compliance: State specific obligations

Effective January 1, 2007, in an effort to acquire an annual update of participating owner's specific compliance obligations as outlined in the development's HTC application, the Corporation requires all program participants, including those which have received a carryover allocation of tax credits (even if the development has not yet been placed in service), to certify to compliance with certain state specific obligations, using the *Supplemental Certification of HTC Compliance* (SHTCC) form. Included in the SHTCC is an owner's compliance with rent limit guidelines, any deeper income targeting obligations, owner rental assistance, and/or social service requirements. Also included in this report is an owner's certification to the overall physical condition of the development.

## 3. Occupancy (Rent Roll) Report

Under the record keeping and record retention provisions of 26 CFR Section 1.42-5, an owner of a HTC development is required to retain certain information for each qualified tax credit building. This includes specific data on each low-income unit (occupied or unoccupied) in the development. The Occupancy (Rent Roll) Report grants an owner the ability to identify, at a minimum, specific eligibility information (such as household composition, move-in/move-out date, tenant's rental amount, utility allowance amount, and total gross household income). Likewise, it grants the Corporation the opportunity to monitor the minimum set-aside and applicable fraction of each building in the development from the development's initial rent-up through the end of the compliance period, as well as monitor changes in occupancy, rent and income qualifications.

Tax credit development owners are required to submit an Occupancy Report for each tax credit building in its development electronically utilizing the Corporation's COL system or, with approval, in hard-copy format utilizing the Occupancy (Rent Roll) Report in Appendix G.

## 4. Utility Allowance Support Documentation

HTC gross rent must include the cost of utilities paid directly by the household, except for telephone and cable and internet services. As a result, when applicable, documentation from an authorized official must be provided reflecting the latest utilities estimates for the unit size, location, etc. Documentation of utility allowance estimates must be acquired from an authorized utility provider, based on development type (i.e., PHA, HUD, RHS or a Local Utility Company).

## 5. IRS Tax Documents: Forms 8609

An owner of a HTC development must submit copies of certain program required tax forms as required by federal regulations: 8609 *Low Income Housing Tax Credit Allocation Certification*. Generally, these forms are submitted at the time of an owner's annual AOC Report. If an Application for Extension has been filed with the IRS for the ownership entity,

a copy of the extension form must be provided with the annual certification documents. The forms must be forwarded to the Corporation once the owner's tax return has been completed. *(See Appendix J for a copy of the required federal tax forms.)*

## C. Financial Reporting

Effective January 1, 2007, an owner of a tax credit development will be required to annually provide to the Corporation a *Development Financial Analysis Report*, including but not limited to the development's income, expenses, debt service ratio and operating & replacement reserve expenditures and balances.

### 1. Debt Service Ratio

Debt Service ratio is the amount of cash flow available to meet annual interest and principal payments on debt. A debt service coverage ratio (DSCR) of less than one (1) would mean a negative cash flow. A DSCR of .95 would mean there is only enough operating income to cover 95% of annual debt payments. The QAP defines an acceptable range between 115% and 130% of annual debt payments.

### 2. Replacement and Operating Reserves

An owner may satisfy the reserve requirement by adherence to the following:

- Replacement reserve funding must be satisfied in accordance with the applicable minimum tax credit contribution requirements.
- Operating reserve funding must be satisfied by funding at least six (6) months of the development's first year operating Expenses. Acceptable documentation includes either of the following where applicable:
  1. Current Bank Statement reflecting the required reserve amount (development name, address and bank account number must be clearly documented); or
  2. Letter of Credit reflecting the required reserve amount acknowledged and agreed upon by the development's syndicator. NOTE: This funding option is ONLY applicable to developments operating in year four (4) or beyond of the development's credit period.

*NOTE: Financial information to be submitted annually on a date to be determined by the Corporation.*

## D. Electronic Report Submission Requirements

Effective January 1, 2007, an owner's submission of his/her AOC and Quarterly Occupancy Status must be transmitted electronically (where applicable) to the Corporation using the Corporation's Applied Oriented Design/ Certification On-Line (AOD/COL) system. The AOD/COL system is an electronic reporting program that interfaces with the Corporation's internal multifamily compliance tracking system, AOD/MF, thereby allowing an owner/manager the



ability to log onto the Corporation's secured internet site and enter specific development and unit occupancy information, as well as generate, print and submit certain owner reports. All other components of the Report must be prepared and remitted to the Corporation in hard-copy format on or before the prescribed deadline date.

The Development Financial Analysis Report (DFAR) must be submitted through the Corporation's Online DFAR system; which is a separate electronic reporting system, accessible through the Corporation's website at [www.mshomecorp.com](http://www.mshomecorp.com).

*NOTE: Depending on extenuating circumstances, the Corporation may approve an owner submission of the OCCPC and Occupancy Reports in hard-copy format. Minimal fees may apply.*

## **7.4 COMPLIANCE REVIEWS**

Beyond requiring the annual certifications, the Corporation will conduct, at least once every three (3) years, an on-site inspection of all buildings in each low-income housing development. This inspection will be performed on at least twenty percent (20%) of a development's low-income units, including the review of the low-income certification of each qualifying household, the documentation supporting such certification, and the rent record for these units. In addition, the Corporation will conduct on-site inspections for all buildings in a development. For developments PIS after January 1, 2001, an inspection will be performed by the end of the second calendar year following the year the last building in the development is PIS.

### **A. Tenant File Reviews**

In order to meet its monitoring obligations to the IRS, the Corporation is required to inspect each HTC development at least once every three years. These periodic inspections include a tenant file review to be conducted either externally (on-site audit), internally (desk audit), or both.

#### **1. Desk Audit Procedures (24 Units or less)**

The Corporation, at its discretion, may inspect units with 24 units or less utilizing the desk audit (internal) procedure. Developments audited utilizing this method will be given a specified period of time to prepare and submit to the Corporation a *legible photo copy* of all inspection items requested. Ample notification will be given to owners to allow them time to prepare the requested documents. When utilizing the desk audit method of auditing, the physical inspection of the condition of the units and the buildings will follow shortly thereafter. In some cases, depending on the circumstances, the physical inspection may take place before the desk audit is actually conducted. In this case, the same procedures will apply.

## 2. On-site Audit Procedures

Developments audited utilizing this method will be given a specified period of time notifying them of the date and time of the inspection. Typically, two weeks written notice to the owner is given. At this time, an *On-site Audit Acknowledgment Form* is mailed outlining the date and time of the inspection along with a specified return deadline date. Scheduling conflicts, staff vacations, etc., should be addressed at this time. An *On-site Audit Acknowledgment* form not returned to the Corporation by the noted deadline date will result in the development being audited as outlined in the original correspondence. In the event staff proceed with the noted inspection and is unable to perform the inspection as scheduled (no show, no records, etc.), the owner will be responsible for reimbursing the corporation for any cost associated with the inspection (***See Chapter 11 of this Plan***).

When utilizing the on-site method of auditing, the physical inspection of the units/ buildings may occur at the same time. In some cases, depending on the circumstances, the physical inspection may take place before or after the onsite audit is actually conducted. In this case, the same procedures will apply.

*NOTE: Resident Selection Plans, house rules, rent rolls, and other information must be maintained at the development site and made available to the Corporation upon request.*

## B. Physical Condition Inspections

The Corporation has the right to perform an on-site physical inspection of any tax credit housing development at least through the end of the development's compliance and extended use periods. This inspection provision exists in addition to any review of low-income certifications, supporting documents, and rent records. Generally, the inspection will allow the Corporation to determine if a tax credit unit is suitable for occupancy. Inspection standards to be used are intended to ensure that the housing is decent, safe, sanitary, and in good repair. Irrespective of the physical inspection standards selected by the Corporation, a low-income housing development under Section 42 must continue to satisfy local health, safety and building codes.

The Corporation will consider a building exempt from the physical inspection requirement if the development is financed by RHS<sup>77</sup> and RHS has entered into a Memorandum of Understanding (MOU) or other similar arrangement with the Corporation under which RHS agrees to notify the

<sup>77</sup> Development is financed by RHS under the Section 515 program and RHS inspects the building/development in accordance with CFR, Part 1930 (c).

Corporation of the inspection results. **NOTE: MHC RESERVES THE RIGHT TO CONDUCT PHYSICAL INSPECTIONS REGARDLESS OF ITS MOU WITH THE RHS.**

## 1. Physical Inspection Standards

The physical inspection of units and buildings of HTC developments will be conducted utilizing the physical condition requirements for HUD's Uniform Physical Condition Standards (UPCS). Owners of HTC developments must maintain housing in a manner that meets the physical condition standards set forth below in order for the development to be considered decent, safe, sanitary and in good repair. Physical inspection standards address these major areas: the site, building exterior, the building systems, the dwelling units, the common areas, and health and safety considerations.

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Site:</b>              | The Site components such as fencing, retaining walls, grounds, lighting, mailboxes, development signs, parking lots, driveways, play areas and equipment, refuse disposal, roads, storm drainage and walkways must be free of health and safety hazards and be in good repair. The site must not be subject to material adverse conditions, such as abandoned vehicles, dangerous walkways or steps, poor drainage, septic tank back-ups, sewer hazards, excess accumulation of trash, vermin or rodent infestation or fire hazards.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Building Exterior:</b> | Each building on the site must be structurally sound, secure, habitable and in good repair. Each building's doors, fire escapes, foundations, lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable and in good repair.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Building Systems:</b>  | Each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system must be free of health and safety hazards, functionally adequate, operable and in good repair.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Dwelling Units:</b>    | Each dwelling unit within a building must be structurally sound, habitable and in good repair. All areas and aspects of the dwelling unit (for example, the unit's bathroom call-for-aid (if applicable), ceiling doors, electrical systems, floors, hot water heater, HVAC systems, kitchen, lighting outlets/switches, patios/porch/balcony, smoke detectors, stairs, walls and windows) must be free of health and safety hazards, functionally adequate, operable and in good repair. Where applicable, the dwelling unit must have hot and cold running water including an adequate source of potable water (for example, Single-Room Occupancy (SRO) units need not contain water facilities). If the dwelling unit includes its own sanitary facility, it must be in proper operating condition, usable in privacy and adequate for personal hygiene and the disposal of human waste. The dwelling unit must include, at a minimum, a battery-operated or hard-wired smoke detector in proper working condition on each level of the unit and/or adjacent to all bedrooms. |
| <b>Common Areas:</b>      | The common areas must be structurally sound, secure and functions adequately for the purpose intended. The basement/garage/carport, restrooms, closets utility/mechanical/community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony and trash collection areas, if applicable, must be free of health and safety hazards, operable and in good repair. All common                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

area ceilings, doors, floors, HVAC, lighting outlets, switches, smoke detectors, stairs, walls and windows to the extent applicable, must be free of health and safety hazards, operable and in good repair. These standards for common areas apply in particular to congregate housing, independent group homes, residences and single room occupancy units in which the individual dwelling units (sleeping areas) do not contain kitchen and/or bathroom facilities.

**Health and Safety:** All areas and components of the housing must be free of health and safety hazards. These areas include but are not limited to air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation and lead based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold and odor(s) (e.g. propane, natural gas, methane gas) or other observable deficiencies. The housing must comply with all requirements related to the evaluation and reduction of lead-based paint hazards and have available proper certification of such.

**Compliance with State and Local Codes:** The physical condition standards in this section do not supersede or preempt State and local codes for building and maintenance with which housing tax credit developments must comply. Tax credit developments must continue to adhere to these codes.

Source: 24 CFR 5.703.

## 2. Physical Inspection Procedures

The Corporation will notify owners in advance of an upcoming on-site physical inspection through official written correspondence. A *Building Physical Inspection Form* is provided outlining the date and time of the inspection along with a specified return date. The most current rent roll must be submitted to the Corporation. Scheduling conflicts, staff vacations, etc., should be addressed at this time. A *Building Physical Inspection Reference Form* not returned to the Corporation by the noted deadline date will result in the development being inspected as outlined in the original correspondence. Residents should be notified in writing of the scheduled inspection. All buildings and residential units within the development should be readily accessible. Maintenance personnel and a management representative should be present during the inspection.

Noncompliance fees will be assessed against the development for reimbursement of expenses incurred to conduct all follow-up inspections of noted deficiencies from the initial inspection, if applicable. In the event the staff proceeds with the noted inspection and is unable to perform the inspection as scheduled (no show, no records, etc.), the owner will be responsible for reimbursing the Corporation for any cost associated with the inspection (*See Chapter 11 of this Plan*).

When performing a physical inspection of the condition of the tax credit units and buildings, an on-site or desk audit review of the development's tenant files may occur at the same time. In some cases, depending on the circumstances, the physical inspection may take place before or after the on-site/desk audit tenant file review. In this case, the same procedures will apply.

*NOTE: If an owner and/or designated agent miss a scheduled physical condition inspection, IRS Form 8823 will be issued and an additional financial penalty of \$55.00 (per day) for each day the physical inspection is outstanding past the originally scheduled inspection date. Any physical inspection rescheduled/approved by the Corporation is exempt from this penalty.*

## 7.5 MONITORING COSTS

Under current monitoring regulations and guidance, the Corporation will charge monitoring fees to all HTC developments. The Corporation may require additional monitoring charges if subsequent guidance or regulations warrant changes to the Corporation's monitoring procedures. An upfront monitoring fee of 2.5% of the total credit amount over the ten-year credit period based on the first year's credit amount allocated is generally assessed at the time of application. **(See Chapter 8 for more information on monitoring costs during the EUP.)**

## 7.6 LEGAL AND PROFESSIONAL COST

If the Corporation shall incur legal fees or other expenses in enforcing its rights and/or remedies, or the owner's obligation under Section 42 of the IRC and the LURA for the HTC program or these monitoring procedures, the owner shall reimburse the Corporation for those fees and other expenses within ten (10) days of receipt of written demand thereof.

## 7.7 LIABILITY

Compliance with requirements of Section 42 is the responsibility of the owner of the development for which the tax credit is allowable. The Corporation's obligation to monitor for compliance with the requirements of Section 42 does not make the Corporation or the State of Mississippi liable for an owner's noncompliance. Neither the Corporation nor the State of Mississippi shall be held liable for any expenses or losses incurred by the owner for failure to adhere to the LURA, the requirements of Section 42 or the monitoring procedures established by the Corporation for Mississippi's Tax Credit Program.

# CHAPTER 8 – POST YEAR 15 COMPLIANCE MONITORING PROCEDURES

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## 8.1 OVERVIEW

According to Section 42 of the Internal Revenue Code, buildings are eligible for the credit only if there is a minimum long-term commitment to low-income housing.<sup>78</sup> This commitment, commonly referred to as the Declaration of Land Use Restrictive Covenant Agreement (LURA), is required of developments receiving an allocation of tax credits in 1990 and later. Specific requirements mandated in the LURA include an owner's adherence to the development's applicable fraction, income limitations, building disposition requirements, and prohibitions against certain discriminatory practices.

Section 1.42-5 contains the regulations for agencies' compliance monitoring during the compliance period. There is no language in the IRC that specifies whether or not agencies are subject to these regulations after the compliance period. The tax benefit to the owner is exhausted and the IRS can no longer recapture or disallow credits. Because of this fact, the Corporation has established policy regarding how HTC developments will be monitored during the extended affordability period and the consequences of noncompliance.

## 8.2 EXTENDED USE PERIOD

The extended use period (EUP) is defined as the beginning of the first day in the compliance period on which the building is part of a qualified tax credit housing development. It ends on the later of the date specified by the Corporation in the development's extended low-income housing commitment, or the date which is 15 years after the close of the compliance period.<sup>79</sup>

## 8.3 STATE REQUIREMENTS

The Corporation, by way of a development's LURA, requires an owner of a tax credit development situated in the state of Mississippi to adhere to the following during the development's EUP:

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<sup>78</sup> IRC 42(h)(6)

<sup>79</sup> Section 42(h)(6)(D)

1. Maintain the applicable fraction by leasing units to individuals or families whose income is 50% or 60% or less of the area median gross income (including adjustments for family size) as determined in accordance with Section 42 of the IRC;
2. Maintain the Section 42 rent and income restrictions for the time period of time prescribed in the LURA and final HTC application;
3. Lease, rent or make available to members of the general public (or otherwise qualify for occupancy of the units under the applicable election specified in Section 42(g)) all units subject to the credit;
4. Not refuse to lease to a holder of a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder;
5. Ensure each low-income unit is suitable for occupancy and will be used other than on a transient basis;
6. Reassess whether a household meets the requirement(s) of the program at least annually, if applicable; *and*
7. Adhere to other restrictions as required under the specific year's QAP and final HTC application to which any selection criteria points were awarded.

## **8.4 MONITORING PROCEDURES**

During a development's EUP, the Corporation has the right to audit a development(s) tenant records and physical condition for compliance in accordance with certain Section 42 requirements, as well as the applicable LURA for the development. In doing so, the Corporation will monitor a development consistent with its standard compliance monitoring procedures as implemented during the development's initial 15 year compliance period.

The Corporation, at its discretion, may grant certain relief of a development's compliance obligations through a EUP Monitoring Relief Waiver. Throughout the development's EUP, it remains the responsibility of the owner to maintain the tenant files of qualifying households in accordance with the requirements effective at such time.

### **1. Standard Monitoring Procedures**

Developments operating in its EUP that has not been granted an EUP Relief Waiver or IRS Recertification Waiver will be monitored in accordance with the Corporation's standard monitoring procedures (i.e., compliance prior to the expiration of the initial compliance period).

*NOTE: The Corporation requires an owner to retain the tax credit files and records of current occupants for the duration of the household's tenancy, plus 24 months. Move-out files must be retained for 12 months.*

## 2. Relief Monitoring Procedures

An owner of a tax credit development operating in its EUP (or approaching its EUP) and not participating in the IRS's automatic recertification waiver may request from the Corporation a relief or waiver from certain compliance requirements. If granted, the waiver offers the following compliance relief:

- A maximum review of at least 10% of the low-income units, rather than the normal 20%, during onsite tenant file reviews and physical inspections once every three years. Review never to exceed 12 units in any development;
- An exemption from the three year physical condition inspection (Rural Housing Services (RHS) financed tax credit development ONLY!)
- A review of only the number of tax credit units as a percentage of residential units will be examined to determine a building's applicable fraction;
- An automatic recertification waiver on any previously qualified household;
- The NAUR will be revised to provide that if a household's income goes over 140% of the applicable AMI, a currently vacant unit or the next unit in the building must be rented to a qualifying household (the 'comparable or smaller' requirement will be removed). This would essentially be a one-to-one unit replacement; *and*
- For developments with extreme financial hardship, owners may submit a written request to change and/or temporarily modify the required set-aside for the development. Consideration of such will only be provided if such a reduction will improve the financial feasibility of the development. Justification for request (i.e., financial data, reserve analysis, capital needs assessments, market conditions, etc.) is required.

## 8.5 EUP MONITORING COSTS

Beginning with the first year of the EUP, an owner of a tax credit development will be assessed a \$20.00 per low-income unit fee to cover staff costs to monitor the development during the EUP, excluding developments financed by RHS. RHS financed developments will pay an annual administrative fee of \$10.00 per low-income unit. This reduced administrative fee will remain in effect in so long as a valid Memorandum of Understanding (MOU) exists between the Corporation and RHS AND RHS provides the Corporation with the latest Supervisory Visit for the development. Owners are still subject to all other fees as outlined in Chapter 11 of this Plan.



## **8.6 REPORTING REQUIREMENTS**

At least once annually, an owner of a tax credit development is required to submit certain reports to the Corporation documenting compliance with program rules and regulations, including a development's LURA. All reports and forms are to be completed in accordance with report obligations as outlined in Chapter 7 of this Plan.

## **8.7 ENFORCEMENT**

The Corporation and any interested party have the right to enforce specific requirements expressed in an owner's final tax credit Application, LURA, Compliance Monitoring Plan through the appropriate legal apparatus.

# CHAPTER 9 - PROPERTY DISPOSITION & TRANSFERS

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## 9.1 OVERVIEW

**R**ecapture of the accelerated portion of the HTC<sup>80</sup> is not only caused by noncompliance with program rules and regulations, but may also be caused by either the sale or disposition of a HTC building/development or the sale of an ownership interest in such a building.

IRC Section 42(h)(6)(D) requires a development owner to commit to the low-income housing program for a minimum of 30 years. The commitment is documented as a restrictive covenant against the development and is recorded against the development as a deed restriction governed by state law. When a building or development is removed from the HTC program before the end of the extended use period, state agencies have discretionary authority to release the extended use agreement and remove the deed restrictions. Additionally, depending upon the circumstances surrounding the disposition, the state monitoring agency may be required to notify the IRS of the occurrence. In light of such, it's critically important that an owner wishing to dispose of his/her interest in a tax credit development do so in accordance with applicable federal and state requirements.

## 9.2 BUILDING DISPOSITIONS

A building disposition is defined as the outright sale or disposal of ownership interest in a building/development that has been awarded an allocation of tax credits of which IRS form 8609 *Low-Income Housing Credit & Certification* has been issued. According to Section 708 (b)(1)(B) of the IRC, a partnership is considered 'terminated' if there is a sale or exchange of 50 percent or more of the partnerships interest within a 12-month period. To the same, the disposition of a tax credit building is a recapture event.<sup>81</sup>

Since a building disposition generally triggers a recapture of HTC's, the Corporation requires that changes of any ownership entity, including the general partner, partner(s) and/or the managing

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<sup>80</sup> The accelerated portion of the HTC is the amount of credit an owner receives during the 10-year credit period that would normally be generated in years 11-15 of the compliance period. The accelerated portion of the credit serves as a benefit to an owner whereby allowing the credit over a shorter period of time.

<sup>81</sup> A recapture is the reduction of the allowable credit as penalties for noncompliance.

member of a limited liability company, be approved in advance of desired disposition/transfer. Thus, an owner electing to sell his/her interest in a HTC development must submit a written request to the Corporation at least 30 days before the proposed effective date of the disposition. Said notification will grant the Corporation the opportunity to ensure the validity of the new owner as it relates to the development's LURA and the proper conveyance of obligations/commitments regarding the affordable use of the development.

## A. Types of Dispositions/Transfers

According to the IRS, there are four categories of which a building disposition can occur: Sale, Foreclosure, Destruction or Other.<sup>82</sup>

### 1. Sale

The disposition of a tax credit building by way of a sale is considered to have taken place in the event of the following:

- Fee title sale of building;<sup>83</sup> or
- Termination of partnership.

### 2. Foreclosure

A HTC building disposed of by way of foreclosure is one whereby a lender has sought legal remedy to terminate the borrower's interest in a development after the loan which was used to finance the development was defaulted upon.

According to Section 42(E)(i)(I), "the extended use period for a building shall terminate on the date the building is acquired by foreclosure (or instrument in lieu of foreclosure)<sup>84</sup> unless the secretary determines that such acquisition is part of an arrangement with the taxpayer for a purpose of which is to terminate such period." If the Corporation has cause to believe that an owner or related entity attempted to avoid the low-income requirements of the LURA through foreclosure and again holds an interest in the development, appropriate steps may be taken to re-activate and/or enforce the development's LURA requirements.

The re-activation provision is intended to prevent an owner from escaping the LURA's occupancy requirement while retaining effective control and use of the development. This provision does not apply when a bona fide foreclosure has occurred and an owner later reacquires an interest on a reasonable commercial basis. ***(See Section 9.4 of this chapter for specific regarding an owner's reporting and record-keeping obligations).***

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<sup>82</sup> See IRS 8823 Guide

<sup>83</sup> A Fee Title Sale is a sale whereby the fee title passes from the seller to a new buyer.

<sup>84</sup> A Deed in Lieu of foreclosure occurs when a development owner voluntarily conveys the development to the mortgage holder to avoid foreclosure proceeding, this is also considered a form of foreclosure.

### 3. Destruction

Destruction of a HTC development occurs when a building's physical structure is affected in its entirety. When destruction occurs, it is considered permanent and the building(s) is not expected to operate as a tax credit development again.

### 4. Other

A building disposed under the 'other category' is one in which the building is disposed of by way of a method not specifically noted above.

## 9.3 FEDERAL REQUIREMENTS

According to the IRS, the disposition of a HTC building (or interest therein) can result in the recapture of the housing tax credit equal to 1/3 of the allowable credit for each year, plus interest, if the building is disposed of through year 11 of the compliance period. The amount of recapture reduces if the disposition occurs after year 11 of the development's compliance period.

According to legislative history, an owner of a HTC development of which s/he disposed of could avoid recapture of the accelerated portion of the credit by posting a surety bond<sup>85</sup> (or U.S. Treasury Direct Account (TDA)) equal to the amount specified on Form 8693 *Low-Income Housing Credit Disposition Bond*. The intent of the bond was to ensure that the principal taxpayer, the owner, did not attempt to defraud the United States of any tax violations under Section 42 of IRC, filed all returns and statements as required by law or regulations, pay all applicable taxes, including any penalties and interest charged, and comply with all other requirements of the law and regulations under Section 42. Once filed, the bond was to remain in effect until 58 months after the end of the 15-year compliance period.

Effective July 30, 2008, under Revenue Procedure 2008-60, Congress eliminated the requirement mandating that a HTC development owner selling his/her interests in that development to post a surety bond.<sup>86</sup> In the place of the recapture bonds is an extended period for the statute of limitations, three years following a recapture event. The recapture bond repeal is effective if the affected owner<sup>87</sup> elects implementation of the new provisions and it can be reasonably expected that the building will continue to operate as a qualified low-income building.

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<sup>85</sup> A surety bond is a bond posted with the Treasury Department to avoid recapture of previously claimed credits after a change of ownership in a HTC development. Bond was to be maintained throughout the compliance period, plus 58 months.

<sup>86</sup> The new law is effective for new dispositions after July 30, 2008 and applies retroactively to past dispositions.

<sup>87</sup> Those who were maintaining a surety bond or TDA is satisfaction of the low-income housing tax credit recapture disposition requirement prior to July 30, 2008.

**IRS Form 8693 Low-Income Housing Credit Bond**

Taxpayers must use IRS Form 8693 in posting a surety bond and in establishing a TDA. The IRS must approve Form 8693 before it will take effect. Revenue Procedure 2008-60 does not apply to any taxpayer who opted to satisfy the bond posting exception to recapture by setting up a TDA, and who received a Form 8693 that was approved by the IRS before January 1, 2008, but who did not fund the TDA within the period for funding the TDA prescribed by Revenue Procedure 99-11.

Additionally, the IRS requires an owner who seeks to make the election to no longer maintain a surety bond to submit a letter to the IRS containing the following information:

1. The taxpayer's name, address, and taxpayer identification number
2. A statement affirming that the taxpayer reasonably expects that the building will continue to operate as a qualified low-income building (within the meaning of Section 42) for the remainder of the building's compliance period;
3. A declaration stating: "Under penalties of perjury, I declare that I have examined this letter and the representations made therein, and to the best of my knowledge and belief, they are true, correct, and complete"; *and*
4. Attach to the letter a copy of the form 8693 that was approved by the IRS for the building, signature page only, and mail the letter to: Internal Revenue Service; Box 331; Attn.: LIHC Unit DP 607 South; Philadelphia Campus; Bensalem, PA 19020.

**9.4 STATE REQUIREMENTS**

In addition to any federal requirements, an owner must adhere to the following state requirements:

- As a condition precedent to a sale, transfer or exchange, obtain and deliver to the Corporation the written agreement of any buyer or other party acquiring the development or any interest therein that such acquisition is subject to this agreement, Section 42, and applicable regulations. NOTE: This provision shall not act to waive any other restriction on sale, transfer or exchange of the development of any low-income portion of the development. Even if such buyer or other person acquiring the development or any interest therein fails or refuses to provide such written agreement, such acquisition (and all subsequent acquisitions that occur during the term of this Agreement) shall be subject to this Agreement, Section 42 and the applicable regulations;
- Notify the Corporation in writing at least thirty (30) days in advance of any sale, transfer or exchange of the entire development or any low-income portion of the development. Within thirty (30) days of the closing of such sale, transfer or exchange, the owner shall provide to the Corporation a complete copy of all the closing documents (with evidence of recording satisfactory to the Corporation on all recorded documents); *and*

- Additionally, in accordance with Section 42(h)(6)(b)(iii) of the IRC, an owner shall not dispose to any person any portion of the building to which such Agreement<sup>88</sup> applied unless all of the building to which such Agreement applies is disposed of to such person. Likewise, the owner shall not demolish any part of the development or substantially subtract from any real or personal property of the development or permit the use of any residential rental unit for any purpose other than rental housing during the term of this Agreement unless required by law. If the development, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the owner must use its best efforts to repair and restore the development to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the development in accordance with the terms of this Agreement.

A. Types of Transfers Needing Agency Approval

The specific type of dispositions/transfers of which warrants the Corporation's approval is:

- A change in the ownership interest of the land, development, or building; and
- Partial changes in certain ownership interest

B. Agency Approval of Disposition/Transfers

The Corporation will consent to a proposed development disposition or transfer only if it is determined that:

- The Transferee and/or any Related Party are not in arrears on the payment of any fees due to the Corporation or in default under the LURA for any development;
- The Transferee and/or any Related Party has not engaged in or allowed instances of noncompliance with the provisions of any LURA, the Tax Credit Program, or Section 42 of the Code;
- The development is in compliance for the most recent reporting period;
- The Transferee *and* the Transferee's property management representative have attended, within the past year or will attend within the next 90 days, a Corporation Tax Credit Compliance Training/Quarterly Briefing; and
- The Owner has satisfied all other reasonable requirements communicated to the Owner by the Corporation.

***If removal and replacement of Partner/Member do not occur simultaneously***

The Corporation will accept, at its sole discretion, written notice of the removal of a General Partner in a Partnership, Managing and Administrative Members in a Limited Liability

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<sup>88</sup> Refers to the Land Use Restriction Agreement or Extended Use Agreement of which is recorded against the development.

Company or Partners in a Partnership and the payment of the \$875.00 transfer fee, in lieu of the requirements stated herein.

If the removal and replacement of such entity do not occur simultaneously, the replacement of the entity **and the submission of the documentation listed elsewhere in this chapter** must occur within six months of the removal or an additional \$875.00 transfer fee will be assessed.

Any Development Transfer or Assignment made without the Corporation's prior written consent (unless otherwise expressly permitted) or otherwise in violation of the requirements or provisions of the LURA, or the tax credit program will be:

1. Ineffective to relieve or release the Transferor, the Land, the Property, and/or any Building from the obligations and provisions of the *Policies*, the Regulatory Agreement, and/or the Tax Credit Program;
2. Considered an event of default under the Application, the Regulatory Agreement, and the Tax Credit Program, allowing the Corporation to exercise any or all available remedies; and
3. Considered an event of noncompliance that may result in the cancellation or invalidation of the Reservation and/or Allocation of Credit for the development and/or any building. The indemnity and hold-harmless provisions of the LURA or any other Tax Credit Program agreement by the Owner and/or a successor in interest will survive the ending of such parties' interest in the development and will continue to be a personal obligation of such party.

## 9.5 DOCUMENTATION OF BUILDING DISPOSITION

In order for the Corporation to begin consideration of an owner's request for consent of a building disposition or transfer, an owner must submit certain documentation for review. The specific documentation need in order to process the transfer vary by disposition type.

### A. Sale of Development

Upon the sale of a HTC development, an owner must promptly forward to the Corporation the following documents:

| DOCUMENT NAME                                               | DESCRIPTION                                                                                  |
|-------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Cover Letter                                                | A brief letter explaining the nature of the transfer, including any pertinent closing dates. |
| Official Request for Agency Approval of Sale of Development | Official request for agency approval of building sale/transfer                               |
| Proposed Management Contract                                | Management resume to include all development's currently listed in its portfolio.            |

|                                          |                                                                                                                                                 |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Purchase and Sale Agreement (FINAL COPY) | A written contract signed by the buyer and seller stating the terms and conditions under which the development will be sold.                    |
| Proposed Ownership Entity documentation  | Ownership information related to the entity proposing to buy the development, including tax identification number, organization structure, etc. |

## B. Partnership Changes

Upon notification of the certain types of partnership changes, an owner must promptly forward to the Corporation the following documents:

### 1. General Partnership Changes:

- Partnership Agreement
- Partnership Resolution pertaining to purchase, assumption of regulatory Agreement, and signature authority
- Names of all partners with their percentage of interest

### 2. Limited Partnerships Changes

- Partnership Agreement
- Certificate of Limited Partnership with Secretary of State filing stamp from jurisdiction of formation
- Partnership Resolution pertaining to purchase, assumption of Regulatory Agreement, and signature authority
- Names of partners with their percentage of interest
- Entity documents for the general partner as required hereby depending on the entity type. (For example, if the general partner is a corporation, provide articles and bylaws of corporation.)
- Certificate of Existence/Authorization from State of Mississippi Secretary of State (must be current; issued within 30 days)

### 3. Corporate Changes

- Articles of Incorporation (with Secretary of State filing stamp from jurisdiction of formation)
- Bylaws
- Corporate Resolution pertaining to purchase, assumption of Regulatory Agreement, and signature authority
- Certificate of Existence/Authorization from Mississippi Secretary of State must be current; issued within 30 days).

### 4. Limited Liability Company Changes

- Operating Agreement (or Limited Liability Agreement)



- Certificate of Formation with Secretary of State filing stamp from jurisdiction of formation
- Certificate of Existence/Authorization from Mississippi Secretary of State (must be current; issued within 30 days)
- Names of members with percentage of interest
- Resolution pertaining to purchase, assumption of Regulatory Agreement, and signature authority

#### 5. For Non-Profit Entities

If the development received tax credits from the Qualified Nonprofit Set-Aside category, the transferee (new Owner) must provide documentation demonstrating they are a bona fide 501(c)(3) qualified nonprofit and that one of their principle purposes is to provide low-income housing.

#### 6. Changes to General Partner or Managing Member

- Written cover letter explaining the transfer as noted above.
- Schematic showing Ownership before and after proposed transfer.
- Complete GP/Managing Member Change form.
- A check for the \$875.00 transfer fee.
- Documentation of Financial Solvency for new partner(s).

### C. Foreclosure

When a building/development is no longer in compliance or participating in the HTC program as a result of foreclosure, the new ownership entity must IMMEDIATELY provide the Corporation with a copy of the following documents:

- Evidence of the foreclosure sale and/or anticipated date of sale;
- Occupancy Report as of the date of sale listing all residents and the current rental rate; *and*
- A complete *Development Transfer* Form identifying the name, address and telephone number of owner and/ or owner contact.

Additionally, in an effort to ensure certain tenant rights are not violated as a result of the foreclosure, the new owner must ensure compliance with the following federal prohibitions/requirements before the Corporation will consider the formal termination of the development's LURA:<sup>89</sup>

- No eviction or termination of tenancy of an existing tenant of any low-income unit before the close of the three (3) year period following the termination of the extended use agreement for reasons other than Good Cause; *and*

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<sup>89</sup> See IRC Section 42(h)(6)(D)

- No increase in the gross rent of any unit occupied by an existing tenant before the close of the three (3) year period following the termination of the extended use agreement, not otherwise permitted under Section 42.

Upon the successful fulfillment of the above noted requirements, the Corporation will consider releasing the development from the extended use requirements

#### *Future Use of Available Tax Credits*

Upon the foreclosure of a tax credit development, the rights to the annual low-income housing tax credit ceases.

#### *Administrative Requirement(s)*

An owner of a HTC development that has undergone foreclosure is required to submit, for the three (3) year period immediately following the date of the foreclosure sale, information pertaining to the occupants and the applicable rental rate charged. This information, which must be reported to the Corporation via an Annual Owner Certification (AOC) Report is due to the Corporation on or before January 31<sup>st</sup> of each calendar year (or on another date prescribed by the Corporation) for the preceding year.

*NOTE: The first Occupancy Report is due to the Corporation within 30 days of the sale identifying 'protected households' as of the date of the foreclosure sale and the rental rate charged.*

## 9.6 DISPOSITION DURING EUP

During the extended use period, an owner of a HTC development desiring to relinquish his/her ownership right in the HTC program may do so in either one or two ways: Disposition via Regular Sale or Disposition via Qualified Contract. In either case, the owner must notify the Corporation (utilizing the *Notice of Property Transfer* form within 60 days of the scheduled disposition). **(See Appendix K)**

### **A. Regular Sale**

Development owners who wishes to terminate his/her participation in the HTC program post year-15 (and before expiration of the EUP), yet retain the low-income use of the development, can only do so by finding a buyer that agrees to abide by the terms of the development's LURA.

### **B. Qualified Contract**

Development owners who want to terminate low-income use after 15 years (and before expiration of the EUP), and convert the development to market rate housing or other uses can only do so after first making the development available for purchase by parties who want to

maintain low-income use at a price determined by a formula set forth in Section 42(h)(6)(E)(i)(II).

Development owners must first provide the Corporation with a one year period to find a buyer willing to purchase the development for continued low-income use at a specified formula price. This request can be submitted anytime after the end of the 14<sup>th</sup> year of the compliance period unless the owner agreed to extend the rental restrictions as specified in the development's LURA.<sup>90</sup> **(See Appendix I for Sample Qualified Contract Notification Letter)**

#### 1. Qualified Contract Price

The Qualified Contract Price (QCP) or the pre-determined selling price of the development is derived at using a formula price that is equal to:

- the remaining debt on the development;
- the amount of initial investor equity increased by cost-of-living increases of up to 5 percent a year;
- additional capital contributions; *less*
- cash distributions to the owners. If the low-income portion or applicable fraction is less than 100 percent, then the formula price is multiplied by the application fraction.
- Adjusted investor equity is the amount of cash invested in the development, adjusted by the percentage change in the cost-of-living or Consumer Price Index (CPI) up to a maximum of five (5) percent per year. There must have been an obligation to invest the amount at the beginning of the credit period. The cash that is invested in the development is counted to the extent that it is reflected in the basis of the development. **(See Appendix I for Qualified Contract Determination Worksheet)**

Each year, the total amount invested as of the end of the year increases by the appropriate CPI increase factor. Increases in the CPI in excess of five (5) percent a year is never reflected in the adjusted investor equity amount. The CPI for any year is the average of 12 monthly indexes ending in August of each calendar year. The CPI adjustment is measured from the first year that tax credits are taken.

In a mixed income building with some market rate units, the extended low-income use provision and the right to purchase at a formula price applies only to the low-income portion of the development. A buyer cannot offer to purchase a portion of a building with tax credits. In a mixed use or mixed income building, the purchase price would have to reflect the fair market value of the non low-income housing uses.

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<sup>90</sup> In most LURA's executed in the state of Mississippi, an owner waives his/her right to the qualified contract provision.

If a buyer for the development is found, the requirements of the extended use agreement apply for the remaining of the extended use period.

For low-income residents who continue to reside in the tax credit development, the low-income use period is extended an additional three (3) years even if the owner is able to avoid the extended use period because there is no buyer willing to purchase the development at the formula price. An owner is prohibited from evicting residents for other than good cause, and from raising their rents beyond the tax credit maximum rents. This three-year period begins after the end of the one-year period when the housing credit agency seeks buyers to maintain extended low-income use of the development.

These provisions apply to developments receiving an allocation of credits after 1989 or automatically receiving credits as a result of tax exempt financing issued after 1989.

## 2. Marketing Procedures

Upon receipt of an owner's written request to "op-out," the Corporation will review the owner's request (as well as the development's overall compliance status) and establish (along with the owner) an appropriate QCP. Once the QCP and all other information have been received, the Corporation will employ various marketing efforts to assist in the disposal of the development. Such marketing efforts may include, but is not limited to, posting the development information on the agency's website, preparing a flyer, and sending notification to the Federal Home Loan Bank (FHLB) and any other affiliates.

In order to facilitate the selling process, an owner must agree to:

- List the development for sale with a broker/realtor that works with affordable multifamily housing developments;
- Provide access to the development by the Corporation, its agents and/or prospective buyers; *and*
- Provide and/or release information regarding the development to the Corporation and/or assigned mortgager that will assist in the disposal of the development.

If the Corporation fails to find a buyer before the expiration of the one-year period (or such longer period as the owner may agree to in writing), the development will remain subject to the requirements set forth in Section 42(h)(6)(E)(ii); that is, for a three-year period commencing on the termination of the extended use period. The owner may not evict or terminate the residency (other than for good cause) of an existing tenant of any low-income unit or increase the gross rent with respect to any low-income unit except as permitted under Section 42 of the Code, as well as the requirements of the regulatory agreement.

## 9.7 DISPOSITION FEE

The fee for the Corporation to process a building disposition will be as assessed as follows:

| FEE AMOUNT | TRANSFER TYPE           | DESCRIPTION                                                                                                                                                                                                                     |
|------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$3,000.00 | Qualified Contract Sale | For complete ownership changes and/or sale of development of owner's requesting to exit program through qualified contract provision of the respective LURA. (Fee amount to include research time, copy fees, staff time, etc.) |
| \$1,750.00 | Regular Sale            | For complete ownership changes and/or sale of development to a new individual, partnership, or limited liability company                                                                                                        |
| \$875.00   | Partnership Changes     | For changes in General Partner(s) in a limited Partnership, Members or Managing members in a Limited Liability Company or changes in the partners of a partnership                                                              |

**NOTE: An owner should consult their legal counsel and/or tax advisor about the effect of a Building/Development Transfer or Assignment.**

# CHAPTER 10 - FAIR HOUSING

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## 10.1 OVERVIEW

**S**tate Housing Finance Agencies who administer the tax credit program (HTC) program have been advised to include language as part of their QAP's that addresses Fair Housing requirements. All tax credit development, as well as other housing in the United States, is covered by the U.S. Department of Housing and Urban Development's (HUD) Fair Housing legislation.

In this chapter will provide an overview of fair housing policies and procedures thereby outlining some basic requirements of an owner concerning reasonable modification/accommodations, accessibility, as well as fair housing laws.

## 10.2 PURPOSE

In 1988, Congress passed the Fair Housing Amendments Act as a supplement to Title VIII of the Civil Rights Act of 1968, commonly known as The Federal Fair Housing Act. The Amendments expand coverage of Title VIII to prohibit discriminatory housing practices based on disability and familial status. The Fair Housing Act establishes design and construction requirements for multifamily housing built for first occupancy after March 31, 1991. The law provides that failure to design and construct certain multifamily dwellings to include certain features of accessible design will be regressed as unlawful discrimination.

Under the Fair Housing Act, it is illegal to discriminate in the sale, rental, financing, advertising or operation of housing. It is also illegal to discriminate in residential lending decisions and to make discriminatory statements in advertising. The law covers both private providers and housing providers who receive financial assistance from HUD. The value of the housing credit to the owner of a tax credit development is determined by a number of factors, including but not limited to how much cost is involved in the construction of the development, the percentage of units/buildings set-aside for low-income use and an established credit percentage.

## 10.3 GENERAL PROVISIONS

The Fair Housing Act covers most types of housing. The broad objective of the Fair Housing Act is to prohibit discrimination in housing because of a person's race, color, national origin, religion, sex, familial status, or disability.

The Fair Housing Act includes two important provisions: (1) a provision making it un-lawful to refuse to make reasonable accommodations in rules, policies, practices, and services when necessary to allow the resident with a disability equal opportunity to use the development and its amenities; and (2) a provision making it unlawful to refuse to permit residents with disabilities to make reasonable modifications to their dwelling unit or the public common use area, at the resident's cost.

In some circumstances it exempts owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker and housing operated by organizations and private clubs that limit occupancy to members.

### **A. Reasonable Accommodations**

In buildings with a 'no pets' rule, the rule must be waived for a person with a visual impairment who uses a service dog, or for other persons who uses a service dog, or for other persons who use service animals.

In buildings that provide parking spaces for residents on a "first come, first served" basis, reserved parking spaces must be provided, if requested, by a resident with a disability who may need them.

### **B. Reasonable Modifications**

When a resident wishes to modify a dwelling unit under the reasonable modification provisions of the Fair Housing Act, the resident may do so. The landlords or manager may require that the modifications be completed in a professional manner under the applicable building codes, and may also require that the resident agree to restore the interior of the dwelling to the condition that existed before the modification, with reasonable wear and tear excepted.

Property owner may not require that modifications be restored that would be unreasonable (i.e., modifications that no way affect the next resident's enjoyment of the premises). For example, if a resident who uses a wheelchair finds that the bathroom door in the dwelling unit is too narrow to allow his or her wheelchair to pass, the property owner must give permission for the door to be widened, at the resident's expense. The property owner may not require the doorway be narrowed at the end of the resident's tenancy because the wider doorway will not interfere with the next resident's use of the dwelling.

Residents may also make modifications to the public and common use spaces. For instance, in an existing development it would be considered reasonable for a resident who uses a wheelchair to have a ramp built to gain access to an onsite laundry facility. If a resident cannot afford such a modification, the resident may ask a friend to do his or her laundry in the laundry room, and the property owner must waive any rule that prohibits nonresidents from gaining access to the laundry room.

## 10.4 ACCESSIBILITY GUIDELINES

The seven technical accessibility requirements for covered buildings based on the Fair Housing Act of 1968, as amended, are:

- Accessible entrance on an accessible route
- Accessible Public and Common Areas
- Usable Doors
- Accessible Routes into and through the Dwelling Unit
- Accessible Light Switches, Electrical Outlets, and Environmental Controls
- Usable Kitchens and Bathrooms

## 10.5 LAWS THAT MANDATE ACCESSIBILITY

Certain dwellings, as well as certain public and common use areas, may be covered by several of the laws listed below to ensure nondiscrimination against people with disabilities. The law covers both the design of the building environment and in the manner that programs are conducted.

### A. Section 504 of the Rehabilitation Act (1973)

Under Section 504 of the Rehabilitation Act of 1973, as amended, no otherwise qualified individual with a disability may be discriminated against in any program or activity receiving federal financial assistance. The purpose of Section 504 is to eliminate discriminatory behavior towards people with disabilities and to provide physical accessibility, thus ensuring that people with disabilities will have the same opportunities in federally funded programs as do people without disabilities.

Program accessibility may be achieved by modifying an existing facility or by moving the program to an accessible location, or by making other accommodations, including construction of new buildings. HUD's final regulation for Section 504 may be found at 24 CFR, Part 8. Generally, the Uniform Federal Accessibility Standards (UFAS) is the design standards for providing physical accessibility, although other standards that provide equivalent or greater accessibility may be used.

### B. The Fair Housing Act of 1968, as Amended

*(Refer to Section 6.2 for additional information)*

### C. The Americans with Disabilities Act (1990)

The Americans with Disabilities Act (ADA) is a broad civil rights law that guarantees equal opportunity for individuals with disabilities in employment, public accommodations, transportation, state and local government services, and telecommunications. Title II of the ADA applies to all programs, services, and activities provided or made available by public



entities. With respect to housing, this includes, for example, public housing provided for state colleges and universities.

#### **D. State and Local Codes**

All states and many cities and counties have developed their own building codes for accessibility, usually based in whole or in part on the specifications contained in the major national standards such as ANSI (American National Standards for Buildings and Facilities) and UFAS. Many states also have nondiscrimination and fair housing laws similar to the Fair Housing Act and the Americans and Disabilities Act.

When local codes differ from the national standards, either in scope or in technical specification, the general rule is that the more stringent requirement should be followed.

### **10.6 FAIR HOUSING ENFORCEMENT**

HUD is the federal enforcement agency for compliance with the Fair Housing Act. Designers and builders were guided by the requirements of the ANSI A117.1-1986, American National Standards for Buildings and Facilities; providing Accessibility and Usability for physically Handicapped People, until March 6, 1991. The Fair Housing Accessibility Guidelines were published on March 6, 1991 (56 Federal Register 9472-9515, 24 CFR Chapter I, Subchapter A, Appendix II and III). The Guidelines are not mandatory, but are intended to provide a safe harbor for compliance with the accessibility requirements of the Fair Housing Act.

The Guidelines published on March 6, 1991, remain unchanged. However, on June 28, 1994, HUD published a supplemental notice to the Guidelines, "Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers about the Guidelines." This supplemental notice reproduces questions that have been most frequently asked by members of the public and HUD's answers to those questions.

Under the Fair Housing Act, HUD is not required to review builder's plans for issue a certification of compliance with the Fair Housing Act. The burden of compliance rests with the person(s) who design and construct covered multifamily dwellings. HUD or an individual who thinks he or she may have been discriminated against may file a complaint against the building owner, the Architect, the contractor, and any other person(s) involved in the design and construction of the building.

*NOTE: For additional information regarding Fair Housing accessibility requirements you may contact your local Fair Housing Representative (HUD office) or call the Washington, DC office at 1.800.343.FHIC (3442) OR 202.708.2618.*

*Source: Some of the information contained herein was acknowledged from the Fair Housing Act Design Manual, August 1996.*

# CHAPTER 11 - NONCOMPLIANCE: PROCEDURES & CONSEQUENCES

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## 11.1 OVERVIEW

**N**oncompliance is defined as an owner's failure to meet and maintain the requirements provided in Section 42 of the IRC, including related Regulations and IRS guidance, the Corporation's Compliance Monitoring Plan, the development's Qualified Allocation Plan (QAP) and Declaration of Land Use Restriction Agreement (LURA). Under Treasury Regulation 1.42-5(a), state housing finance agencies are required to report any noncompliance of which it is aware. Agencies are to report noncompliance without regard to whether the identified outstanding noncompliance is subsequently corrected.

## 11.2 CATEGORIES OF NONCOMPLIANCE

### A. Major Noncompliance

Major noncompliance can be defined as any compliance violations that have a significant impact on the minimum set-aside, eligible basis, applicable fraction, habitability, and affordability of the development. There are two main types of major noncompliance - federal and state. The severity of the noncompliance varies by noncompliance type.

#### 1. Federal

Generally speaking, major noncompliance items represent a violation of the requirements of section 42 and/or related Regulations and IRS guidance any year during the development's compliance period. Occurrences of noncompliance under this category may negatively affect an owner's credit claiming ability and the ability of the development to generate credits.

Examples of major federal noncompliance include, but are not limited to:

- Leasing to tenants whose initial gross household income exceeds the applicable maximum HTC income limit;
- Rents charged to tenants that exceed maximum limit;
- Failure to follow the Next Available Unit Rule (NAUR);

- Severe health and safety violations generally affecting more than one (1) unit (i.e., structural problems, severe water damage, blockage of fire exits, fire hazards, pest infestations, elevators functioning improperly, smoke detectors or sprinklers not functioning, inoperable fire extinguishers ,etc.);
- Down units (not suitable for occupancy for extended period of times generally more than ninety (90) days); *and*
- Improper disposition and/or sale of development.

## 2. State

Major state noncompliance occurs when there is a violation of the development's allocation documents and/or the extended use agreement. These violations are generally specific to state –imposed requirements, but can stem from provisions of the IRC.<sup>91</sup>

Examples of major STATE noncompliance include, but are not limited to the following:

- Numerous instances of administrative noncompliance (i.e., failing to execute the procedures and policies stated in the state of Mississippi's Compliance Manual);
- Improper disposition and /or sale of development; *and*
- Violation of any provision of the development's LURA/QAP (i.e., deeper targeting, owner rental subsidy, replacement reserves, etc.)

*NOTE: Open issues of any major noncompliance findings related to an owner, developer, general partner, or management entity participating in the HTC may disqualify all related parties from participating in any programs offered by the Corporation until such instances of noncompliance have been resolved.*

## B. Minor Noncompliance

Minor instances of noncompliance can be defined as non-major, less severe violations. Examples of minor noncompliance include, but are not limited to the following:

- Isolated instances of administrative noncompliance (i.e., failing to execute the policies and procedures stated in the state of Mississippi's Compliance Manual);
- Less critical health and safety violation (i.e., dirty flooring /walls, minor leak under sink, etc.);
- Violations that require correction but do not impair essential services and safeguards for tenants.

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<sup>91</sup> Examples include prohibitions against discriminating against Section 8 residents, failure to execute a LURA, etc.

## 11.3 CORRECTION OF NONCOMPLIANCE

### A. Notice to Owner

State agencies gather information to determine an owner's compliance with the requirements of Section 42 of the IRC. In doing so, a determination of noncompliance may occur. Most instances of noncompliance are correctable with the IRS upon the satisfactory receipt of documentation evidencing compliance with program rules and regulations. In accordance with the same, the Corporation is required to advise an owner of all instances of noncompliance found with program requirements and issue a correction period of up to 90 days.

### B. Correction Period

The correction period begins on the date the Corporation provides written notification to the owner and/or owner's authorized agent of any noted deficiencies. The Corporation generally provides a correction period of 30 days; however depending on the severity of the noncompliance issue(s), if deemed necessary, the Corporation may grant an extension of up to six months to correct instances of noncompliance. An owner may request an extension of the correction period. All requests must be in writing and received by the Corporation no later than the last day of the correction period identified in the Corporation's notification of deficiencies. Additionally, request for an extension must include the reason for the extension and corrective action efforts taken as of the date of the request.

### C. Notice to the IRS

The Corporation is required to notify the IRS of an owner's noncompliance with program rules and regulations by way of Form 8823 *Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition* no later than 45 days after the end of the correction period, including all agency-approved extensions.

The Corporation will notify the IRS of an owner's noncompliance, whether or not the noncompliance is corrected, no later than 45 days after the end of the time allowed for correction by filing Form 8823. **(See Appendix J)** Corrections of noncompliance made by an owner prior to the Corporation's notification of an upcoming monitoring review and/or inspection are not required to be reported to the IRS as an instance of noncompliance. As a result, the Corporation will not notify the IRS of instances of noncompliance that are identified and corrected prior to an owner's original notification of a monitoring review.

The Corporation will review all corrective action documents submitted by an owner up to three years beyond the end of the correction period. The Corporation will not; however, review nor submit to the IRS a "corrected 8823" for instances of noncompliance submitted for correction beyond three years of the allotted correction period.

All instances of noncompliance are reported and corrected on a building-by-building basis. Thus if an 8823 form is submitted to the IRS noting an uncorrected violation, the Corporation cannot

issue a corrected 8823 until all instances of noncompliance associated with the building has been corrected.

## 11.4 COMMON VIOLATIONS

Some of the most common compliance violations made by owners participating in the HTC program are:

### A. Ineligible Households

Household Income above Income Limit upon Initial Occupancy, *IRS 8823 line 11a*. For a unit to be qualified as a low-income unit, documentation of the household's initial eligibility must be on file with the owner. An owner who leases a low-income unit to a household whose income initially exceeds the applicable tax credit limit for the area of median income should not claim credits on that unit. The unit remains an ineligible unit as long as the household continues to have income that exceeds the applicable income limits and/or lacks the documentation needed to support a household's eligibility for purposes of claiming the low-income housing credit under Section 42 of the IRC.

### B. Failure to Certify/Recertify Household

Owner Failed to Correctly Complete or Document Tenant's Annual Income Recertification, *IRS 8823 line 11b*. An owner was required to recertify each low-income household at least once annually in accordance with program requirements. Failure to obtain updated household information, including full-time student status, by the anniversary date of the effective date of the original tenant certification is deemed a noncompliance event.<sup>92</sup>

### C. Rental Overage

Gross Rent(s) Exceed Tax Credit Limits, *IRS 8823 line 11g*. A unit qualifies as an LIHC unit when the gross rent does not exceed 30 percent of the imputed limitation applicable to such unit under the guidelines of the IRC. When an owner and/or management agent leases a unit with a gross rent exceeding the applicable tax credit rent, the rent charge is classified as a "rental overage" and a direct violation of program guidance.<sup>93</sup> To cure the noncompliance, the rent charged must no longer exceed program limitations and the household must be reimbursed in the amount of the rental overage by either:

- Refunding the tenant the amount of the overage in the form of check, money order or cashier's check; or
- Refunding the tenant the amount of the overage by decreasing subsequent rental amounts to equal to the amount of the overage.

<sup>92</sup> Effective July 30, 2008 by way of the Housing Economic & Recovery Act of 2008, some developments are exempt from the recertification requirement.

<sup>93</sup> Excluding units receiving rental assistance payments through certain other affordable housing programs (i.e., RHS/Section 8) whereby certain exceptions apply.

#### **D. Inadequate Utility Allowance**

Owner did not Properly Calculate Utility Allowance, *IRS 8823 line 11m*. A violation under this type generally occurs when an allowance for the cost of any applicable tenant-paid utilities is/was not given and/or properly calculated. A low-income housing development is deemed in compliance when the appropriate utility allowance is used, the utility allowance is properly calculated, and rents are reduced for a utility allowance when utilities are paid directly by the tenant.

#### **E. Transient Housing**

Low-Income Units used on a Transient Basis, *IRS 8823, line 11o*. Under the tax credit program, an original lease term must be for a full six months or longer. Violations of this type signifies units whereby the initial lease agreement had a term less than required or the owner failed to obtain an initial lease agreement with the family.

### **11.5 UNCORRECTABLE VIOLATIONS**

#### **A. Minimum Set-Aside Violations**

Project Failed to Meet Minimum Set-Side Requirement, *IRS 8823, line 11f*. An Owner's failure to satisfy the minimum set-aside requirement (20/50, 40/60) by the deadline date for the first year of the credit period results in the permanent loss of the entire credit.<sup>94</sup>

#### **B. Out of Program/Out of Compliance**

Project is no longer in compliance or participating in the Section 42 program, *IRS 8823, line 11f*. Any owner/developer who fails to respond to the Corporation's request for a monitoring review (i.e., onsite audit, desk audit, or physical inspection, AOC Report or special request for certain information) for three consecutive years will be deemed out of program and out of compliance for egregious noncompliance.

*NOTE: The Corporation will continue to monitor all developments for compliance with the development's LURA regardless of the action taken by the Corporation to put the development permanently out of the program with the IRS.*

### **11.6 CONSEQUENCE OF NONCOMPLIANCE**

According to federal regulations, an owner of a tax credit development must correct any instance of noncompliance which occurs with the set-aside requirement of the development or

<sup>94</sup> A violation of key program or allocation requirements before or after the issuance of IRS form 8609 that occurs within 180 days after the end of the first taxable year of the building's credit period may also result in the cancellation of a development's allocation of credits.

with a reduction in qualified basis within a reasonable period of time after the noncompliance has been noted. An owner's failure to correct an instance of noncompliance may result in consequences that range in scope from severe to minor and technical in nature. The consequence of noncompliance varies depending on the source of the noncompliance: federal or state.

## A. Federal

Consequences of **federal noncompliance** may include:

- The Issuance of IRS **form 8823** *Report of Noncompliance or Building Disposition* by the Corporation;
- **Recapture** – An instance of noncompliance whereby the IRS “takes back” the accelerated portion of the tax credit for prior years when the building(s) was in compliance;
- **Loss of Housing Credit** – Noncompliance whereby the IRS determines that an owner's tax credit ability is suspended (i.e., lost) for a certain taxable year(s) in which the building was/were not in compliance; and
- **Interest** – Noncompliance whereby the IRS assess interest for the recapture year and/or previous years.

If noncompliance is due to a reduction in qualified basis and the minimum eligibility requirements is met, then recapture and disallowance of credit will apply only to units not in compliance.

## B. State

Consequences of **state noncompliance** may include:

- **Cancellation of Credit Allocation** – An instance of noncompliance whereby the Corporation cancels a development's allocation of credits due to major program violations;<sup>95</sup>
- **Development Not in Good Standing Designation** – Noncompliance whereby the Corporation determines an owner has no intention on fulfilling his/her obligation(s) under the terms of the final HTC Application or LURA by way of repeated delays or ignoring the Corporation's request for monitoring reviews, reports, fees, etc.;
- **Judicial Enforcement** – The Corporation takes legal action to enforce provisions of the LURA; and/or
- **Financial Penalties** – Additional compliance fees are assessed against a development owner (which are separate and apart from monitoring fees) as a reimbursement for all expenses incurred as a result of the noncompliance event. **(See Section 11.7 of this Chapter for specifics regarding noncompliance fees & penalties)**

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<sup>95</sup> A cancellation of credits by the Corporation issued within 180 days after the end of the first taxable year of the building's credit period permanently removes the development's allocation and future participation in the HTC program.

## 11.7 FEES & PENALTIES

The owner of a development found in noncompliance will be responsible for reimbursing the Corporation for all expenses incurred. Reimbursement will be assessed in accordance with the following schedule:

| Fee Type                                 | Penalty Amount                                                   |
|------------------------------------------|------------------------------------------------------------------|
| General Noncompliance:                   | \$55.00                                                          |
| Subsequent Review Fee:                   | \$55.00 per hour*                                                |
| Missed Deadline:                         | \$55.00 per day*                                                 |
| Report Late Submission:                  | \$100.00 per day *                                               |
| Re-inspection Fee:                       | \$55.00 per hour*                                                |
|                                          | Standard Mileage & Overnight Accommodations, if applicable       |
|                                          | Meal allowance in accordance w/applicable federal regulations    |
| Copy (hard copies):                      | \$.15 per copy                                                   |
| Research Fee:                            | \$55.00 per hour                                                 |
| Missed Inspection Fee:                   | \$55.00 per day*                                                 |
| Report Manual Submission Fee:            |                                                                  |
| <i>Annual Owner Certification (AOC):</i> | \$20.00 per unit                                                 |
| <i>Quarterly Occupancy Report(QOR):</i>  | \$20.00 per unit                                                 |
| <i>Financial Report (DFAR):</i>          | \$100.00 per development                                         |
| Building Disposition/Transfer Fee:       | \$3,000 (QCT sale); \$1,750 (Regular Sale); and \$875 (Transfer) |
| Utility Allowance Request Fee:           | \$150.00 per development, per request                            |

\*Reimbursement amount to be assessed at this rate up to 30 days.

All fees assessed in association with an instance of noncompliance must be received by the Corporation before the noncompliance event will be corrected with IRS.





# *HOUSING TAX CREDIT REGULATIONS*



# *FEDERAL REGULATION #1*

*Section 42 of the Internal Revenue Code*



## **Internal Revenue Code § 42 Low-income housing credit.**

### **(a) In general.**

For purposes of section 38 , the amount of the low-income housing credit determined under this section for any taxable year in the credit period shall be an amount equal to—

- (1) the applicable percentage of
- (2) the qualified basis of each qualified low-income building.

### **(b) Applicable percentage: 70 percent present value credit for certain new buildings; 30 percent present value credit for certain other buildings.**

#### **(1) Determination of applicable percentage.**

(A [sic]) For purposes of this section , the term “applicable percentage” means, with respect to any building, the appropriate percentage prescribed by the Secretary for the earlier of—

- (i) the month in which such building is placed in service, or
- (ii) at the election of the taxpayer—

(I) the month in which the taxpayer and the housing credit agency enter into an agreement with respect to such building (which is binding on such agency, the taxpayer, and all successors in interest) as to the housing credit dollar amount to be allocated to such building, or

(II) in the case of any building to which subsection (h)(4)(B) applies, the month in which the tax-exempt obligations are issued.

A month may be elected under clause (ii) only if the election is made not later than the 5th day after the close of such month. Such an election, once made, shall be irrevocable.

(B) Method of prescribing percentages. The percentages prescribed by the Secretary for any month shall be percentages which will yield over a 10-year period amounts of credit under subsection (a) which have a present value equal to—

(i) 70 percent of the qualified basis of a new building which is not federally subsidized for the taxable year, and

(ii) 30 percent of the qualified basis of a building not described in clause (i) .

(C) Method of discounting. The present value under subparagraph (B) shall be determined—

(i) as of the last day of the 1st year of the 10-year period referred to in subparagraph (B) ,

(ii) by using a discount rate equal to 72 percent of the average of the annual Federal mid-term rate and the annual Federal long-term rate applicable under section 1274(d)(1) to the month applicable under clause (i) or (ii) of subparagraph (A) and compounded annually, and

(iii) by assuming that the credit allowable under this section for any year is received on the last day of such year.

**(2) Temporary minimum credit rate for non-federally subsidized new buildings.**

In the case of any new building—

(A) which is placed in service by the taxpayer after the date of the enactment of this paragraph and before December 31, 2013, and

(B) which is not federally subsidized for the taxable year,

the applicable percentage shall not be less than 9 percent.

**(3) Cross references.**

(A) For treatment of certain rehabilitation expenditures as separate new buildings, see subsection (e) .

(B) For determination of applicable percentage for increases in qualified basis after the 1st year of the credit period, see subsection (f)(3) .

(C) For authority of housing credit agency to limit applicable percentage and qualified basis which may be taken into account under this section with respect to any building, see subsection (h)(7) .

**(c) Qualified basis; qualified low-income building.**

For purposes of this section —

**(1) Qualified basis.**

(A) Determination. The qualified basis of any qualified low-income building for any taxable year is an amount equal to—

(i) the applicable fraction (determined as of the close of such taxable year) of

(ii) the eligible basis of such building (determined under subsection (d)(5) ).

(B) Applicable fraction. For purposes of subparagraph (A) , the term “applicable fraction” means the smaller of the unit fraction or the floor space fraction.

(C) Unit fraction. For purposes of subparagraph (B) , the term “unit fraction” means the fraction—

(i) the numerator of which is the number of low-income units in the building, and

(ii) the denominator of which is the number of residential rental units (whether or not occupied) in such building.

(D) Floor space fraction. For purposes of subparagraph (B) , the term “floor space fraction” means the fraction—

(i) the numerator of which is the total floor space of the low-income units in such building, and

(ii) the denominator of which is the total floor space of the residential rental units (whether or not occupied) in such building.

(E) Qualified basis to include portion of building used to provide supportive services for homeless. In the case of a qualified low-income building described in subsection (i)(3)(B)(iii) , the qualified basis of such building for any taxable year shall be increased by the lesser of—

(i) so much of the eligible basis of such building as is used throughout the year to provide supportive services designed



to assist tenants in locating and retaining permanent housing, or

(ii) 20 percent of the qualified basis of such building (determined without regard to this subparagraph ).

**(2) Qualified low-income building.**

The term “qualified low-income building” means any building—

(A) which is part of a qualified low-income housing project at all times during the period—

(i) beginning on the 1st day in the compliance period on which such building is part of such a project, and

(ii) ending on the last day of the compliance period with respect to such building, and

(B) to which the amendments made by section 201(a) of the Tax Reform Act of 1986 apply.

**(d) Eligible basis.**

For purposes of this section —

**(1) New buildings.**

The eligible basis of a new building is its adjusted basis as of the close of the 1st taxable year of the credit period.

**(2) Existing buildings.**

(A) In general. The eligible basis of an existing building is—

(i) in the case of a building which meets the requirements of subparagraph (B) , its adjusted basis as of the close of the 1st taxable year of the credit period, and

(ii) zero in any other case.

(B) Requirements. A building meets the requirements of this subparagraph if—

(i) the building is acquired by purchase (as defined in section 179(d)(2) ),

(ii) there is a period of at least 10 years between the date of its acquisition by the taxpayer and the date the building was last placed in service,

(iii) the building was not previously placed in service by the taxpayer or by any person who was a related person with respect to the taxpayer as of the time previously placed in service, and

(iv) except as provided in subsection (f)(5) , a credit is allowable under subsection (a) by reason of subsection (e) with respect to the building.

(C) Adjusted basis. For purposes of subparagraph (A) , the adjusted basis of any building shall not include so much of the basis of such building as is determined by reference to the basis of other property held at any time by the person acquiring the building.

(D) Special rules for subparagraph (B) .

(i) Special rules for certain transfers. For purposes of determining under subparagraph (B)(ii) when a building was last placed in service, there shall not be taken into account any placement in service—

(I) in connection with the acquisition of the building in a transaction in which the basis of the building in the hands of the person acquiring it is determined in whole or in part by reference to the adjusted basis of such building in the hands of the person from whom acquired,

(II) by a person whose basis in such building is determined under section 1014(a) (relating to property acquired from a decedent),

(III) by any governmental unit or qualified nonprofit organization (as defined in subsection (h)(5) ) if the requirements of subparagraph (B)(ii) are met with respect to the placement in service by such unit or organization and all the income from such property is exempt from Federal income taxation,

(IV) by any person who acquired such building by foreclosure (or by instrument in lieu of foreclosure) of any purchase-money security interest held by such person if the requirements of subparagraph (B)(ii) are met with respect to the placement in service by such person and such building is resold within 12 months after the date such building is placed in service by such person after such foreclosure, or

(V) of a single-family residence by any individual who owned and used such residence for no other purpose than as his principal residence.

(ii) Related person. For purposes of subparagraph (B)(iii) , a person (hereinafter in this subclause referred to as the “related person”) is related to any person if the related person bears a relationship to such person specified in section 267(b) or 707(b)(1) , or the related person and such person are engaged in trades or businesses under common control (within the meaning of subsections (a) and (b) of section 52 ).

**(3) Eligible basis reduced where disproportionate standards for units.**

(A) In general. Except as provided in subparagraph (B) , the eligible basis of any building shall be reduced by an amount equal to the portion of the adjusted basis of the building which is attributable to residential rental units in the building which are not low-income units and which are above the average quality standard of the low-income units in the building.

(B) Exception where taxpayer elects to exclude excess costs.

(i) In general. Subparagraph (A) shall not apply with respect to a residential rental unit in a building which is not a low-income unit if—

(I) the excess described in clause (ii) with respect to such unit is not greater than 15 percent of the cost described in clause (ii)(II) , and

(II) the taxpayer elects to exclude from the eligible basis of such building the excess described in clause (ii) with respect to such unit.

(ii) Excess. The excess described in this clause with respect to any unit is the excess of—

(I) the cost of such unit, over

(II) the amount which would be the cost of such unit if the average cost per square foot of low-income units in the building were substituted for the cost per square foot of such unit.

The Secretary may by regulation provide for the determination of the excess under this clause on a basis other than square foot costs.

**(4) Special rules relating to determination of adjusted basis.**

For purposes of this subsection —

(A) In general. Except as provided in subparagraphs (B) and (C) , the adjusted basis of any building shall be determined without regard to the adjusted basis of any property which is not residential rental property.

(B) Basis of property in common areas, etc., included. The adjusted basis of any building shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation) used in common areas or provided as comparable amenities to all residential rental units in such building.

(C) Inclusion of basis of property used to provide services for certain nontenants.

(i) In general. The adjusted basis of any building located in a qualified census tract (as defined in paragraph (5)(C) ) shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility.

(ii) Limitation. The increase in the adjusted basis of any building which is taken into account by reason of clause (i) shall not exceed the sum of—

(I) 25 percent of so much of the eligible basis of the qualified low-income housing project of which it is a part as does not exceed \$15,000,000, plus

(II) 10 percent of so much of the eligible basis of such project as is not taken into account under subclause (I) .

For purposes of the preceding sentence, all community service facilities which are part of the same qualified low-income housing project shall be treated as one facility.

(iii) Community service facility. For purposes of this subparagraph , the term “community service facility” means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (within the meaning of subsection (g)(1)(B) ).

(D) No reduction for depreciation. The adjusted basis of any building shall be determined without regard to paragraphs (2) and (3) of section 1016(a) .

**(5) Special rules for determining eligible basis.**

(A) Federal grants not taken into account in determining eligible basis. The eligible basis of a building shall not include any costs financed with the proceeds of a federally funded grant.

(B) Increase in credit for buildings in high cost areas.

(i) In general. In the case of any building located in a qualified census tract or difficult development area which is designated for purposes of this subparagraph —

(I) in the case of a new building, the eligible basis of such building shall be 130 percent of such basis determined without regard to this subparagraph ,  
and

(II) in the case of an existing building, the rehabilitation expenditures taken into account under subsection (e) shall be 130 percent of such expenditures determined without regard to this subparagraph .

(ii) Qualified census tract.

(I) In general. The term “qualified census tract” means any census tract which is designated by the Secretary of Housing and Urban Development and, for the most recent year for which census data are available on household income in such tract, either in which 50 percent or more of the households have an income which is less than 60 percent of the area median gross income for such year or which has a poverty rate of at least 25 percent. If the Secretary of Housing and Urban Development determines that sufficient data for any period are not available to apply this clause on the basis of census tracts, such Secretary shall apply this clause for such period on the basis of enumeration districts.

(II) Limit on MSA's designated. The portion of a metropolitan statistical area which may be designated for purposes of this subparagraph shall not exceed an area having 20 percent of the population of such metropolitan statistical area.

(III) Determination of areas. For purposes of this clause , each metropolitan statistical area shall be treated as a separate area and all nonmetropolitan areas in a State shall be treated as 1 area.

(iii) Difficult development areas.

(I) In general. The term “difficult development areas” means any area designated by the Secretary of Housing and Urban Development as an area which has high construction, land, and utility costs relative to area median gross income.

(II) Limit on areas designated. The portions of metropolitan statistical areas which may be designated for purposes of this subparagraph shall not exceed an aggregate area having 20 percent of the population of such metropolitan statistical areas. A comparable rule shall apply to nonmetropolitan areas.

(iv) Special rules and definitions. For purposes of this subparagraph —

(I) population shall be determined on the basis of the most recent decennial census for which data are available,

(II) area median gross income shall be determined in accordance with subsection (g)(4) ,

(III) the term “metropolitan statistical area” has the same meaning as when used in section 143(k)(2)(B) , and

(IV) the term “nonmetropolitan area” means any county (or portion thereof) which is not within a metropolitan statistical area.

(v) Buildings designated by State housing credit agency. Any building which is designated by the State housing credit agency as requiring the increase in credit under this subparagraph in order for such building to be financially feasible as part of a qualified low-income housing project shall be treated for purposes of this subparagraph as located in a difficult development area which is designated for purposes of this subparagraph . The preceding sentence shall not apply to any building if paragraph (1) of subsection (h) does not apply to any portion of the eligible basis of such building by reason of paragraph (4) of such subsection .

**(6) Credit allowable for certain buildings acquired during 10-year period described in paragraph (2)(B)(ii).**

(A) In general. Paragraph (2)(B)(ii) shall not apply to any federally- or State-assisted building.

(B) Buildings acquired from insured depository institutions in default. On application by the taxpayer, the Secretary may waive paragraph (2)(B)(ii) with respect to any building acquired from an insured depository institution in default (as defined in section 3 of the Federal Deposit Insurance Act) or from a receiver or conservator of such an institution.

(C) Federally- or State-assisted building. For purposes of this paragraph —

(i) Federally-assisted building. The term “federally-assisted building” means any building which is substantially

assisted, financed, or operated under section 8 of the United States Housing Act of 1937, section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development or by the Rural Housing Service of the Department of Agriculture.

(ii) State-assisted building. The term “State-assisted building” means any building which is substantially assisted, financed, or operated under any State law similar in purposes to any of the laws referred to in clause (i) .

**(7) Acquisition of building before end of prior compliance period.**

(A) In general. Under regulations prescribed by the Secretary, in the case of a building described in subparagraph (B) (or interest therein) which is acquired by the taxpayer—

(i) paragraph (2)(B) shall not apply, but

(ii) the credit allowable by reason of subsection (a) to the taxpayer for any period after such acquisition shall be equal to the amount of credit which would have been allowable under subsection (a) for such period to the prior owner referred to in subparagraph (B) had such owner not disposed of the building.

(B) Description of building. A building is described in this subparagraph if—

(i) a credit was allowed by reason of subsection (a) to any prior owner of such building, and

(ii) the taxpayer acquired such building before the end of the compliance period for such building with respect to such prior owner (determined without regard to any disposition by such prior owner).

**(e) Rehabilitation expenditures treated as separate new building.**

**(1) In general.**

Rehabilitation expenditures paid or incurred by the taxpayer with respect to any building shall be treated for purposes of this section as a separate new building.



**(2) Rehabilitation expenditures.**

For purposes of paragraph (1) —

(A) In general. The term “rehabilitation expenditures” means amounts chargeable to capital account and incurred for property (or additions or improvements to property) of a character subject to the allowance for depreciation in connection with the rehabilitation of a building.

(B) Cost of acquisition, etc, not included. Such term does not include the cost of acquiring any building (or interest therein) or any amount not permitted to be taken into account under paragraph (3) or (4) of subsection (d) .

**(3) Minimum expenditures to qualify.**

(A) In general. Paragraph (1) shall apply to rehabilitation expenditures with respect to any building only if—

(i) the expenditures are allocable to 1 or more low-income units or substantially benefit such units, and

(ii) the amount of such expenditures during any 24-month period meets the requirements of whichever of the following subclauses requires the greater amount of such expenditures:

(I) The requirement of this subclause is met if such amount is not less than 20 percent of the adjusted basis of the building (determined as of the 1st day of such period and without regard to paragraphs (2) and (3) of section 1016(a) ).

(II) The requirement of this subclause is met if the qualified basis attributable to such amount, when divided by the number of low-income units in the building, is \$6,000 or more.

(B) Exception from 10 percent rehabilitation. In the case of a building acquired by the taxpayer from a governmental unit, at the election of the taxpayer, subparagraph (A)(ii)(I) shall not apply and the credit under this section for such rehabilitation expenditures shall be determined using the percentage applicable under subsection (b)(2)(B)(ii) .

(C) Date of determination. The determination under subparagraph (A) shall be made as of the close of the 1st taxable year in the credit period with respect to such expenditures.

(D) Inflation adjustment. In the case of any expenditures which are treated under paragraph (4) as placed in service during any calendar year after 2009, the \$6,000 amount in subparagraph (A)(ii)(II) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting “calendar year 2008” for “calendar year 1992” in subparagraph (B) thereof

.  
Any increase under the preceding sentence which is not a multiple of \$100 shall be rounded to the nearest multiple of \$100.

**(4) Special rules.**

For purposes of applying this section with respect to expenditures which are treated as a separate building by reason of this subsection —

(A) such expenditures shall be treated as placed in service at the close of the 24-month period referred to in paragraph (3)(A) , and

(B) the applicable fraction under subsection (c)(1) shall be the applicable fraction for the building (without regard to paragraph (1) ) with respect to which the expenditures were incurred.

Nothing in subsection (d)(2) shall prevent a credit from being allowed by reason of this subsection .

**(5) No double counting.**

Rehabilitation expenditures may, at the election of the taxpayer, be taken into account under this subsection or subsection (d)(2)(A)(i) but not under both such subsections.

**(6) Regulations to apply subsection with respect to group of units in building.**

The Secretary may prescribe regulations, consistent with the purposes of this subsection , treating a group of units with respect to which rehabilitation expenditures are incurred as a separate new building.

**(f) Definition and special rules relating to credit period.**

**(1) Credit period defined.**

For purposes of this section , the term “credit period” means, with respect to any building, the period of 10 taxable years beginning with—

(A) the taxable year in which the building is placed in service, or

(B) at the election of the taxpayer, the succeeding taxable year,

but only if the building is a qualified low-income building as of the close of the 1st year of such period. The election under subparagraph (B) , once made, shall be irrevocable.

**(2) Special rule for 1st year of credit period.**

(A) In general. The credit allowable under subsection (a) with respect to any building for the 1st taxable year of the credit period shall be determined by substituting for the applicable fraction under subsection (c)(1) the fraction—

(i) the numerator of which is the sum of the applicable fractions determined under subsection (c)(1) as of the close of each full month of such year during which such building was in service, and

(ii) the denominator of which is 12.

(B) Disallowed 1st year credit allowed in 11th year. Any reduction by reason of subparagraph (A) in the credit allowable (without regard to subparagraph (A) ) for the 1st taxable year of the credit period shall be allowable under subsection (a) for the 1st taxable year following the credit period.

**(3) Determination of applicable percentage with respect to increases in qualified basis after 1st year of credit period.**

(A) In general. In the case of any building which was a qualified low-income building as of the close of the 1st year of the credit period, if—

(i) as of the close of any taxable year in the compliance period (after the 1st year of the credit period) the qualified basis of such building exceeds

(ii) the qualified basis of such building as of the close of the 1st year of the credit period,

the applicable percentage which shall apply under subsection (a) for the taxable year to such excess shall be the percentage equal to  $\frac{2}{3}$  of the applicable percentage which (after the application of subsection (h) ) would but for this paragraph apply to such basis.

(B) 1st year computation applies. A rule similar to the rule of paragraph (2)(A) shall apply to any increase in qualified basis to which subparagraph (A) applies for the 1st year of such increase.

**(4) Dispositions of property.**

If a building (or an interest therein) is disposed of during any year for which credit is allowable under subsection (a) , such credit shall be allocated between the parties on the basis of the number of days during such year the building (or interest) was held by each. In any such case, proper adjustments shall be made in the application of subsection (j) .

**(5) Credit period for existing buildings not to begin before rehabilitation credit allowed.**

(A) In general. The credit period for an existing building shall not begin before the 1st taxable year of the credit period for rehabilitation expenditures with respect to the building.

(B) Acquisition credit allowed for certain buildings not allowed a rehabilitation credit.

(i) In general. In the case of a building described in clause

(ii) —

(I) subsection (d)(2)(B)(iv) shall not apply, and

(II) the credit period for such building shall not begin before the taxable year which would be the 1st taxable year of the credit period for rehabilitation expenditures with respect to the building under the modifications described in clause (ii)(II) .

(ii) Building described. A building is described in this clause if—

(I) a waiver is granted under subsection (d)(6)(C) with respect to the acquisition of the building, and

(II) a credit would be allowed for rehabilitation expenditures with respect to such building if

subsection (e)(3)(A)(ii)(I) did not apply and if the dollar amount in effect under subsection (e)(3)(A)(ii)(II) were two-thirds of such amount.

**(g) Qualified low-income housing project.**

For purposes of this section —

**(1) In general.**

The term “qualified low-income housing project” means any project for residential rental property if the project meets the requirements of subparagraph (A) or (B) whichever is elected by the taxpayer:

(A) 20-50 test. The project meets the requirements of this subparagraph if 20 percent or more of the residential units in such project are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income.

(B) 40-60 test. The project meets the requirements of this subparagraph if 40 percent or more of the residential units in such project are both rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income.

Any election under this paragraph , once made, shall be irrevocable. For purposes of this paragraph , any property shall not be treated as failing to be residential rental property merely because part of the building in which such property is located is used for purposes other than residential rental purposes.

**(2) Rent-restricted units.**

(A) In general. For purposes of paragraph (1) , a residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30 percent of the imputed income limitation applicable to such unit. For purposes of the preceding sentence, the amount of the income limitation under paragraph (1) applicable for any period shall not be less than such limitation applicable for the earliest period the building (which contains the unit) was included in the determination of whether the project is a qualified low-income housing project.

(B) Gross rent. For purposes of subparagraph (A) , gross rent—

(i) does not include any payment under section 8 of the United States Housing Act of 1937 or any comparable

rental assistance program (with respect to such unit or occupants thereof),

(ii) includes any utility allowance determined by the Secretary after taking into account such determinations under section 8 of the United States Housing Act of 1937,

(iii) does not include any fee for a supportive service which is paid to the owner of the unit (on the basis of the low-income status of the tenant of the unit) by any governmental program of assistance (or by an organization described in section 501(c)(3) and exempt from tax under section 501(a) ) if such program (or organization) provides assistance for rent and the amount of assistance provided for rent is not separable from the amount of assistance provided for supportive services, and

(iv) does not include any rental payment to the owner of the unit to the extent such owner pays an equivalent amount to the Farmers' Home Administration under section 515 of the Housing Act of 1949.

For purposes of clause (iii) , the term “supportive service” means any service provided under a planned program of services designed to enable residents of a residential rental property to remain independent and avoid placement in a hospital, nursing home, or intermediate care facility for the mentally or physically handicapped. In the case of a single-room occupancy unit or a building described in subsection (i)(3)(B)(iii) , such term includes any service provided to assist tenants in locating and retaining permanent housing.

(C) Imputed income limitation applicable to unit. For purposes of this paragraph , the imputed income limitation applicable to a unit is the income limitation which would apply under paragraph (1) to individuals occupying the unit if the number of individuals occupying the unit were as follows:

(i) In the case of a unit which does not have a separate bedroom, 1 individual.

(ii) In the case of a unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.

In the case of a project with respect to which a credit is allowable by reason of this section and for which financing is provided by a

bond described in section 142(a)(7) , the imputed income limitation shall apply in lieu of the otherwise applicable income limitation for purposes of applying section 142(d)(4)(B)(ii) .

(D) Treatment of units occupied by individuals whose incomes rise above limit.

(i) In general. Except as provided in clause (ii) , notwithstanding an increase in the income of the occupants of a low-income unit above the income limitation applicable under paragraph (1) , such unit shall continue to be treated as a low-income unit if the income of such occupants initially met such income limitation and such unit continues to be rent-restricted.

(ii) Next available unit must be rented to low-income tenant if income rises above 140 percent of income limit. If the income of the occupants of the unit increases above 140 percent of the income limitation applicable under paragraph (1) , clause (i) shall cease to apply to such unit if any residential rental unit in the building (of a size comparable to, or smaller than, such unit) is occupied by a new resident whose income exceeds such income limitation. In the case of a project described in section 142(d)(4)(B) , the preceding sentence shall be applied by substituting “170 percent” for “140 percent” and by substituting “any low-income unit in the building is occupied by a new resident whose income exceeds 40 percent of area median gross income” for “any residential unit in the building (of a size comparable to, or smaller than, such unit) is occupied by a new resident whose income exceeds such income limitation”.

(E) Units where federal rental assistance is reduced as tenant's income increases. If the gross rent with respect to a residential unit exceeds the limitation under subparagraph (A) by reason of the fact that the income of the occupants thereof exceeds the income limitation applicable under paragraph (1) , such unit shall, nevertheless, be treated as a rent-restricted unit for purposes of paragraph (1) if—

(i) a Federal rental assistance payment described in subparagraph (B)(i) is made with respect to such unit or its occupants, and

(ii) the sum of such payment and the gross rent with respect to such unit does not exceed the sum of the amount of such payment which would be made and the gross rent which would be payable with respect to such unit if—

(I) the income of the occupants thereof did not exceed the income limitation applicable under paragraph (1) , and

(II) such units were rent-restricted within the meaning of subparagraph (A) .

The preceding sentence shall apply to any unit only if the result described in clause (ii) is required by Federal statute as of the date of the enactment of this subparagraph and as of the date the Federal rental assistance payment is made.

**(3) Date for meeting requirements.**

(A) In general. Except as otherwise provided in this paragraph , a building shall be treated as a qualified low-income building only if the project (of which such building is a part) meets the requirements of paragraph (1) not later than the close of the 1st year of the credit period for such building.

(B) Buildings which rely on later buildings for qualification.

(i) In general. In determining whether a building (hereinafter in this subparagraph referred to as the “prior building”) is a qualified low-income building, the taxpayer may take into account 1 or more additional buildings placed in service during the 12-month period described in subparagraph (A) with respect to the prior building only if the taxpayer elects to apply clause (ii) with respect to each additional building taken into account.

(ii) Treatment of elected buildings. In the case of a building which the taxpayer elects to take into account under clause (i) , the period under subparagraph (A) for such building shall end at the close of the 12-month period applicable to the prior building.

(iii) Date prior building is treated as placed in service. For purposes of determining the credit period and the compliance period for the prior building, the prior building shall be treated for purposes of this section as placed in



service on the most recent date any additional building elected by the taxpayer (with respect to such prior building) was placed in service.

(C) Special rule. A building—

(i) other than the 1st building placed in service as part of a project, and

(ii) other than a building which is placed in service during the 12-month period described in subparagraph (A) with respect to a prior building which becomes a qualified low-income building,

shall in no event be treated as a qualified low-income building unless the project is a qualified low-income housing project (without regard to such building) on the date such building is placed in service.

(D) Projects with more than 1 building must be identified. For purposes of this section , a project shall be treated as consisting of only 1 building unless, before the close of the 1st calendar year in the project period (as defined in subsection (h)(1)(F)(ii) ), each building which is (or will be) part of such project is identified in such form and manner as the Secretary may provide.

**(4) Certain rules made applicable.**

Paragraphs (2) (other than subparagraph (A) thereof ), (3) , (4) , (5) , (6) , and (7) of section 142(d) , and section 6652(j) , shall apply for purposes of determining whether any project is a qualified low-income housing project and whether any unit is a low-income unit; except that, in applying such provisions for such purposes, the term “gross rent” shall have the meaning given such term by paragraph (2)(B) of this subsection

**(5) Election to treat building after compliance period as not part of a project.**

For purposes of this section , the taxpayer may elect to treat any building as not part of a qualified low-income housing project for any period beginning after the compliance period for such building.

**(6) Special rule where de minimis equity contribution.**

Property shall not be treated as failing to be residential rental property for purposes of this section merely because the occupant of a residential unit in the project pays (on a voluntary basis) to the lessor a de minimis amount to be held toward the purchase by such occupant of a residential unit in such project if—

(A) all amounts so paid are refunded to the occupant on the cessation of his occupancy of a unit in the project, and

(B) the purchase of the unit is not permitted until after the close of the compliance period with respect to the building in which the unit is located.

Any amount paid to the lessor as described in the preceding sentence shall be included in gross rent under paragraph (2) for purposes of determining whether the unit is rent-restricted.

**(7) Scattered site projects.**

Buildings which would (but for their lack of proximity) be treated as a project for purposes of this section shall be so treated if all of the dwelling units in each of the buildings are rent-restricted (within the meaning of paragraph (2) ) residential rental units.

**(8) Waiver of certain de minimis errors and recertifications.**

On application by the taxpayer, the Secretary may waive—

(A) any recapture under subsection (j) in the case of any de minimis error in complying with paragraph (1) , or

(B) any annual recertification of tenant income for purposes of this subsection , if the entire building is occupied by low-income tenants.

**(9) Clarification of general public use requirement.**

A project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants—

(A) with special needs,

(B) who are members of a specified group under a Federal program or State program or policy that supports housing for such a specified group, or

(C) who are involved in artistic or literary activities.

**(h) Limitation on aggregate credit allowable with respect to projects located in a state.**

**(1) Credit may not exceed credit amount allocated to building.**

(A) In general. The amount of the credit determined under this section for any taxable year with respect to any building shall not exceed the housing credit dollar amount allocated to such building under this subsection .

(B) Time for making allocation. Except in the case of an allocation which meets the requirements of subparagraph (C) , (D) , (E) , or (F) an allocation shall be taken into account under subparagraph (A) only if it is made not later than the close of the calendar year in which the building is placed in service.

(C) Exception where binding commitment. An allocation meets the requirements of this subparagraph if there is a binding commitment (not later than the close of the calendar year in which the building is placed in service) by the housing credit agency to allocate a specified housing credit dollar amount to such building beginning in a specified later taxable year.

(D) Exception where increase in qualified basis.

(i) In general. An allocation meets the requirements of this subparagraph if such allocation is made not later than the close of the calendar year in which ends the taxable year to which it will 1st apply but only to the extent the amount of such allocation does not exceed the limitation under clause (ii) .

(ii) Limitation. The limitation under this clause is the amount of credit allowable under this section (without regard to this subsection ) for a taxable year with respect to an increase in the qualified basis of the building equal to the excess of—

(I) the qualified basis of such building as of the close of the 1st taxable year to which such allocation will apply, over

(II) the qualified basis of such building as of the close of the 1st taxable year to which the most recent prior housing credit allocation with respect to such building applied.

(iii) Housing credit dollar amount reduced by full allocation. Notwithstanding clause (i) , the full amount of the allocation shall be taken into account under paragraph (2) .

(E) Exception where 10 percent of cost incurred.

(i) In general. An allocation meets the requirements of this subparagraph if such allocation is made with respect to a qualified building which is placed in service not later than the close of the second calendar year following the calendar year in which the allocation is made.

(ii) Qualified building. For purposes of clause (i) , the term “qualified building” means any building which is part of a project if the taxpayer's basis in such project (as of the date which is 1 year after the date that the allocation was made) is more than 10 percent of the taxpayer's reasonably expected basis in such project (as of the close of the second calendar year referred to in clause (i) ). Such term does not include any existing building unless a credit is allowable under subsection (e) for rehabilitation expenditures paid or incurred by the taxpayer with respect to such building for a taxable year ending during the second calendar year referred to in clause (i) or the prior taxable year.

(F) Allocation of credit on a project basis.

(i) In general. In the case of a project which includes (or will include) more than 1 building, an allocation meets the requirements of this subparagraph if—

(I) the allocation is made to the project for a calendar year during the project period,

(II) the allocation only applies to buildings placed in service during or after the calendar year for which the allocation is made, and

(III) the portion of such allocation which is allocated to any building in such project is specified not later than the close of the calendar year in which the building is placed in service.

(ii) Project period. For purposes of clause (i) , the term “project period” means the period—

(I) beginning with the 1st calendar year for which an allocation may be made for the 1st building placed in service as part of such project, and

(II) ending with the calendar year the last building is placed in service as part of such project.

**(2) Allocated credit amount to apply to all taxable years ending during or after credit allocation year.**

Any housing credit dollar amount allocated to any building for any calendar year—

(A) shall apply to such building for all taxable years in the compliance period ending during or after such calendar year, and

(B) shall reduce the aggregate housing credit dollar amount of the allocating agency only for such calendar year.

**(3) Housing credit dollar amount for agencies.**

(A) In general. The aggregate housing credit dollar amount which a housing credit agency may allocate for any calendar year is the portion of the State housing credit ceiling allocated under this paragraph for such calendar year to such agency.

(B) State ceiling initially allocated to state housing credit agencies. Except as provided in subparagraphs (D) and (E) , the State housing credit ceiling for each calendar year shall be allocated to the housing credit agency of such State. If there is more than 1 housing credit agency of a State, all such agencies shall be treated as a single agency.

(C) State housing credit ceiling. The State housing credit ceiling applicable to any State for any calendar year shall be an amount equal to the sum of—

(i) the unused State housing credit ceiling (if any) of such State for the preceding calendar year,

(ii) the greater of—

(I) \$1.75 (\$1.50 for 2001) multiplied by the State population, or

(II) \$2,000,000,

(iii) the amount of State housing credit ceiling returned in the calendar year, plus

(iv) the amount (if any) allocated under subparagraph (D) to such State by the Secretary.

For purposes of clause (i) , the unused State housing credit ceiling for any calendar year is the excess (if any) of the sum of the amounts described in clauses (ii) through (iv) over the aggregate housing credit dollar amount allocated for such year. For purposes of clause (iii) , the amount of State housing credit ceiling returned in the calendar year equals the housing credit dollar amount previously allocated within the State to any project which fails to meet the 10 percent test under paragraph (1)(E)(ii) on a date after the close of the calendar year in which the allocation was made or which does not become a qualified low-income housing project within the period required by this section or the terms of the allocation or to any project with respect to which an allocation is cancelled by mutual consent of the housing credit agency and the allocation recipient.

(D) Unused housing credit carryovers allocated among certain states.

(i) In general. The unused housing credit carryover of a State for any calendar year shall be assigned to the Secretary for allocation among qualified States for the succeeding calendar year.

(ii) Unused housing credit carryover. For purposes of this subparagraph , the unused housing credit carryover of a State for any calendar year is the excess (if any) of—

(I) the unused State housing credit ceiling for the year preceding such year, over

(II) the aggregate housing credit dollar amount allocated for such year.

(iii) Formula for allocation of unused housing credit carryovers among qualified states. The amount allocated under this subparagraph to a qualified State for any calendar year shall be the amount determined by the Secretary to bear the same ratio to the aggregate unused housing credit carryovers of all States for the preceding calendar year as such State's population for the calendar year bears to the population of all qualified States for the calendar year. For purposes of the preceding sentence,

population shall be determined in accordance with section 146(j) .

(iv) Qualified State. For purposes of this subparagraph , the term “qualified State” means, with respect to a calendar year, any State—

(I) which allocated its entire State housing credit ceiling for the preceding calendar year, and

(II) for which a request is made (not later than May 1 of the calendar year) to receive an allocation under clause (iii) .

(E) Special rule for states with constitutional home rule cities. For purposes of this subsection —

(i) In general. The aggregate housing credit dollar amount for any constitutional home rule city for any calendar year shall be an amount which bears the same ratio to the State housing credit ceiling for such calendar year as—

(I) the population of such city, bears to

(II) the population of the entire State.

(ii) Coordination with other allocations. In the case of any State which contains 1 or more constitutional home rule cities, for purposes of applying this paragraph with respect to housing credit agencies in such State other than constitutional home rule cities, the State housing credit ceiling for any calendar year shall be reduced by the aggregate housing credit dollar amounts determined for such year for all constitutional home rule cities in such State.

(iii) Constitutional home rule city. For purposes of this paragraph , the term “constitutional home rule city” has the meaning given such term by section 146(d)(3)(C) .

(F) State may provide for different allocation. Rules similar to the rules of section 146(e) (other than paragraph (2)(B) thereof ) shall apply for purposes of this paragraph .

(G) Population. For purposes of this paragraph , population shall be determined in accordance with section 146(j) .

(H) Cost-of-living adjustment.

(i) In general. In the case of a calendar year after 2002, the \$2,000,000 and \$1.75 amounts in subparagraph (C) shall each be increased by an amount equal to—

(I) such dollar amount, multiplied by

(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting “calendar year 2001” for “calendar year 1992” in subparagraph (B) thereof.

(ii) Rounding.

(I) In the case of the \$2,000,000 amount, any increase under clause (i) which is not a multiple of \$5,000 shall be rounded to the next lowest multiple of \$5,000.

(II) In the case of the \$1.75 amount, any increase under clause (i) which is not a multiple of 5 cents shall be rounded to the next lowest multiple of 5 cents.

(I) Increase in State housing credit ceiling for 2008 and 2009. In the case of calendar years 2008 and 2009—

(i) the dollar amount in effect under subparagraph (C)(ii)(I) for such calendar year (after any increase under subparagraph (H) ) shall be increased by \$0.20, and

(ii) the dollar amount in effect under subparagraph (C)(ii)(II) for such calendar year (after any increase under subparagraph (H) ) shall be increased by an amount equal to 10 percent of such dollar amount (rounded to the next lowest multiple of \$5,000).

**(4) Credit for buildings financed by tax-exempt bonds subject to volume cap not taken into account.**

(A) In general. Paragraph (1) shall not apply to the portion of any credit allowable under subsection (a) which is attributable to eligible basis financed by any obligation the interest on which is exempt from tax under section 103 if —



(i) such obligation is taken into account under section 146 ,  
and

(ii) principal payments on such financing are applied within  
a reasonable period to redeem obligations the proceeds of  
which were used to provide such financing or such  
financing is refunded and described in section 146(i)(6) .

(B) Special rule where 50 percent or more of building is financed  
with tax-exempt bonds subject to volume cap. For purposes of  
subparagraph (A) , if 50 percent or more of the aggregate basis of  
any building and the land on which the building is located is  
financed by any obligation described in subparagraph (A) ,  
paragraph (1) shall not apply to any portion of the credit allowable  
under subsection (a) with respect to such building.

**(5) Portion of state ceiling set-aside for certain projects involving  
qualified nonprofit organizations.**

(A) In general. Not more than 90 percent of the State housing  
credit ceiling for any State for any calendar year shall be allocated  
to projects other than qualified low-income housing projects  
described in subparagraph (B) .

(B) Projects involving qualified nonprofit organizations. For  
purposes of subparagraph (A) , a qualified low-income housing  
project is described in this subparagraph if a qualified nonprofit  
organization is to own an interest in the project (directly or through  
a partnership) and materially participate (within the meaning of  
section 469(h) ) in the development and operation of the project  
throughout the compliance period.

(C) Qualified nonprofit organization. For purposes of this  
paragraph , the term “qualified nonprofit organization” means any  
organization if—

(i) such organization is described in paragraph (3) or (4) of  
section 501(c) and is exempt from tax under section 501(a)  
,

(ii) such organization is determined by the State housing  
credit agency not to be affiliated with or controlled by a  
for-profit organization; and

(iii) 1 of the exempt purposes of such organization includes  
the fostering of low-income housing.

(D) Treatment of certain subsidiaries.

(i) In general. For purposes of this paragraph , a qualified nonprofit organization shall be treated as satisfying the ownership and material participation test of subparagraph (B) if any qualified corporation in which such organization holds stock satisfies such test.

(ii) Qualified corporation. For purposes of clause (i) , the term “qualified corporation” means any corporation if 100 percent of the stock of such corporation is held by 1 or more qualified nonprofit organizations at all times during the period such corporation is in existence.

(E) State may not override set-aside. Nothing in subparagraph (F) of paragraph (3) shall be construed to permit a State not to comply with subparagraph (A) of this paragraph .

**(6) Buildings eligible for credit only if minimum long-term commitment to low-income housing.**

(A) In general. No credit shall be allowed by reason of this section with respect to any building for the taxable year unless an extended low-income housing commitment is in effect as of the end of such taxable year.

(B) Extended low-income housing commitment. For purposes of this paragraph , the term “extended low-income housing commitment” means any agreement between the taxpayer and the housing credit agency—

(i) which requires that the applicable fraction (as defined in subsection (c)(1) ) for the building for each taxable year in the extended use period will not be less than the applicable fraction specified in such agreement and which prohibits the actions described in subclauses (I) and (II) of subparagraph (E)(ii) ,

(ii) which allows individuals who meet the income limitation applicable to the building under subsection (g) (whether prospective, present, or former occupants of the building) the right to enforce in any State court the requirement and prohibitions of clause (i) ,

(iii) which prohibits the disposition to any person of any portion of the building to which such agreement applies

unless all of the building to which such agreement applies is disposed of to such person,

(iv) which prohibits the refusal to lease to a holder of a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937 because of the status of the prospective tenant as such a holder,

(v) which is binding on all successors of the taxpayer, and

(vi) which, with respect to the property, is recorded pursuant to State law as a restrictive covenant.

(C) Allocation of credit may not exceed amount necessary to support commitment.

(i) In general. The housing credit dollar amount allocated to any building may not exceed the amount necessary to support the applicable fraction specified in the extended low-income housing commitment for such building, including any increase in such fraction pursuant to the application of subsection (f)(3) if such increase is reflected in an amended low-income housing commitment.

(ii) Buildings financed by tax-exempt bonds. If paragraph (4) applies to any building the amount of credit allowed in any taxable year may not exceed the amount necessary to support the applicable fraction specified in the extended low-income housing commitment for such building. Such commitment may be amended to increase such fraction.

(D) Extended use period. For purposes of this paragraph , the term “extended use period” means the period—

(i) beginning on the 1st day in the compliance period on which such building is part of a qualified low-income housing project, and

(ii) ending on the later of—

(I) the date specified by such agency in such agreement, or

(II) the date which is 15 years after the close of the compliance period.

(E) Exceptions if foreclosure or if no buyer willing to maintain low-income status.

(i) In general. The extended use period for any building shall terminate—

(I) on the date the building is acquired by foreclosure (or instrument in lieu of foreclosure) unless the Secretary determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period, or

(II) on the last day of the period specified in subparagraph (I) if the housing credit agency is unable to present during such period a qualified contract for the acquisition of the low-income portion of the building by any person who will continue to operate such portion as a qualified low-income building.

Subclause (II) shall not apply to the extent more stringent requirements are provided in the agreement or in State law.

(ii) Eviction, etc. of existing low-income tenants not permitted. The termination of an extended use period under clause (i) shall not be construed to permit before the close of the 3-year period following such termination—

(I) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or

(II) any increase in the gross rent with respect to such unit not otherwise permitted under this section

.

(F) Qualified contract. For purposes of subparagraph (E) , the term “qualified contract” means a bona fide contract to acquire (within a reasonable period after the contract is entered into) the non low-income portion of the building for fair market value and the low-income portion of the building for an amount not less than the applicable fraction (specified in the extended low-income housing commitment) of—

(i) the sum of—

(I) the outstanding indebtedness secured by, or with respect to, the building,

(II) the adjusted investor equity in the building, plus

(III) other capital contributions not reflected in the amounts described in subclause (I) or (II) , reduced by

(ii) cash distributions from (or available for distribution from) the project.

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this paragraph , including regulations to prevent the manipulation of the amount determined under the preceding sentence.

(G) Adjusted investor equity.

(i) In general. For purposes of subparagraph (E) , the term “adjusted investor equity” means, with respect to any calendar year, the aggregate amount of cash taxpayers invested with respect to the project increased by the amount equal to—

(I) such amount, multiplied by

(II) the cost-of-living adjustment for such calendar year, determined under section 1(f)(3) by substituting the base calendar year for “calendar year 1987”.

An amount shall be taken into account as an investment in the project only to the extent there was an obligation to invest such amount as of the beginning of the credit period and to the extent such amount is reflected in the adjusted basis of the project.

(ii) Cost-of-living increases in excess of 5 percent not taken into account. Under regulations prescribed by the Secretary, if the CPI for any calendar year (as defined in section 1(f)(4) ) exceeds the CPI for the preceding calendar year by more than 5 percent, the CPI for the base calendar year shall be increased such that such excess shall never be taken into account under clause (i) .

(iii) Base calendar year. For purposes of this subparagraph , the term “base calendar year” means the calendar year with or within which the 1st taxable year of the credit period ends.

(H) Low-income portion. For purposes of this paragraph , the low-income portion of a building is the portion of such building equal to the applicable fraction specified in the extended low-income housing commitment for the building.

(I) Period for finding buyer. The period referred to in this subparagraph is the 1-year period beginning on the date (after the 14th year of the compliance period) the taxpayer submits a written request to the housing credit agency to find a person to acquire the taxpayer's interest in the low-income portion of the building.

(J) Effect of noncompliance. If, during a taxable year, there is a determination that an extended low-income housing agreement was not in effect as of the beginning of such year, such determination shall not apply to any period before such year and subparagraph (A) shall be applied without regard to such determination if the failure is corrected within 1 year from the date of the determination.

(K) Projects which consist of more than 1 building. The application of this paragraph to projects which consist of more than 1 building shall be made under regulations prescribed by the Secretary.

## **(7) Special rules.**

(A) Building must be located within jurisdiction of credit agency. A housing credit agency may allocate its aggregate housing credit dollar amount only to buildings located in the jurisdiction of the governmental unit of which such agency is a part.

(B) Agency allocations in excess of limit. If the aggregate housing credit dollar amounts allocated by a housing credit agency for any calendar year exceed the portion of the State housing credit ceiling allocated to such agency for such calendar year, the housing credit dollar amounts so allocated shall be reduced (to the extent of such excess) for buildings in the reverse of the order in which the allocations of such amounts were made.

(C) Credit reduced if allocated credit dollar amount is less than credit which would be allowable without regard to placed in service convention, etc.

(i) In general. The amount of the credit determined under this section with respect to any building shall not exceed the clause (ii) percentage of the amount of the credit which would (but for this subparagraph ) be determined under this section with respect to such building.

(ii) Determination of percentage. For purposes of clause (i) , the clause (ii) percentage with respect to any building is the percentage which—

(I) the housing credit dollar amount allocated to such building bears to

(II) the credit amount determined in accordance with clause (iii) .

(iii) Determination of credit amount. The credit amount determined in accordance with this clause is the amount of the credit which would (but for this subparagraph ) be determined under this section with respect to the building if—

(I) this section were applied without regard to paragraphs (2)(A) and (3)(B) of subsection (f) , and

(II) subsection (f)(3)(A) were applied without regard to “the percentage equal to 2/3 of”.

(D) Housing credit agency to specify applicable percentage and maximum qualified basis. In allocating a housing credit dollar amount to any building, the housing credit agency shall specify the applicable percentage and the maximum qualified basis which may be taken into account under this section with respect to such building. The applicable percentage and maximum qualified basis so specified shall not exceed the applicable percentage and qualified basis determined under this section without regard to this subsection .

**(8) Other definitions.**

For purposes of this subsection —

(A) Housing credit agency. The term “housing credit agency” means any agency authorized to carry out this subsection .

(B) Possessions treated as states. The term “State” includes a possession of the United States.

**(i) Definitions and special rules.**

For purposes of this section —

**(1) Compliance period.**

The term “compliance period” means, with respect to any building, the period of 15 taxable years beginning with the 1st taxable year of the credit period with respect thereto.

**(2) Determination of whether building is federally subsidized.**

(A) In general. Except as otherwise provided in this paragraph , for purposes of subsection (b)(1) , a new building shall be treated as federally subsidized for any taxable year if, at any time during such taxable year or any prior taxable year, there is or was outstanding any obligation the interest on which is exempt from tax under section 103 the proceeds of which are or were used (directly or indirectly) with respect to such building or the operation thereof.

(B) Election to reduce eligible basis by proceeds of obligations. A tax-exempt obligation shall not be taken into account under subparagraph (A) if the taxpayer elects to exclude from the eligible basis of the building for purposes of subsection (d) the proceeds of such obligation.

(C) Special rule for subsidized construction financing. Subparagraph (A) shall not apply to any tax-exempt obligation used to provide construction financing for any building if—

(i) such obligation (when issued) identified the building for which the proceeds of such obligation would be used, and

(ii) such obligation is redeemed before such building is placed in service.

**(3) Low-income unit.**

(A) In general. The term “low-income unit” means any unit in a building if—



(i) such unit is rent-restricted (as defined in subsection (g)(2) ), and

(ii) the individuals occupying such unit meet the income limitation applicable under subsection (g)(1) to the project of which such building is a part.

(B) Exceptions.

(i) In general. A unit shall not be treated as a low-income unit unless the unit is suitable for occupancy and used other than on a transient basis.

(ii) Suitability for occupancy. For purposes of clause (i) , the suitability of a unit for occupancy shall be determined under regulations prescribed by the Secretary taking into account local health, safety, and building codes.

(iii) Transitional housing for homeless. For purposes of clause (i) , a unit shall be considered to be used other than on a transient basis if the unit contains sleeping accommodations and kitchen and bathroom facilities and is located in a building—

(I) which is used exclusively to facilitate the transition of homeless individuals (within the meaning of section 103 of the Stewart B. McKinney Homeless Assistance Act ( 42 U.S.C. 11302 ), as in effect on the date of the enactment of this clause ) to independent living within 24 months, and

(II) in which a governmental entity or qualified nonprofit organization (as defined in subsection (h)(5) ) provides such individuals with temporary housing and supportive services designed to assist such individuals in locating and retaining permanent housing.

(iv) Single-room occupancy units. For purposes of clause (i) , a single-room occupancy unit shall not be treated as used on a transient basis merely because it is rented on a month-by-month basis.

(C) Special rule for buildings having 4 or fewer units. In the case of any building which has 4 or fewer residential rental units, no

unit in such building shall be treated as a low-income unit if the units in such building are owned by—

(i) any individual who occupies a residential unit in such building, or

(ii) any person who is related (as defined in subsection (d)(2)(D)(iii) ) to such individual.

(D) Certain students not to disqualify unit. A unit shall not fail to be treated as a low-income unit merely because it is occupied—

(i) by an individual who is—

(I) a student and receiving assistance under title IV of the Social Security Act,

(II) a student who was previously under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

(III) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws, or

(ii) entirely by full-time students if such students are—

(I) single parents and their children and such parents are not dependents (as defined in section 152 , determined without regard to subsections (b)(1) , (b)(2) , and (d)(1)(B) thereof) of another individual and such children are not dependents (as so defined) of another individual other than a parent of such children, or. [sic ,]

(II) married and file a joint return.

(E) Owner-occupied buildings having 4 or fewer units eligible for credit where development plan.

(i) In general. Subparagraph (C) shall not apply to the acquisition or rehabilitation of a building pursuant to a development plan of action sponsored by a State or local government or a qualified nonprofit organization (as defined in subsection (h)(5)(C) ).

(ii) Limitation on credit. In the case of a building to which clause (i) applies, the applicable fraction shall not exceed 80 percent of the unit fraction.

(iii) Certain unrented units treated as owner-occupied. In the case of a building to which clause (i) applies, any unit which is not rented for 90 days or more shall be treated as occupied by the owner of the building as of the 1st day it is not rented.

**(4) New building.**

The term “new building” means a building the original use of which begins with the taxpayer.

**(5) Existing building.**

The term “existing building” means any building which is not a new building.

**(6) Application to estates and trusts.**

In the case of an estate or trust, the amount of the credit determined under subsection (a) and any increase in tax under subsection (j) shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

**(7) Impact of tenant's right of 1st refusal to acquire property.**

(A) In general. No Federal income tax benefit shall fail to be allowable to the taxpayer with respect to any qualified low-income building merely by reason of a right of 1st refusal held by the tenants (in cooperative form or otherwise) or resident management corporation of such building or by a qualified nonprofit organization (as defined in subsection (h)(5)(C) ) or government agency to purchase the property after the close of the compliance period for a price which is not less than the minimum purchase price determined under subparagraph (B) .

(B) Minimum purchase price. For purposes of subparagraph (A) , the minimum purchase price under this subparagraph is an amount equal to the sum of—

(i) the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants), and

(ii) all Federal, State, and local taxes attributable to such sale.

Except in the case of Federal income taxes, there shall not be taken into account under clause (ii) any additional tax attributable to the application of clause (ii) .

**(8) Treatment of rural projects.**

For purposes of this section , in the case of any project for residential rental property located in a rural area (as defined in section 520 of the Housing Act of 1949), any income limitation measured by reference to area median gross income shall be measured by reference to the greater of area median gross income or national non-metropolitan median income. The preceding sentence shall not apply with respect to any building if paragraph (1) of section 42(h) does not apply by reason of paragraph (4) thereof to any portion of the credit determined under this section with respect to such building.

**(j) Recapture of credit.**

**(1) In general.**

If—

(A) as of the close of any taxable year in the compliance period, the amount of the qualified basis of any building with respect to the taxpayer is less than

(B) the amount of such basis as of the close of the preceding taxable year, then the taxpayer's tax under this chapter for the taxable year shall be increased by the credit recapture amount.

**(2) Credit recapture amount.**

For purposes of paragraph (1) , the credit recapture amount is an amount equal to the sum of—

(A) the aggregate decrease in the credits allowed to the taxpayer under section 38 for all prior taxable years which would have resulted if the accelerated portion of the credit allowable by reason of this section were not allowed for all prior taxable years with respect to the excess of the amount described in paragraph (1)(B) over the amount described in paragraph (1)(A) , plus

(B) interest at the overpayment rate established under section 6621 on the amount determined under subparagraph (A) for each prior taxable year for the period beginning on the due date for filing the return for the prior taxable year involved.

No deduction shall be allowed under this chapter for interest described in subparagraph (B) .

**(3) Accelerated portion of credit.**

For purposes of paragraph (2) , the accelerated portion of the credit for the prior taxable years with respect to any amount of basis is the excess of—

(A) the aggregate credit allowed by reason of this section (without regard to this subsection ) for such years with respect to such basis, over

(B) the aggregate credit which would be allowable by reason of this section for such years with respect to such basis if the aggregate credit which would (but for this subsection ) have been allowable for the entire compliance period were allowable ratably over 15 years.

**(4) Special rules.**

(A) Tax benefit rule. The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

(B) Only basis for which credit allowed taken into account. Qualified basis shall be taken into account under paragraph (1)(B) only to the extent such basis was taken into account in determining the credit under subsection (a) for the preceding taxable year referred to in such paragraph.

(C) No recapture of additional credit allowable by reason of subsection (f)(3) . Paragraph (1) shall apply to a decrease in qualified basis only to the extent such decrease exceeds the amount of qualified basis with respect to which a credit was allowable for the taxable year referred to in paragraph (1)(B) by reason of subsection (f)(3) .

(D) No credits against tax. Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under this chapter.

(E) No recapture by reason of casualty loss. The increase in tax under this subsection shall not apply to a reduction in qualified

basis by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

(F) No recapture where de minimis changes in floor space. The Secretary may provide that the increase in tax under this subsection shall not apply with respect to any building if—

(i) such increase results from a de minimis change in the floor space fraction under subsection (c)(1) , and

(ii) the building is a qualified low-income building after such change.

**(5) Certain partnerships treated as the taxpayer.**

(A) In general. For purposes of applying this subsection to a partnership to which this paragraph applies—

(i) such partnership shall be treated as the taxpayer to which the credit allowable under subsection (a) was allowed,

(ii) the amount of such credit allowed shall be treated as the amount which would have been allowed to the partnership were such credit allowable to such partnership,

(iii) paragraph (4)(A) shall not apply, and

(iv) the amount of the increase in tax under this subsection for any taxable year shall be allocated among the partners of such partnership in the same manner as such partnership's taxable income for such year is allocated among such partners.

(B) Partnerships to which paragraph applies. This paragraph shall apply to any partnership which has 35 or more partners unless the partnership elects not to have this paragraph apply.

(C) Special rules.

(i) Husband and wife treated as 1 partner. For purposes of subparagraph (B)(i) , a husband and wife (and their estates) shall be treated as 1 partner.

(ii) Election irrevocable. Any election under subparagraph (B) , once made, shall be irrevocable.

**(6) No recapture on disposition of building which continues in qualified use.**

(A) In general. The increase in tax under this subsection shall not apply solely by reason of the disposition of a building (or an interest therein) if it is reasonably expected that such building will continue to be operated as a qualified low-income building for the remaining compliance period with respect to such building.

(B) Statute of limitations. If a building (or an interest therein) is disposed of during any taxable year and there is any reduction in the qualified basis of such building which results in an increase in tax under this subsection for such taxable or any subsequent taxable year, then—

(i) the statutory period for the assessment of any deficiency with respect to such increase in tax shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may prescribe) of such reduction in qualified basis, and

(ii) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

**(k) Application of at-risk rules.**

For purposes of this section —

**(1) In general.**

Except as otherwise provided in this subsection , rules similar to the rules of section 49(a)(1) (other than subparagraphs (D)(ii)(II) and (D)(iv)(I) thereof ), section 49(a)(2) , and section 49(b)(1) shall apply in determining the qualified basis of any building in the same manner as such sections apply in determining the credit base of property.

**(2) Special rules for determining qualified person.**

For purposes of paragraph (1) —

(A) In general. If the requirements of subparagraphs (B) , (C) , and (D) are met with respect to any financing borrowed from a qualified nonprofit organization (as defined in subsection (h)(5) ), the determination of whether such financing is qualified

commercial financing with respect to any qualified low-income building shall be made without regard to whether such organization—

(i) is actively and regularly engaged in the business of lending money, or

(ii) is a person described in section 49(a)(1)(D)(iv)(II) .

(B) Financing secured by property. The requirements of this subparagraph are met with respect to any financing if such financing is secured by the qualified low-income building, except that this subparagraph shall not apply in the case of a federally assisted building described in subsection (d)(6)(B) if—

(i) a security interest in such building is not permitted by a Federal agency holding or insuring the mortgage secured by such building, and

(ii) the proceeds from the financing (if any) are applied to acquire or improve such building.

(C) Portion of building attributable to financing. The requirements of this subparagraph are met with respect to any financing for any taxable year in the compliance period if, as of the close of such taxable year, not more than 60 percent of the eligible basis of the qualified low-income building is attributable to such financing (reduced by the principal and interest of any governmental financing which is part of a wrap-around mortgage involving such financing).

(D) Repayment of principal and interest. The requirements of this subparagraph are met with respect to any financing if such financing is fully repaid on or before the earliest of—

(i) the date on which such financing matures,

(ii) the 90th day after the close of the compliance period with respect to the qualified low-income building, or

(iii) the date of its refinancing or the sale of the building to which such financing relates.

In the case of a qualified nonprofit organization which is not described in section 49(a)(1)(D)(iv)(II) with respect to a building, clause (ii) of this subparagraph shall be applied as if the date



described therein were the 90th day after the earlier of the date the building ceases to be a qualified low-income building or the date which is 15 years after the close of a compliance period with respect thereto.

**(3) Present value of financing.**

If the rate of interest on any financing described in paragraph (2)(A) is less than the rate which is 1 percentage point below the applicable Federal rate as of the time such financing is incurred, then the qualified basis (to which such financing relates) of the qualified low-income building shall be the present value of the amount of such financing, using as the discount rate such applicable Federal rate. For purposes of the preceding sentence, the rate of interest on any financing shall be determined by treating interest to the extent of government subsidies as not payable.

**(4) Failure to fully repay.**

(A) In general. To the extent that the requirements of paragraph (2)(D) are not met, then the taxpayer's tax under this chapter for the taxable year in which such failure occurs shall be increased by an amount equal to the applicable portion of the credit under this section with respect to such building, increased by an amount of interest for the period—

(i) beginning with the due date for the filing of the return of tax imposed by chapter 1 for the 1st taxable year for which such credit was allowable, and

(ii) ending with the due date for the taxable year in which such failure occurs,

determined by using the underpayment rate and method under section 6621 .

(B) Applicable portion. For purposes of subparagraph (A) , the term “applicable portion” means the aggregate decrease in the credits allowed to a taxpayer under section 38 for all prior taxable years which would have resulted if the eligible basis of the building were reduced by the amount of financing which does not meet requirements of paragraph (2)(D) .

(C) Certain rules to apply. Rules similar to the rules of subparagraphs (A) and (D) of subsection (j)(4) shall apply for purposes of this subsection .

**(l) Certifications and other reports to secretary.**

**(1) Certification with respect to 1st year of credit period.**

Following the close of the 1st taxable year in the credit period with respect to any qualified low-income building, the taxpayer shall certify to the Secretary (at such time and in such form and in such manner as the Secretary prescribes)—

(A) the taxable year, and calendar year, in which such building was placed in service,

(B) the adjusted basis and eligible basis of such building as of the close of the 1st year of the credit period,

(C) the maximum applicable percentage and qualified basis permitted to be taken into account by the appropriate housing credit agency under subsection (h) ,

(D) the election made under subsection (g) with respect to the qualified low-income housing project of which such building is a part, and

(E) such other information as the Secretary may require.

In the case of a failure to make the certification required by the preceding sentence on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, no credit shall be allowable by reason of subsection (a) with respect to such building for any taxable year ending before such certification is made.

**(2) Annual reports to the Secretary.**

The Secretary may require taxpayers to submit an information return (at such time and in such form and manner as the Secretary prescribes) for each taxable year setting forth—

(A) the qualified basis for the taxable year of each qualified low-income building of the taxpayer,

(B) the information described in paragraph (1)(C) for the taxable year, and

(C) such other information as the Secretary may require.

The penalty under section 6652(j) shall apply to any failure to submit the return required by the Secretary under the preceding sentence on the date prescribed therefor.

**(3) Annual reports from housing credit agencies.**

Each agency which allocates any housing credit amount to any building for any calendar year shall submit to the Secretary (at such time and in such manner as the Secretary shall prescribe) an annual report specifying—

(A) the amount of housing credit amount allocated to each building for such year,

(B) sufficient information to identify each such building and the taxpayer with respect thereto, and

(C) such other information as the Secretary may require.

The penalty under section 6652(j) shall apply to any failure to submit the report required by the preceding sentence on the date prescribed therefor.

**(m) Responsibilities of housing credit agencies.**

**(1) Plans for allocation of credit among projects.**

(A) In general. Notwithstanding any other provision of this section , the housing credit dollar amount with respect to any building shall be zero unless—

(i) such amount was allocated pursuant to a qualified allocation plan of the housing credit agency which is approved by the governmental unit (in accordance with rules similar to the rules of section 147(f)(2) (other than subparagraph (B)(ii) thereof )) of which such agency is a part,

(ii) such agency notifies the chief executive officer (or the equivalent) of the local jurisdiction within which the building is located of such project and provides such individual a reasonable opportunity to comment on the project,

(iii) a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project is conducted before the credit allocation is made and at the developer's expense by a disinterested party who is approved by such agency, and

(iv) a written explanation is available to the general public for any allocation of a housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency.

(B) Qualified allocation plan. For purposes of this paragraph , the term “qualified allocation plan” means any plan—

(i) which sets forth selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions,

(ii) which also gives preference in allocating housing credit dollar amounts among selected projects to—

(I) projects serving the lowest income tenants,

(II) projects obligated to serve qualified tenants for the longest periods, and

(III) projects which are located in qualified census tracts (as defined in subsection (d)(5)(C) ) and the development of which contributes to a concerted community revitalization plan, and

(iii) which provides a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of this section and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.

(C) Certain selection criteria must be used. The selection criteria set forth in a qualified allocation plan must include—

(i) project location,

(ii) housing needs characteristics,

(iii) project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan,

(iv) sponsor characteristics,

(v) tenant populations with special housing needs,

(vi) public housing waiting lists,

**Caution:** Clauses (m)(1)(C)(vii)-(viii), following, are effective for allocations made before 1/1/2009. For clauses (m)(1)(C)(vii)-(x), effective for allocations made after 12/31/2008, see below.

(vii) tenant populations of individuals with children, and

(viii) projects intended for eventual tenant ownership.

**Caution:** Clauses (m)(1)(C)(vii)-(ix), following, are effective for allocations made after 12/31/2008. For clauses (m)(1)(C)(vii)-(viii), effective for allocations made before 1/1/2009, see above.

(vii) tenant populations of individuals with children,

(viii) projects intended for eventual tenant ownership,

(ix) the energy efficiency of the project, and

(x) the historic nature of the project.

(D) Application to bond financed projects. Subsection (h)(4) shall not apply to any project unless the project satisfies the requirements for allocation of a housing credit dollar amount under the qualified allocation plan applicable to the area in which the project is located.

**(2) Credit allocated to building not to exceed amount necessary to assure project feasibility.**

(A) In general. The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period.

(B) Agency evaluation. In making the determination under subparagraph (A) , the housing credit agency shall consider—

(i) the sources and uses of funds and the total financing planned for the project,

(ii) any proceeds or receipts expected to be generated by reason of tax benefits,

(iii) the percentage of the housing credit dollar amount used for project costs other than the cost of intermediaries, and

(iv) the reasonableness of the developmental and operational costs of the project.

Clause (iii) shall not be applied so as to impede the development of projects in hard-to-develop areas. Such a determination shall not be construed to be a representation or warranty as to the feasibility or viability of the project.

(C) Determination made-when credit amount applied for and when building placed in service.

(i) In general. A determination under subparagraph (A) shall be made as of each of the following times:

(I) The application for the housing credit dollar amount.

(II) The allocation of the housing credit dollar amount.

(III) The date the building is placed in service.

(ii) Certification as to amount of other subsidies. Prior to each determination under clause (i), the taxpayer shall certify to the housing credit agency the full extent of all Federal, State, and local subsidies which apply (or which the taxpayer expects to apply) with respect to the building.

(D) Application to bond financed projects. Subsection (h)(4) shall not apply to any project unless the governmental unit which issued the bonds (or on behalf of which the bonds were issued) makes a determination under rules similar to the rules of subparagraphs (A) and (B).

**(n) Regulations.**

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations—

(1) dealing with—

(A) projects which include more than 1 building or only a portion of a building,

(B) buildings which are placed in service in portions,

**(2)** providing for the application of this section to short taxable years,

**(3)** preventing the avoidance of the rules of this section , and

**(4)** providing the opportunity for housing credit agencies to correct administrative errors and omissions with respect to allocations and record keeping within a reasonable period after their discovery, taking into account the availability of regulations and other administrative guidance from the Secretary.

## *FEDERAL REGULATION #2*

*IRS Regulation 1.42-5: Tax Credit Compliance  
Monitoring*





## **Federal Regulations**

### **Reg § 1.42-5. Monitoring compliance with low-income housing credit requirements.**

**Caution:** Reg §1.42-5, following, is effective after 12/31/2000. For Reg §1.42-5, effective before 1/1/2001, see above.

#### **(a) Compliance monitoring requirement.**

*(1) In general.* Under section 42(m)(1)(B)(iii), an allocation plan is not qualified unless it contains a procedure that the State or local housing credit agency (“Agency”) (or an agent of, or other private contractor hired by, the Agency) will follow in monitoring for noncompliance with the provisions of section 42 and in notifying the Internal Revenue Service of any noncompliance of which the Agency becomes aware. These regulations only address compliance monitoring procedures required of Agencies. The regulations do not address forms and other records that may be required by the Service on examination or audit. For example, if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor information related to the first year of the credit period so that the transferee can substantiate credits claimed.

#### *(2) Requirements for a monitoring procedure.*

(i) In general. A procedure for monitoring for noncompliance under section 42(m)(1)(B)(iii) must include—

(A) The recordkeeping and record retention provisions of paragraph (b) of this section;

(B) The certification and review provisions of paragraph (c) of this section;

(C) The inspection provision of paragraph (d) of this section; and

(D) The notification-of-noncompliance provisions of paragraph (e) of this section.

(ii) Order and form. A monitoring procedure will meet the requirements of section 42(m)(1)(B)(iii) if it contains the substance of these provisions. The particular order and form of the provisions in the allocation plan is not material. A monitoring procedure may contain additional provisions or requirements.

**(b) Recordkeeping and record retention provisions.**

*(1) Recordkeeping provision.* Under the recordkeeping provision, the owner of a low-income housing project must be required to keep records for each qualified low-income building in the project that show for each year in the compliance period—

- (i) The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);
- (ii) The percentage of residential rental units in the building that are low-income units;
- (iii) The rent charged on each residential rental unit in the building (including any utility allowances);
- (iv) The number of occupants in each low-income unit, but only if rent is determined by the number of occupants in each unit under section 42(g)(2) (as in effect before the amendments made by the Omnibus Budget Reconciliation Act of 1989);
- (v) The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;
- (vi) The annual income certification of each low-income tenant per unit. For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building);
- (vii) Documentation to support each low-income tenant's income certification (for example, a copy of the tenant's federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation). For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building). Tenant income is calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement of this paragraph (b)(1)(vii) is satisfied if the public housing authority provides a statement to the building owner

declaring that the tenant's income does not exceed the applicable income limit under section 42(g);

(viii) The eligible basis and qualified basis of the building at the end of the first year of the credit period; and

(ix) The character and use of the nonresidential portion of the building included in the building's eligible basis under section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).

*(2) Record retention provision.* Under the record retention provision, the owner of a low-income housing project must be required to retain the records described in paragraph (b)(1) of this section for at least 6 years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

*(3) Inspection record retention provision.* Under the inspection record retention provision, the owner of a low-income housing project must be required to retain the original local health, safety, or building code violation reports or notices that were issued by the State or local government unit (as described in paragraph (c)(1)(vi) of this section) for the Agency's inspection under paragraph (d) of this section. Retention of the original violation reports or notices is not required once the Agency reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

**(c) Certification and review provisions.**

*(1) Certification.* Under the certification provision, the owner of a low-income housing project must be required to certify at least annually to the Agency that, for the preceding 12-month period—

(i) The project met the requirements of:

(A) The 20-50 test under section 42(g)(1)(A), the 40-60 test under section 42(g)(1)(B), or the 25-60 test under sections 42(g)(4) and 142(d)(6) for New York City, whichever minimum set-aside test was applicable to the project; and

(B) If applicable to the project, the 15-40 test under sections 42(g)(4) and 142(d)(4)(B) for “deep rent skewed” projects;

(ii) There was no change in the applicable fraction (as defined in section 42(c)(1)(B)) of any building in the project, or that there was a change, and a description of the change;

(iii) The owner has received an annual income certification from each low-income tenant, and documentation to support that certification; or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described in paragraph (b)(1)(vii) of this section. For an exception to this requirement, see section 42(g)(8)(B) (which provides a special rule for a 100 percent low-income building);

(iv) Each low-income unit in the project was rent-restricted under section 42(g)(2);

(v) All units in the project were for use by the general public (as defined in Sec. 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court;

(vi) The buildings and low-income units in the project were suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to the Agency under paragraph (c)(1) of this section. In addition, the owner must state whether the violation has been corrected;

(vii) There was no change in the eligible basis (as defined in section 42(d)) of any building in the project, or if there was a change, the nature of the change (e.g., a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

(viii) All tenant facilities included in the eligible basis under section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;

(ix) If a low-income unit in the building became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

(x) If the income of tenants of a low-income unit in the project increased above the limit allowed in section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income; and

(xi) An extended low-income housing commitment as described in section 42(h)(6) was in effect (for buildings subject to section 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311), including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439); and

(xii) All low-income units in the project were used on a nontransient basis (except for transitional housing for the homeless provided under section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month-by-month basis under section 42(i)(3)(B)(iv)).

(2) *Review.* The review provision must—

(i) Require that the Agency review the certifications submitted under paragraph (c)(1) of this section for compliance with the requirements of section 42;

(ii) Require that with respect to each low-income housing project—

(A) The Agency must conduct on-site inspections of all buildings in the project by the end of the second calendar year following the year the last building in the project is

placed in service and, for at least 20 percent of the project's low-income units, inspect the units and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units; and

(B) At least once every 3 years, the Agency must conduct on-site inspections of all buildings in the project and, for at least 20 percent of the project's low-income units, inspect the units and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units; and

(iii) Require that the Agency randomly select which low-income units and tenant records are to be inspected and reviewed by the Agency. The review of tenant records may be undertaken wherever the owner maintains or stores the records (either on-site or off-site). The units and tenant records to be inspected and reviewed must be chosen in a manner that will not give owners of low-income housing projects advance notice that a unit and tenant records for a particular year will or will not be inspected and reviewed. However, an Agency may give an owner reasonable notice that an inspection of the building and low-income units or tenant record review will occur so that the owner may notify tenants of the inspection or assemble tenant records for review (for example, 30 days notice of inspection or review).

*(3) Frequency and form of certification.* A monitoring procedure must require that the certifications and reviews of paragraph (c)(1) and (2) of this section be made at least annually covering each year of the 15-year compliance period under section 42(i)(1). The certifications must be made under penalty of perjury. A monitoring procedure may require certifications and reviews more frequently than on a 12-month basis, provided that all months within each 12-month period are subject to certification.

*(4) Exception for certain buildings.*

(i) In general. The review requirements under paragraph (c)(2)(ii) of this section may provide that owners are not required to submit, and the Agency is not required to review, the tenant income certifications, supporting documentation, and rent records for buildings financed by the Rural Housing Service (RHS), formerly known as Farmers Home Administration, under the section 515 program, or buildings of which 50 percent or more of the aggregate basis (taking into account the building and the land) is financed

with the proceeds of obligations the interest on which is exempt from tax under section 103 (tax-exempt bonds). In order for a monitoring procedure to except these buildings, the Agency must meet the requirements of paragraph (c)(4)(ii) of this section.

(ii) Agreement and review. The Agency must enter into an agreement with the RHS or tax-exempt bond issuer. Under the agreement, the RHS or tax-exempt bond issuer must agree to provide information concerning the income and rent of the tenants in the building to the Agency. The Agency may assume the accuracy of the information provided by RHS or the tax-exempt bond issuer without verification. The Agency must review the information and determine that the income limitation and rent restriction of section 42(g)(1) and (2) are met. However, if the information provided by the RHS or tax-exempt bond issuer is not sufficient for the Agency to make this determination, the Agency must request the necessary additional income or rent information from the owner of the buildings. For example, because RHS determines tenant eligibility based on its definition of “adjusted annual income,” rather than “annual income” as defined under Section 8, the Agency may have to calculate the tenant's income for section 42 purposes and may need to request additional income information from the owner.

(iii) Example. The exception permitted under paragraph (c)(4)(i) and (ii) of this section is illustrated by the following example.

*Example* An Agency selects for review buildings financed by the RHS. The Agency has entered into an agreement described in paragraph (c)(4)(ii) of this section with the RHS with respect to those buildings. In reviewing the RHS-financed buildings, the Agency obtains the tenant income and rent information from the RHS for 20 percent of the low-income units in each of those buildings. The Agency calculates the tenant income and rent to determine whether the tenants meet the income and rent limitation of section 42(g)(1) and (2). In order to make this determination, the Agency may need to request additional income or rent information from the owners of the RHS buildings if the information provided by the RHS is not sufficient.

(5) *Agency reports of compliance monitoring activities.* The Agency must report its compliance monitoring activities annually on Form 8610, “Annual Low-Income Housing Credit Agencies Report.”

**(d) Inspection provision.**



(1) *In general.* Under the inspection provision, the Agency must have the right to perform an on-site inspection of any low-income housing project at least through the end of the compliance period of the buildings in the project. The inspection provision of this paragraph (d) is a separate requirement from any tenant file review under paragraph (c)(2)(ii) of this section.

(2) *Inspection standard.* For the on-site inspections of buildings and low-income units required by paragraph (c)(2)(ii) of this section, the Agency must review any local health, safety, or building code violations reports or notices retained by the owner under paragraph (b)(3) of this section and must determine—

(i) Whether the buildings and units are suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); or

(ii) Whether the buildings and units satisfy, as determined by the Agency, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety, and building codes. A low-income housing project under section 42 must continue to satisfy these codes and, if the Agency becomes aware of any violation of these codes, the Agency must report the violation to the Service. However, provided the Agency determines by inspection that the HUD standards are met, the Agency is not required under this paragraph (d)(2)(ii) to determine by inspection whether the project meets local health, safety, and building codes.

(3) *Exception from inspection provision.* An Agency is not required to inspect a building under this paragraph (d) if the building is financed by the RHS under the section 515 program, the RHS inspects the building (under 7 CFR part 1930), and the RHS and Agency enter into a memorandum of understanding, or other similar arrangement, under which the RHS agrees to notify the Agency of the inspection results.

(4) *Delegation.* An Agency may delegate inspection under this paragraph (d) to an Authorized Delegate retained under paragraph (f) of this section. Such Authorized Delegate, which may include HUD or a HUD-approved inspector, must notify the Agency of the inspection results.

**(e) Notification-of-noncompliance provision.**

(1) *In general.* Under the notification-of-noncompliance provisions, the Agency must be required to give the notice described in paragraph (e)(2)

of this section to the owner of a low-income housing project and the notice described in paragraph (e)(3) of this section to the Service.

(2) *Notice to owner.* The Agency must be required to provide prompt written notice to the owner of a low-income housing project if the Agency does not receive the certification described in paragraph (c)(1) of this section, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described in paragraph (c)(2)(ii) of this section, or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of section 42.

(3) *Notice to Internal Revenue Service.*

(i) In general. The Agency must be required to file Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance," with the Service no later than 45 days after the end of the correction period (as described in paragraph (e)(4) of this section, including extensions permitted under that paragraph) and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected. The Agency must explain on Form 8823 the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or eligible basis under paragraph (c)(1)(ii) and (vii) of this section, respectively, that results in a decrease in the qualified basis of the project under section 42(c)(1)(A) is noncompliance that must be reported to the Service under this paragraph (e)(3). If an Agency reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Agency need not file Form 8823 in subsequent years to report that building's noncompliance. If the noncompliance or failure to certify is corrected within 3 years after the end of the correction period, the Agency is required to file Form 8823 with the Service reporting the correction of the noncompliance or failure to certify.

(ii) *Agency retention of records.* An Agency must retain records of noncompliance or failure to certify for 6 years beyond the Agency's filing of the respective Form 8823. In all other cases, the Agency must retain the certifications and records described in paragraph (c) of this section for 3 years from the end of the calendar year the Agency receives the certifications and records.

(4) *Correction period.* The correction period shall be that period specified in the monitoring procedure during which an owner must supply any

missing certifications and bring the project into compliance with the provisions of section 42. The correction period is not to exceed 90 days from the date of the notice to the owner described in paragraph (e)(2) of this section. An Agency may extend the correction period for up to 6 months, but only if the Agency determines there is good cause for granting the extension.

**(f) Delegation of Authority.**

*(1) Agencies permitted to delegate compliance monitoring functions.*

(i) In general. An Agency may retain an agent or other private contractor (“ Authorized Delegate”) to perform compliance monitoring. The Authorized Delegate must be unrelated to the owner of any building that the Authorized Delegate monitors. The Authorized Delegate may be delegated all of the functions of the Agency, except for the responsibility of notifying the Service under paragraphs (5) and (e)(3) of this section. For example, the Authorized Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under paragraph (c)(1) and (2) of this section, the right to inspect buildings and records as described in paragraph (d) of this section, and the responsibility of notifying building owners of lack of certification or noncompliance under paragraph (e)(2) of this section. The Authorized Delegate must notify the Agency of any noncompliance or failure to certify.

(ii) Limitations. An Agency that delegates compliance monitoring to an Authorized Delegate under paragraph (f)(1)(i) of this section must use reasonable diligence to ensure that the Authorized Delegate properly performs the delegated monitoring functions. Delegation by an Agency of compliance monitoring functions to an Authorized Delegate does not relieve the Agency of its obligation to notify the Service of any noncompliance of which the Agency becomes aware.

*(2) Agencies permitted to delegate compliance monitoring functions to another Agency.* An Agency may delegate all or some of its compliance monitoring responsibilities for a building to another Agency within the State. This delegation may include the responsibility of notifying the Service under paragraph (e)(3) of this section.

**(g) Liability.** Compliance with the requirements of section 42 is the responsibility of the owner of the building for which the credit is allowable. The Agency's obligation to monitor for compliance with the requirements of section 42 does not make the Agency liable for an owner's noncompliance.

**(h) Effective date.** Allocation plans must comply with these regulations by June 30, 1993. The requirement of section 42(m)(1)(B)(iii) that allocation plans contain a procedure for monitoring for noncompliance becomes effective on January 1, 1992, and applies to buildings for which a low-income housing credit is, or has been, allowable at any time. Thus, allocation plans must comply with section 42(m)(1)(B)(iii) prior to June 30, 1993, the effective date of these regulations. An allocation plan that complies with these regulations, with the notice of proposed rulemaking published in the Federal Register on December 27, 1991, or with a reasonable interpretation of section 42(m)(1)(B)(iii) will satisfy the requirements of section 42(m)(1)(B)(iii) for periods before June 30, 1993. Section 42(m)(1)(B)(iii) and these regulations do not require monitoring for whether a building or project is in compliance with the requirements of section 42 prior to January 1, 1992. However, if an Agency becomes aware of noncompliance that occurred prior to January 1, 1992, the Agency is required to notify the Service of that noncompliance. In addition, the requirements in paragraphs (b)(3) and (c)(1)(v), (vi), and (xi) of this section (involving recordkeeping and annual owner certifications) and paragraphs (c)(2)(ii)(B), (c)(2)(iii), and (d) of this section (involving tenant file reviews and physical inspections of existing projects, and the physical inspection standard) are applicable January 1, 2001. The requirement in paragraph (c)(2)(ii)(A) of this section (involving tenant file reviews and physical inspections of new projects) is applicable for buildings placed in service on or after January 1, 2001. The requirements in paragraph (c)(5) of this section (involving Agency reporting of compliance monitoring activities to the Service) and paragraph (e)(3)(i) of this section (involving Agency reporting of corrected noncompliance or failure to certify within 3 years after the end of the correction period) are applicable January 14, 2000.

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T.D. 8430, 9/1/92, amend T.D. 8563, 9/30/94, T.D. 8859, 1/13/2000.

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## *FEDERAL REGULATION #3*

*IRS Regulation 1.42-15: Available Unit Rule*



## Federal Regulations

### Reg § 1.42-15. Available unit rule.

**(a) Definitions.** The following definitions apply to this section: *Applicable income limitation* means the limitation applicable under section 42(g)(1) or, for deep rent skewed projects described in section 142(d)(4)(B), 40 percent of area median gross income. *Available unit rule* means the rule in section 42(g)(2)(D)(ii). *Comparable unit* means a residential unit in a low-income building that is comparably sized or smaller than an over-income unit or, for deep rent skewed projects described in section 142(d)(4)(B), any low-income unit. For purposes of determining whether a residential unit is comparably sized, a comparable unit must be measured by the same method used to determine qualified basis for the credit year in which the comparable unit became available. *Current resident* means a person who is living in the low-income building. *Low-income unit* is defined by section 42(i)(3)(A). *Nonqualified resident* means a new occupant or occupants whose aggregate income exceeds the applicable income limitation. *Over-income unit* means a low-income unit in which the aggregate income of the occupants of the unit increases above 140 percent of the applicable income limitation under section 42(g)(1), or above 170 percent of the applicable income limitation for deep rent skewed projects described in section 142(d)(4)(B). *Qualified resident* means an occupant either whose aggregate income (combined with the income of all other occupants of the unit) does not exceed the applicable income limitation and who is otherwise a low-income resident under section 42, or who is a current resident.

**(b) General section 42(g)(2)(D)(i) rule.** Except as provided in paragraph (c) of this section, notwithstanding an increase in the income of the occupants of a low-income unit above the applicable income limitation, if the income of the occupants initially met the applicable income limitation, and the unit continues to be rent-restricted—

- (1) The unit continues to be treated as a low-income unit; and
- (2) The unit continues to be included in the numerator and the denominator of the ratio used to determine whether a project satisfies the applicable minimum set-aside requirement of section 42(g)(1).

**(c) Exception.** A unit ceases to be treated as a low-income unit if it becomes an over-income unit and a nonqualified resident occupies any comparable unit that is available or that subsequently becomes available in the same low-income building. In other words, the owner of a low-income building must rent to qualified residents all comparable units that are available or that subsequently become available in the same building to continue treating the over-income unit as a low-income unit. Once the percentage of low-income units in a building (excluding the over-income units) equals the percentage of low-income units on



which the credit is based, failure to maintain the over-income units as low-income units has no immediate significance. The failure to maintain the over-income units as low-income units, however, may affect the decision of whether or not to rent a particular available unit at market rate at a later time. A unit is not available for purposes of the available unit rule when the unit is no longer available for rent due to contractual arrangements that are binding under local law (for example, a unit is not available if it is subject to a preliminary reservation that is binding on the owner under local law prior to the date a lease is signed or the unit is occupied).

**(d) Effect of current resident moving within building.** When a current resident moves to a different unit within the building, the newly occupied unit adopts the status of the vacated unit. Thus, if a current resident, whose income exceeds the applicable income limitation, moves from an over-income unit to a vacant unit in the same building, the newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

**(e) Available unit rule applies separately to each building in a project.** In a project containing more than one low-income building, the available unit rule applies separately to each building.

**(f) Result of noncompliance with available unit rule.** If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified resident, all over-income units for which the available unit was a comparable unit within the same building lose their status as low-income units; thus, comparably sized or larger over-income units would lose their status as low-income units.

**(g) Relationship to tax-exempt bond provisions.** Financing arrangements that purport to be exempt-facility bonds under section 142 must meet the requirements of sections 103 and 141 through 150 for interest on the obligations to be excluded from gross income under section 103(a). This section is not intended as an interpretation under section 142.

**(h) Examples.** The following examples illustrate this section:

*Example (1).* This example illustrates noncompliance with the available unit rule in a low-income building containing three over-income units. On January 1, 1998, a qualified low-income housing project, consisting of one building containing ten identically sized residential units, received a housing credit dollar amount allocation from a state housing credit agency for five low-income units. By the close of 1998, the first year of the credit period, the project satisfied the minimum set-aside requirement of section 42(g)(1)(B). Units 1, 2, 3, 4, and 5 were occupied by individuals whose incomes did not exceed the income limitation applicable under section 42(g)(1) and were otherwise low-income residents under section 42. Units 6, 7, 8, and 9 were occupied by market-rate tenants. Unit 10 was vacant. To

avoid recapture of credit, the project owner must maintain five of the units as low-income units. On November 1, 1999, the certificates of annual income state that annual incomes of the individuals in Units 1, 2, and 3 increased above 140 percent of the income limitation applicable under section 42(g)(1), causing those units to become over-income units. On November 30, 1999, Units 8 and 9 became vacant. On December 1, 1999, the project owner rented Units 8 and 9 to qualified residents who were not current residents at rates meeting the rent restriction requirements of section 42(g)(2). On December 31, 1999, the project owner rented Unit 10 to a market-rate tenant. Because Unit 10, an available comparable unit, was leased to a market-rate tenant, Units 1, 2, and 3 ceased to be treated as low-income units. On that date, Units 4, 5, 8, and 9 were the only remaining low-income units. Because the project owner did not maintain five of the residential units as low-income units, the qualified basis in the building is reduced, and credit must be recaptured. If the project owner had rented Unit 10 to a qualified resident who was not a current resident, eight of the units would be low-income units. At that time, Units 1, 2, and 3, the over-income units, could be rented to market-rate tenants because the building would still contain five low-income units.

*Example (2).* This example illustrates the provisions of paragraph (d) of this section. A low-income project consists of one six-floor building. The residential units in the building are identically sized. The building contains two over-income units on the sixth floor and two vacant units on the first floor. The project owner, desiring to maintain the over-income units as low-income units, wants to rent the available units to qualified residents. J, a resident of one of the over-income units, wishes to occupy a unit on the first floor. J's income has recently increased above the applicable income limitation. The project owner permits J to move into one of the units on the first floor. Despite J's income exceeding the applicable income limitation, J is a qualified resident under the available unit rule because J is a current resident of the building. The unit newly occupied by J becomes an over-income unit under the available unit rule. The unit vacated by J assumes the status the newly occupied unit had immediately before J occupied the unit. The over-income units in the building continue to be treated as low-income units.

**(i) Effective date.** This section applies to leases entered into or renewed on and after September 26, 1997.



## *FEDERAL REGULATION #4*

*IRS Revenue Ruling 90-89: Minimum Set-Aside  
Requirements*



## REVENUE RULE 90-89

1990-2 C.B. 8, 1990-44 I.R.B. 6.

Internal Revenue Service  
Revenue Ruling

### LOW-INCOME HOUSING CREDIT; MINIMUM SET-ASIDE REQUIREMENTS

Published: October 29, 1990

(See Also Section 142.)

Low-income housing credit; minimum set-aside requirements. For purposes of determining whether a building meets the minimum set-aside requirements of section 42(g)(1) of the Code, the combined income of all occupants of an apartment, whether or not legally related, is compared to the appropriate percentage of the median family income for a family with the same number of members.

#### ISSUE

For purposes of determining whether a building meets the minimum set-aside requirements of section 42(g)(1) of the Internal Revenue Code, how is the appropriate percentage of the area median gross income determined for occupants of an apartment when those occupants are not legally related?

#### FACTS

The owner of a newly constructed building wants to qualify the building for the low-income housing credit under section 42(a) of the Code. The owner has elected to qualify under the 40-60 minimum set-aside requirement of section 42(g)(1)(B), under which 40 percent or more of the building's aggregate residential rental units must be occupied by individuals with incomes of 60 percent or less of the area median gross income.

A and B are unrelated individuals who want to rent a two-bedroom apartment in the building. A and B each has income that does not exceed 60 percent of the area median gross income for one individual. However, A and B's combined income exceeds 60 percent of the area median gross income for a two-individual family.

#### LAW AND ANALYSIS

Section 38(a) of the Code provides for a general business credit against tax that includes the amount of the current year business credit. Section 38(b)(5) provides that the amount of the current year business credit includes the low-income housing credit determined under section 42(a).

Section 42(a) of the Code provides that, for purposes of section 38, the amount of the low-income housing credit determined under section 42 for any tax year in the credit period shall be an amount equal to the 'applicable percentage' of the qualified basis of each qualified low-income building.

Section 42(c)(2) of the Code defines the term 'qualified low-income building' as any building: (A) that is part of a qualified low-income housing project at all times during the period (i) beginning on the first day in the compliance period on which the building is part of such a project, and (ii) ending on the last day of the compliance period with respect to the building, and (B) to which the amendments made by section 201(a) of the Tax Reform Act of 1986 apply.

Section 42(g)(1) of the Code defines the term 'qualified low-income housing project' as any project for residential rental property if the project meets the requirements of subparagraphs (A) and (B), whichever the taxpayers elects. The election is irrevocable. The project meets the requirements of section 42(g)(1)(A) if 20 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income. The project meets the requirements of section 42(g)(1)(B) if 40 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income. This rule is known as the 'minimum set-aside' requirement. 2 H.R. Conf. Rep. No. 841, 99th Cong., 2d Sess. II-92 (1986), 1986-3 (Vol. 4) C.B. 92.

Section 42(g)(4) of the Code provides, in part, that section 142(d)(2)(B) applies for purposes of determining whether any project is a low-income housing project and whether any unit is a low-income unit. Section 142(d)(2)(B) states that the income of individuals and area median gross income shall be determined in a manner consistent with determinations of lower income families and area median gross income under section 8 of the United States Housing Act of 1937 (or, if the program is terminated, under the program as in effect immediately before such termination). Determinations of area median gross income under the preceding sentence are adjusted for family size. The determination of an individual's or family's income for purposes of section 8 of the Housing Act of 1937 may differ materially from that individual's or family's income for federal income tax purposes.

In order to satisfy the minimum set-aside requirements of section 42(g)(1) of the Code, a specified percentage of apartments in a low-income housing project must be occupied by low-income tenants who meet the income limits of section 42(g)(1). Under sections 42(g)(1) and 142(d)(2)(B), tenants are considered low-income by reference to the area median gross income as adjusted for family size. These sections require that the income of all individuals in a family that share an apartment be aggregated and compared to the area median gross income for a family of the same size to determine if the minimum set-aside requirement is satisfied. Similarly, the income of all unrelated individuals who share an apartment should be aggregated and compared to the area median gross income for a family of the same size to determine if the minimum set-aside requirement is satisfied.

In this case, if A and B rent the apartment, that apartment does not count towards satisfying the minimum set-aside requirement of section 42(g)(1)(B) because A and B's combined income exceeds 60 percent of the area median gross income for a two-individual family.

#### HOLDING

For purposes of determining whether a building meets the minimum set-aside requirements of section 42(g)(1) of the Code, the combined income of all occupants of an apartment, whether or not legally related, is compared to the appropriate percentage of the median family income for a family with the number of members.

#### DRAFTING INFORMATION

The principal author of this revenue ruling is Paul F. Handleman of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling contact Mr. Handleman on (202) 377-6349 (not a toll-free call).

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Rev. Rul. 90-89, 1990-2 C.B. 8, 1990-44 I.R.B. 6.





## *FEDERAL REGULATION #5*

*IRS Revenue Ruling 94-57: Changes in Area Median  
Gross Income*



## REVENUE RULE 94-57

1994-2 C.B. 5, 1994-37 I.R.B. 4.

Internal Revenue Service  
Revenue Ruling

### LOW-INCOME HOUSING CREDIT; CHANGES IN AREA MEDIAN GROSS INCOME; TENANT QUALIFICATION; AVAILABLE UNIT RULE

Published August 24, 1994

#### Section 42. - Low-Income Housing Credit

(See Also § 142(d.)

Low-income housing credit; changes in area median gross income; tenant qualification; available unit rule. This ruling concludes that (1) the income limitation used to initially qualify tenants in a low-income unit fluctuates with changes in area median gross income, and (2) owners must use the current area median gross income to determine when the available unit rule of section 42(g)(2)(ii) applies. Rev. Rul. 89-24 modified and superseded.

#### ISSUES

For the low-income housing credit under s 42 of the Internal Revenue Code:

- (1) What is the effect of a change in area median gross income (AMGI) on the income limitation used to determine whether a tenant qualifies as a low-income tenant under s 42(g)(1)?
- (2) What is the effect of a change in AMGI on the determination of whether any available residential unit must be rented to a new low-income tenant under s 42(g)(2)(D)(ii)?

#### FACTS

The Project, a single-building, qualified low-income housing project, received a housing credit dollar amount allocation from a housing credit agency (the Agency) in 1990. The Project was placed in service and began its credit period in 1991. When the Project owner first filed the Project's Form 8609, Low-Income Housing Credit Allocation Certification, the Project owner elected the 40-60 test of s 42(g)(1)(B).

In January 1992, the Tenant took initial occupancy of a rent-restricted residential unit in the Project. At the time the Tenant initially occupied the unit, 60 percent of AMGI, as adjusted for family size, in the area in which the Project is located, as defined in Rev. Rul. 89-24, 1989-1 C.B. 24, was \$30x and the Tenant's annual income was \$29x. Therefore, the unit that the Tenant occupied qualified as a low-income unit under 42(i)(3).

On May 5, 1993, AMGI, as determined in a manner consistent with section 8 of the United States Housing Act of 1937 (H.U.D. section 8), decreased so that 60 percent of AMGI, as adjusted for family size, in the area in which the Project is located was \$25x.

On March 30, 1994, the Tenant's annual income was recertified under s1.42- 5(b)(1)(vi) of the Income Tax Regulations at \$36x.

On April 1, 1994, another residential unit in the Project, which was not a low-income unit, became vacant. That unit is of comparable size to the unit occupied by the Tenant. As of April 1, 1994, 60 percent of AMGI remained \$25x, as adjusted for family size. At all times, the unit occupied by the Tenant remained rent-restricted.

## LAW

Section 42(g)(1) defines a "qualified low-income housing project" as any project for residential rental use that meets one of the following requirements: (A) 20 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50 percent or less of AMGI, as adjusted for family size, or (B) 40 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60 percent or less of AMGI, as adjusted for family size. These requirements are referred to as the minimum set-asides. Section 142(d)(1) contains similar requirements for exempt facility bonds the net proceeds of which are to be used to provide qualified residential rental projects.

Section 42(i)(3)(A) defines the term "low-income unit" as any unit in a building if: (i) the unit is rent-restricted (as defined in s 42(g)(2)), and (ii) the individuals occupying the unit meet the income limitation applicable under s 42(g)(1) to the project of which the building is a part (low-income tenants).

Section 42(g)(2)(D)(i) provides that, except as provided in s 42(g)(2)(D)(ii), notwithstanding an increase in the income of the occupant of a low-income unit above the income limitation applicable under s 42(g)(1), the unit continues to be treated as a low-income unit if the income of the occupants initially met the income limitation and the unit continues to be rent-restricted.

Section 42(g)(2)(D)(ii) provides, however, that if the income of the occupants of the unit increases above 140 percent of the income limitation applicable under s 42(g)(1), a unit ceases to qualify as a low-income unit if any residential unit in the building (of a size comparable to, or smaller than, the unit) is occupied by a new resident whose income exceeds the income limitation. Section 142(d)(3) contains similar requirements for exempt facility bonds the net proceeds of which are to be used to provide qualified residential rental projects.

Under s 42(g)(4), s 142(d)(2)(B) applies when determining whether any project is a qualified low-income housing project and whether any unit is a low-income unit. Section 142(d)(2)(B) provides that the income of individuals and AMGI is determined in a manner consistent with determinations of lower income families and AMGI under H.U.D. section 8. Accordingly, the

determinations of lower income families and AMGI under H.U.D. section 8 apply to s 42(g)(1) and, therefore, to s 42(g)(2) and s 42(i)(3).

## ANALYSIS

Issue 1. For a unit to be a low-income unit, a low-income tenant must meet the applicable income limitation elected by a project owner under s 42(g)(1) at the time the tenant initially occupies a rent-restricted residential unit in the owner's project. If a tenant initially satisfied the applicable income limitation, the unit remains a low-income unit, except as provided in s 42(g)(2)(D)(ii), notwithstanding an increase in the tenant's income (assuming the unit continues to be rent-restricted). See 2 H.R. Conf. Rep. No. 841, 99th Cong., 2d Sess. II-93 (1986). Similarly, if AMGI decreases in a project's area, a low-income tenant who occupied a residential unit prior to the decrease in AMGI will continue to qualify as a low-income tenant if the tenant qualified as a low-income tenant at the time of the tenant's initial occupancy. Thus, a change in a tenant's income or a change in AMGI occurring subsequent to the tenant's initial occupancy does not cause that tenant to cease to be a low-income tenant as of initial occupancy.

On the other hand, a decrease in AMGI commensurately decreases the income limitation under s 42(g)(1) used to determine whether a tenant initially qualifies as a low-income tenant if the tenant's initial occupancy occurs on or after the effective date of the decrease in AMGI. Likewise, an increase in AMGI commensurately increases the income limitation under s 42(g)(1) used to determine whether a tenant initially qualifies as a low-income tenant if the tenant's initial occupancy occurs on or after the effective date of the increase in AMGI. Therefore, a tenant that initially occupies a residential unit after the effective date of a change in AMGI (whether AMGI increases or decreases for the area) must qualify based on the AMGI in effect at the time the tenant initially occupies the unit.

Under the facts presented, as of its initial occupancy, the Tenant is a low-income tenant because the Tenant's annual income at the time the Tenant initially occupied a residential unit in the Project, \$29x, was less than the income limitation applicable to the Project, \$30x, as adjusted for family size. The result would be the same under s 142(d)(1).

Issue 2. Notwithstanding the analysis of Issue 1, if the income of the occupants in a low-income unit increases above 140 percent of the income limitation under s 42(g)(1), that unit ceases to qualify as a low-income unit unless the project owner rents any available residential unit of comparable or smaller size to a new low-income tenant. A decrease in AMGI decreases the income limitation under s 42(g)(1). Accordingly, a decrease in AMGI decreases the income limitation used to calculate whether a project owner must rent any available residential unit of comparable or smaller size to a new low-income tenant under s 42(g)(2)(D)(ii). Likewise, an increase in AMGI increases the income limitation under s 42(g)(2)(D)(ii) used to calculate whether a project owner must rent any available residential unit of comparable or smaller size to a new low-income tenant.

On April 1, 1994, 140 percent of the applicable income limitation for the Project was \$35x (1.4 times \$25x), as adjusted for family size. Because the Tenant's annual income is \$36x, for the Tenant's unit to continue to qualify as a low-income unit, the Project owner must rent the

residential unit that became vacant on April 1, 1994, to a tenant whose income does not exceed the applicable income limitation of \$25x, as adjusted for family size. The result would be the same under s 142(d)(3).

## HOLDINGS

(1) A decrease in AMGI commensurately decreases the income limitation under s 42(g)(1) used to determine whether a tenant initially qualifies as a low-income tenant if the tenant's initial occupancy occurs on or after the effective date of the decrease in AMGI. Likewise, an increase in AMGI commensurately increases the income limitation under s 42(g)(1) used to determine whether a tenant initially qualifies as a low-income tenant if the tenant's initial occupancy occurs on or after the effective date of the increase in AMGI. This holding would also apply under s 142(d)(1).

(2) A decrease in AMGI decreases the income limitation used to calculate whether a project owner must rent any available residential unit of comparable or smaller size to a new low-income tenant under s 42(g)(2)(D)(ii). Likewise, an increase in AMGI increases the income limitation used to calculate whether a project owner must rent any available residential unit of comparable or smaller size to a new low-income tenant under s 42(g)(2)(D)(ii). This holding would also apply under s 142(d)(3).

## EFFECT ON OTHER REVENUE RULINGS

Rev. Rul. 89-24, 1989-1 C.B. 24, 25, provides that a list of income limits released by the Department of Housing and Urban Development (HUD) may be relied upon until 30 days after the Internal Revenue Service publishes an announcement or notice in the Internal Revenue Bulletin indicating that HUD has released updated income limits. Rev. Rul. 89-24 is modified and superseded. In the future, taxpayers may rely on a list of income limits released by HUD until 45 days after HUD releases a new list of income limits, or until HUD's effective date for this new list, whichever is later. However, under s 7805(b), taxpayers may rely on the income limits in effect prior to May 5, 1993, until 30 days after [FNa1] .

## PROSPECTIVE APPLICATION

The Service will not retroactively apply the holdings in this revenue ruling to the extent the holdings in this revenue ruling adversely affect taxpayers.

## DRAFTING INFORMATION

The principal author of this revenue ruling is Jeffrey A. Erickson of the Office of the Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Mr. Erickson 622-3040 (not a toll-free call).

FNa1. Insert date this revenue ruling is published in the Internal Revenue Bulletin.

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Rev. Rul. 94-57, 1994-2 C.B. 5, 1994-37 I.R.B. 4.





## *FEDERAL REGULATION #6*

*IRS Revenue Ruling 98-47: Tax -Exempt Bond ruling  
on Assisted Living*



**INTERNAL REVENUE SERVICE**  
**Revenue Ruling**

**RESIDENTIAL RENTAL PROPERTY**

Released: September 14, 1998  
Published: September 28, 1998

26 CFR 1.103-8: Interest on bonds to finance certain exempt facilities  
Residential rental property. For purposes of section 142(d) and 145(d) of the Code, the ruling provides that the availability of continual or frequent medical, nursing, or psychiatric services in a facility for the residents of the facility will cause the facility to be other than residential rental property. Other non-housing services available in a facility for the residents of the facility generally will not cause the facility to be other than residential rental property.

Section 145. - Qualified 501(c)(3) Bond, 26 CFR 1.103-8(b): Residential rental property.

Section 103. - Interest on State and Local Bonds, 26 CFR 1.103-8(b): Residential rental property.

Section 142. - Exempt Facility Bond, 26 CFR 1.103-8(b): Residential rental property.

Residential rental property. For purposes of section 142(d) and 145(d) of the Code, the ruling provides that the availability of continual or frequent medical, nursing, or psychiatric services in a facility for the residents of the facility will cause the facility to be other than residential rental property. Other non-housing services available in a facility for the residents of the facility generally will not cause the facility to be other than residential rental property.

**ISSUE**

Are the buildings described below residential rental property for purposes of s142(d) and s145(d) of the Internal Revenue Code?

**FACTS**

Complex M provides housing units on a non-transient basis for individuals who are of retirement age or older. All of the units in Complex M are available to members of the general public. Complex M is comprised of Building X, Building Y, and Building Z, each of which is composed of similarly constructed housing units that have separate and complete facilities for living, sleeping, eating, cooking, bathing, and sanitation. The cooking and eating area contains a small refrigerator, a sink, a pull-down table, and a two-burner stove with an oven. Each unit is designed so that the stove can be replaced with a full-sized microwave oven if the physical or mental frailties of the resident make it imprudent to provide a functioning cooking stove.

Each resident enters into a lease arrangement with Complex M. The amount of the monthly payment under the lease varies according to the level of care provided in the building in which the resident resides, with Building Z commanding the largest payment and Building X the smallest payment. The monthly payment is made in exchange for use of an individual unit, basic services and, with respect to

Buildings Y and Z, other services. Under a lifetime lease payment option, residents of Complex M may pay a fixed monthly amount for the time they reside in Complex M. The lifetime lease option guarantees a resident the right to move to a unit in Buildings Y or Z if the resident requires additional care.

The basic services available to the residents in all three buildings include: laundry; housekeeping; regular daily meals in the common dining areas; 24 hour monitored emergency call service using call buttons and two-way communication devices located in each room of a unit; planned social activities; and scheduled transportation to various sites in the vicinity including commercial areas, shopping centers, hospitals, and doctor's offices.

Building X, Building Y, and Building Z each contains a separate common dining area. The dining area in each building will be used exclusively by residents of Complex M and visitors of those residents. The size of the dining area in any building does not exceed that necessary to serve the residents of the building and their guests. The dining area serves the special needs of the residents and provides the staff of Complex M an opportunity to monitor the overall well-being, nutrition, and health of the residents.

Only the basic services are made available to residents of Building X. No other services are included in the monthly payment. Continual or frequent nursing, medical, or psychiatric services are not made available in Building X.

The basic services and the Building Y support services are made available to residents of Building Y. The Building Y support services are as follows: assistance by medication management technicians in medication management and intake; maintenance of detailed medication records; consultation with a nurse as needed about health concerns and medication plans; assistance by non-medically certified aides each day during waking hours in activities of daily living that include getting in and out of bed and chairs, walking, using the toilet, dressing, eating, and bathing; and routine checks by staff members of Building Y to insure the residents' general well-being. Some residents of Building Y have incapacitating infirmities that require continual assistance, but do not require continual or frequent nursing, medical, or psychiatric services. Continual or frequent nursing, medical, or psychiatric services are not made available in Building Y.

The basic services and the Building Y support services are made available to residents of Building Z. In addition, Building Z is staffed in the following manner: registered nurses are on duty for 12 hours each day; licensed practical nurses are on duty for 24 hours each day; and licensed nurses' aides are available 24 hours each day. The nurses and nurses' aides are available to provide nursing care for residents' medical or psychiatric needs. Thus, continual or frequent nursing, medical, or psychiatric services are made available in Building Z.

Residents in Building X are required to move into Buildings Y or Z or another facility outside of Complex M if, because of physical or mental disability, they require additional care beyond that offered by Building X. Residents in Buildings X and Y are required to move into Building Z or another facility outside of Complex M if they require continual or frequent nursing, medical, or psychiatric services.

#### LAW AND ANALYSIS

Under the general rule of s 103(a), gross income does not include interest on any state or local bond. Section 103(b)(1), however, provides that the exclusion does not apply to any private activity bond unless it is one of the qualified bonds under s 141(e). Among these qualified bonds are exempt facility bonds and qualified s 501(c)(3) bonds.

Section 142(a) describes an exempt facility bond as any bond issued as part of an issue of bonds if 95 percent or more of the net proceeds of the issue are to be used to provide listed types of projects or facilities. Within the list, in s 142(a)(7), are qualified residential rental projects.

Section 142(d) defines a qualified residential rental project as a project for residential rental property that houses occupants who meet one of the alternative income tests at all times throughout a qualified project period. In the Tax Reform Act of 1986, 1986-3 (Vol. 1) C.B. 519-575 (the "1986 Act"), Congress reorganized s 103 and s 103A of the Internal Revenue Code of 1954 (the "1954 Code") regarding tax-exempt bonds into s 103 and ss 141 through 150 of the Internal Revenue Code of 1986. Congress intended that to the extent not amended by the 1986 Act, all principles of pre-1986 Act law would continue to apply to the reorganized provisions. 2 H.R.Conf.Rep. No. 841, 99th Cong., 2d Sess. II-686 (1986), 1986-3 (Vol. 4) C.B. 686. (Conference Report). Because no Income Tax Regulations have been promulgated under s 142(d), the regulations promulgated pursuant to s 103(b)(4) of the 1954 Code continue to apply to residential rental property except as otherwise modified by the 1986 Act and subsequent law.

Section 145(a) describes a qualified s 501(c)(3) bond as any bond issued as part of an issue of bonds if all of the property to be provided by the net proceeds of the issue is to be owned by a s 501(c)(3) organization or a governmental unit and 95 percent or more of the net proceeds of the issue are used in a manner related to the exempt purpose of the s501(c)(3) organization. Under s145(d)(1), however, a bond generally is not a qualified s501(c)(3) bond if net proceeds of the issue are used directly or indirectly to provide residential rental property for family units. Section 145(d)(2) provides certain exceptions to s 145(d)(1). The legislative history of s 145(d) indicates that the phrase residential rental property for family units in s 145(d) has the same meaning as residential rental property under s 1.103-8(b) of the Income Tax Regulations.

Under s 1.103-8(b)(4), a residential rental project is residential rental property that meets certain requirements including occupancy requirements by low-income tenants during the period when the units must be continually rented or available for rental. Residential rental property is a building or structure, together with any functionally related and subordinate facilities, containing one or more similarly constructed units that are available to members of the general public and used on other than a transient basis. The regulations also provide that hotels, motels, dormitories, fraternity and sorority houses, rooming houses, hospitals, nursing homes, sanitariums, rest homes, and trailer parks and courts for use on a transient basis are not residential rental projects.

Section 1.103-8(b)(8) defines a "unit" as any accommodation containing separate and complete facilities for living, sleeping, eating, cooking, and sanitation. The regulations note that an example of a unit would be a separate and distinct apartment containing a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator, and sink.

Additional insight into the meaning of residential rental property can be found under s 42, which provides the low-income housing credit. 2 H.R.Conf.Rep. No. 841, 99th Cong., 2d Sess. II-89 (1986), 1983-3 (Vol. 4) C.B. 89, states that the phrase "residential rental property" generally has the same meaning under both s 42 and s 142(d).

Section 1.42-11(b) provides a distinction between residential rental properties and health care facilities by focusing on whether frequent nursing, medical, or psychiatric services are provided to residents, it is presumed that the building is

ineligible for the credit as is the case with a hospital or nursing home. The distinction drawn in the regulations under s 42 regarding the nature of the facility based on the frequency of nursing, medical, or psychiatric services available in the facility is also the appropriate standard for determining whether facilities are residential rental property for purposes of s 142(d) and s 145(d).

For purposes of s 142(d) and s 145(d), if a facility makes available continual or frequent nursing, medical, or psychiatric services, the facility will not be residential rental property under s 142(d) or s 145(d). In the case of a mixed use facility, the allocable portion of the facility in which continual or frequent nursing, medical, or psychiatric services are made available will not be residential rental property under s 142(d) or s 145(d).

As set forth in the facts above, Building X, Building Y, and Building Z each contains complete living units within the meaning of s 1.103-8(b)(8), all of the living units within the respective buildings are available to the general public, and all of the living units are used on a non-transient basis. Since Complex M also provides significant non-housing services to residents of the three buildings (including continual or frequent nursing, medical, or psychiatric services to the residents of Building Z), the analysis must consider the nature and extent of the non-housing services. In the case of Complex M, the analysis must examine whether the buildings of Complex M are hospitals, nursing homes, sanitariums, or rest homes rather than residential rental property. For purposes of s 142(d) and s 145(d), labels are not determinative. The focus of these sections, their legislative histories, and the applicable regulations thereunder, is whether the facilities are, in substance, residences or health care facilities. Therefore, the nature and degree of the services provided by the facility controls.

Significant non-housing services are made available to residents of Building X and Building Y, including meals and various support services. The services available to residents of Building X and Building Y do not include continual or frequent nursing, medical, or psychiatric services although, under the lifetime lease option, certain residents are assured that they will receive continual or frequent nursing, medical, or psychiatric services in Building Z if required. Thus, under the principles set forth above, Buildings X and Y would be residential rental property.

Continual or frequent nursing, medical, or psychiatric services are made available to residents of Building Z in addition to the same non-housing services that are made available to residents of Building X and Building Y. Thus, under the principles set forth above, Building Z would not be a residential rental property.

#### HOLDING

Building X and Building Y are residential rental property for purposes of s 142(d) and s 145(d). Because continual or frequent nursing, medical, or psychiatric services are made available in Building Z, Building Z is not residential rental property for purposes of s 142(d) and s 145(d).

Neither Building X nor Building Y would fail to be residential rental property under s 142(d) or s 145(d) merely because it was called a hospital, a sanitarium, a rest home, or a nursing home. Similarly, Building Z would not be residential rental property under s 142(d) or s 145(d) merely because it was called an assisted living facility or an elderly care facility.

#### DRAFTING INFORMATION

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Rev. Rul. 98-47, 1998-39 I.R.B. 4





## *FEDERAL REGULATION #7*

*IRS Revenue Ruling 2004-82: LIHTC Questions &  
Answers*



# IRS Revenue Ruling 2004-82

## Answering 12 Questions About Low-Income Housing Credit Under I.R.C. Section 42

This revenue ruling is scheduled to appear in Internal Revenue Bulletin 2004-35, dated Aug. 30, 2004.

### Part I

Section 42.--Low-Income Housing Credit  
(Also §§1.42-5, 1.42-15, 1.103-8.)

### Rev. Rul. 2004-82

#### PURPOSE

This revenue ruling answers certain questions about the low-income housing credit under 42 of the Internal Revenue Code.

#### LAW AND QUESTIONS AND ANSWERS

##### A. ELIGIBLE BASIS AND QUALIFIED BASIS ISSUES

###### Law

Section 42(a) provides for a credit for investment in certain low-income housing buildings. The amount of the low-income housing credit for any taxable year in the credit period is an amount equal to the applicable percentage of the qualified basis of each qualified low-income building (as defined in §42(c)(2)).

Section 42(c)(1)(A) provides that the qualified basis of any qualified low-income building for any taxable year is an amount equal to (i) the applicable fraction (determined as of the close of the taxable year) of (ii) the eligible basis of the building (determined under § 42(d)).

Section 42(c)(1)(B) defines the applicable fraction as the smaller of the unit fraction or the floor space fraction. Section 42(c)(1)(C) defines the unit fraction as the fraction the numerator of which is the number of low-income units (as defined in §42(i)(3)(A)) in the building and the denominator of which is the number of residential rental units (that is, all units in the building which are available to rent as personal residences), whether or not occupied, in the building. Section 42(c)(1)(D) defines the floor space fraction as the fraction the numerator of which is the total floor space of the low-income units in the building and the denominator of which is the total floor space of the residential rental units, whether or not occupied, in the building.

Section 42(d)(1) provides that the eligible basis of a new building is its adjusted basis as of the close of the first taxable year of the credit period. Section 42(d)(4)(A) provides that, except as provided in § 42(d)(4)(B) and (C), the adjusted basis of any building is determined without regard to the adjusted basis of any property that is not residential rental property. Section 42(d)(4)(B) provides that the adjusted basis of any building includes the adjusted basis of property of a character subject to the allowance for depreciation (1) used in common areas or (2) provided as comparable amenities to all residential rental units in the building.

Section 42(d)(4)(C)(i) provides that the adjusted basis of any building located in a qualified census tract is determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation and not otherwise taken into account) used throughout the taxable year in providing any community service facility. Section 42(d)(4)(C)(iii) provides that the term "community service facility" means any facility designed to serve primarily individuals whose income is 60 percent or less of area median income (AMGI) (within the meaning of § 42(g)(1)(B)). Section 42(d)(5)(C)(ii)(I) defines the term "qualified census tract" as any census tract (1) which is designated by the Secretary of Housing and Urban Development (HUD), and (2) for the most recent year for which census data are available on household income in the tract, either in which 50 percent or more of the households have an income which is less than 60 percent of the AMGI for the year or which has a poverty rate of at least 25 percent. See <http://www.huduser.org/datasets/qct.html> for a listing of census tracts designated by the Secretary of HUD.

Section 42(d)(4)(C)(ii) provides that the increase in the adjusted basis of any building which is taken into account because of a community service facility may not exceed 10 percent of the eligible basis of the qualified low-income housing project (as defined in §42(g)(1)) of which the community service facility is a part. For this purpose, §42(d)(4)(C)(ii) provides that all community service facilities which are part of the same qualified low-income housing project are treated as one facility.

Rev. Rul. 2003-77, 2003-29 I.R.B. 75, provides that the requirement that a community service facility must be designed to serve primarily individuals whose income is 60 percent or less of AMGI will be satisfied if the following conditions are met. First, the facility must be used to provide services that will improve the quality of life for community residents. Second, the taxpayer must demonstrate that the services provided at the facility will be appropriate and helpful to individuals in the area of the project whose income is 60 percent or less of AMGI. This may, for example, be demonstrated in the market study required to be conducted under § 42(m)(1)(A)(iii), or another similar study. Third, the facility must be located on the same tract of land as one of the buildings that is part of the qualified low-income housing project. Finally, if fees are charged for services provided, they must be affordable to individuals whose income is 60 percent or less of AMGI.

The legislative history of §42 states that residential rental property for purposes of the lowincome housing credit has the same meaning as residential rental property for purposes of § 103. The legislative history of §42 further states that residential rental property includes residential rental units, facilities for use by the tenants, and other facilities reasonably required by the project. H.R. Conf. Rep. No. 841, 99th Cong., 2d Sess. II-89 (1986), 1986-3 (Vol. 4) C.B. 89.

In the Tax Reform Act of 1986 (the "1986 Act"), Congress reorganized §§103 and 103A of the Internal Revenue Code of 1954 (the "1954 Code") regarding tax-exempt bonds into §§103 and 141 through 150 of the Internal Revenue Code of 1986. Congress intended that to the extent not amended by the 1986 Act, all principles of pre-1986 Act law would continue to apply to the reorganized provisions. H.R. Conf. Rep. No. 841, 99th Cong., 2d Sess. II-686 (1986), 1986-3 (Vol. 4) C.B. 686. Because no regulations have been promulgated relating to residential rental property for purposes of §103, the regulations relating to residential rental property promulgated pursuant

to the 1954 Code continue to apply except as otherwise modified by the 1986 Act and subsequent law.

Under § 1.1038(b)(4)(i) of the Income Tax Regulations, facilities that are functionally related and subordinate to residential rental projects are considered residential rental property. Section 1.1038(b)(4)(iii) provides that functionally related and subordinate facilities include facilities for use by the tenants, such as swimming pools and other recreational facilities, parking areas, and other facilities reasonably required for the project. Examples in § 1.1038(b)(4)(iii) of facilities reasonably required for a project include units for resident managers or maintenance personnel.

**Q-1.**

A new qualified low-income building (Building) is located in an area in which owners of apartment buildings typically employ security officers due to the level of crime in the area.

(a) If a unit in Building is occupied by a full-time security officer for that building and Building's owner requires the security officer to live in the unit, is the adjusted basis of that unit includable in Building's eligible basis under §42(d)(1)?

(b) If yes, is that unit a residential rental unit includable in the numerator and denominator of Building's applicable fraction under § 42(c)(1)(B)?

**A-1.**

(a) Yes. The legislative history of §42 indicates that residential rental property includes, in addition to the residential rental units, facilities for use by the tenants and other facilities reasonably required by the project.

Under §1.103-8(b)(4)(iii), functionally related and subordinate property is property that is reasonably required for the project. Examples of functionally related and subordinate property are units for resident managers or maintenance personnel. See §1.103-8(b)(4)(iii). Thus, while units for resident managers or maintenance personnel are not residential rental units, they are treated as part of residential rental property because these units are functionally related and subordinate to the project. The unit occupied by a full-time security officer is similar to the units described in the examples contained in § 1.103-8(b)(4)(iii), and is reasonably required by the project because of the level of crime in the area. Thus, the unit is functionally related and subordinate to Building. As a result, the unit is residential rental property for purposes of §42 and its adjusted basis is includable in Building's eligible basis under § 42(d)(1).

(b) No. The term "residential rental unit" has a different meaning than the term "residential rental property" for purposes of §42. Under §1.103-8(b)(4)(iii), units for resident managers or maintenance personnel are residential rental property because they are functionally related and subordinate to residential rental projects, not because they are residential rental units. Similarly, a unit occupied by a full-time security officer is not a residential rental unit. Only residential rental units are includable in Building's applicable fraction under § 42(c)(1)(B).

If in a later year of the credit period, the unit occupied by the full-time

security officer is converted to a residential rental unit, the unit will be includable in the denominator of Building's applicable fraction for that year. If the unit also becomes a low-income unit in a later year, the unit will be includable in the numerator of Building's applicable fraction for that year.

**Q-2.**

A new qualified low-income building (Building) received a housing credit allocation on June 1, 2003, and was placed in service in 2004. Building is located in a qualified census tract (as defined in §42(d)(5)(C)). The neighborhood in which Building is located is an area with a high rate of crime. In 2004, the local police department leases a unit in Building to be used as a police substation (Facility). The Facility is part of the police department's community outreach program. This Facility is intended to serve as a deterrent to crime in the community, assist the community with solving crime-related problems, reduce the response time to area calls for service, and provide the locally assigned police officers with a local office. The services provided by the police are free of charge. The adjusted basis of the property constituting the Facility (of a character subject to the allowance for depreciation and not otherwise taken into account in the adjusted basis of Building) does not exceed 10 percent of the eligible basis of Building.

As required by § 42(m)(1)(A)(iii), prior to the allocation of low-income housing credit to Building, a comprehensive market study was conducted to assess the housing needs of the low-income individuals in the area to be served by Building. The study found, among other items, that due to the high rate of crime in the community in which Building is located, providing a police substation would be appropriate and helpful to individuals in the area of Building whose income is 60 percent or less of AMGI.

(a) Is the adjusted basis of the Facility includable in Building's eligible basis under § 42(d)(1)?

(b) If yes, is the Facility includable in Building's applicable fraction under § 42(c)(1)(B)?

**A-2.**

(a) Yes. The Facility qualifies as a community service facility under § 42(d)(4)(C)(iii). Under the facts presented, the Facility is designed to serve primarily individuals whose income is 60 percent or less of AMGI for the following reasons: (1) the services provided at the Facility are services that will help improve the quality of life for community residents; (2) the market study required to be conducted under § 42(m)(1)(A)(iii) found that the services provided at the Facility would be appropriate and helpful to individuals in the area of Building whose income is 60 percent or less of AMGI; (3) the Facility is located within Building; and (4) the services provided at the Facility are affordable to individuals whose income is 60 percent or less of AMGI.

Because the other requirements set forth in § 42(d)(4)(C) are met, the adjusted basis of Building will be determined by taking into account the adjusted basis of the Facility. Thus, the adjusted basis of the Facility is includable in Building's eligible basis.

(b) No. The Facility is not a residential rental unit for purposes of §42. Therefore, the Facility is not includable in either the numerator or

denominator of Building's applicable fraction.

**Q-3.**

On applying to the housing credit agency for an allocation of §42 credits for a new building, the housing credit agency requires that the applicant pay a nonrefundable application fee. If the applicant is successful, an allocation fee is payable to the housing credit agency. Are the application fee and allocation fee includable in the eligible basis of the applicant's low-income housing building?

**A-3.**

No. The application fee and allocation fee are not includable in the eligible basis of the applicant's low-income housing building because the fees are not capitalizable into the adjusted basis of the building. See §263 and §263A. However, depending on the facts and circumstances, all or a portion of these fees may be required to be capitalized as amounts paid to create an intangible asset. See § 1.263(a)-4. Any portion of these fees not required to be capitalized under § 1.263(a)-4 may be deductible as an ordinary and necessary expense under § 162 or § 212, provided the taxpayer satisfies the requirements of those sections.

**B. FIRST-YEAR LOW-INCOME UNIT ISSUE**

**Law**

Section 42(i)(3)(A) defines "low-income unit" as any unit in a building if (i) the unit is rent-restricted (as defined in §42(g)(2)), and (ii) the individuals occupying the unit meet the income limitation applicable under §42(g)(1) to the project of which the building is a part (individuals that meet the applicable income limitation are referred to as "income-qualified"). Section 42(i)(3)(B) provides that a unit will not be treated as a low-income unit unless the unit is suitable for occupancy and used other than on a transient basis.

Section 42(f)(1) defines the "credit period" for a low-income housing credit building as the period of 10 taxable years beginning with (A) the taxable year in which the building is placed in service or (B) at the election of the taxpayer, the succeeding taxable year, but in either case only if the building is a qualified low-income building as of the close of the first year of the period.

Section 42(f)(2)(A) provides a special rule for determining the amount of the low-income housing credit allowable for the first year of the credit period. It provides that the credit allowable under §42(a) with respect to any building for the first taxable year of the credit period must be determined by substituting for the applicable fraction under § 42(c)(1) the fraction (i) the numerator of which is the sum of the applicable fractions determined under § 42(c)(1) as of the close of each full month of the first taxable year of the credit period during which the building was in service, and (ii) the denominator of which is 12.

**Q-4.**

On initial occupancy of a unit in the first year of a newly constructed building's credit period, an income-qualified tenant moved into the unit on the last day of a month. The unit was rent-restricted in accordance with §42(g)(2). In determining the low-income housing credit for the building for the first year of the credit period, is the unit treated as a low-income



unit for that month for purposes of the fraction calculated under §42(f)(2)(A)?

**A-4.**

Yes. The unit is treated as a low-income unit eligible for inclusion in the numerator and denominator of the monthly applicable fraction calculated under § 42(f)(2)(A)(i) if the tenant, who meets the income limitation under §42(g)(1), resides in the rent-restricted unit on the last day of the month. However, in accordance with § 42(f)(2)(A), the building must have been placed in service for a full month for the unit to be includable in the numerator and denominator of the monthly applicable fraction.

**C. EXTENDED LOW-INCOME HOUSING COMMITMENT ISSUE**

**Law**

Section 42(h)(6)(A) provides that no credit will be allowed with respect to any building for the taxable year unless an extended low-income housing commitment (as defined in §42(h)(6)(B)) is in effect as of the end of the taxable year. Section 42(h)(6)(B)(i) provides that "the term "extended low-income housing commitment" means any agreement between the taxpayer and the housing credit agency which requires that the applicable fraction (as defined in §42(c)(1)) for the building for each taxable year in the extended use period will not be less than the applicable fraction specified in the agreement and which prohibits the actions described in subclauses (I) and (II) of §42(h)(6)(E)(ii)" (emphasis added).

Section 42(h)(6)(E)(ii) provides that the termination of an extended low-income housing commitment under §42(h)(6)(E)(i) will not be construed to permit before the close of the 3-year period following the termination (I) the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or (II) any increase in the gross rent with respect to a low-income unit not otherwise permitted under §42.

Section 42(h)(6)(D) defines the term "extended use period" as the period beginning on the first day in the compliance period on which the building is part of a qualified low-income housing project and ending on the later of (1) the date specified by the agency in the extended low-income housing commitment, or (2) the date which is 15 years after the close of the compliance period.

Section 42(h)(6)(J) provides that if, during a taxable year, there is a determination that a valid extended low-income housing commitment was not in effect as of the beginning of the year, the determination will not apply to any period before that year and §42(h)(6)(A) will be applied without regard to the determination provided that the failure is corrected within 1 year from the date of the determination.

In the Omnibus Budget Reconciliation Act of 1990, 1991-2 C.B. 481, 531 (the "1990 Act"), Congress amended §42(h)(6)(B)(i) by adding the language emphasized above, which prohibits the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii). At the time of this amendment, however, §42(h)(6)(E)(ii) was already part of §42.

The legislative history to §42 states that the extended low-income housing commitment must prohibit the eviction or termination of tenancy (other than for good cause) of an existing tenant of a low-income unit or any increase in the gross rent inconsistent with the rent restrictions on the unit. H. Rep. No. 894, 101st Cong., 2d Sess. 10, 13 (1990).

**Q-5.**

Must the extended low-income housing commitment prohibit the actions described in subclauses (I) and (II) of §42(h)(6)(E)(ii) only for the 3-year period described in §42(h)(6)(E)(ii)?

**A-5.**

No. Section 42(h)(6)(B)(i) requires that an extended low-income housing commitment include a prohibition during the extended use period against (1) the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit (no-cause eviction protection) and (2) any increase in the gross rent with respect to the unit not otherwise permitted under §42. When Congress amended §42(h)(6)(B)(i) to add the language emphasized above, §42(h)(6)(E)(ii) was already part of §42. As a result, Congress must have intended the amendment to § 42(h)(6)(B)(i) to add an additional requirement beyond what was contained in § 42(h)(6)(E)(ii), which already prohibited the actions described in that section for the 3 years following the termination of the extended use period. Because the requirements of §42(h)(6)(B)(i) otherwise apply for the extended use period, Congress must have intended the addition of the prohibition against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii) to apply throughout the extended use period.

If it is determined by the end of a taxable year that a taxpayer's extended low-income housing commitment for a building does not meet the requirements for an extended low-income housing commitment under §42(h)(6)(B) (for example, it does not provide no-cause eviction protection for the tenants of low-income units throughout the extended use period), the low-income housing credit is not allowable with respect to the building for the taxable year, or any prior taxable year. However, if the failure to have a valid extended low-income housing commitment in effect is corrected within 1 year from the date of the determination, the determination will not apply to the current year of the credit period or any prior year.

Pursuant to this revenue ruling, each housing credit agency is required to review its extended low-income housing commitments for compliance with the interpretation of § 42(h)(6)(B)(i) provided in this question and answer. This review must be completed by December 31, 2004. If during the review period the housing credit agency determines that an extended low-income housing commitment is not in compliance with the interpretation of §42(h)(6)(B)(i) provided in this question and answer, the 1-year period described under §42(h)(6)(J) will commence on the date of that determination.

## **D. HOME INVESTMENT PARTNERSHIP ACT LOAN ISSUES**

### **Law**

Section 42(b)(2)(A) provides that for a qualified low-income building placed in service by the taxpayer after 1987, the term "applicable percentage"

means (1) the 70-percent present value credit under §42(b)(2)(B)(i) for new buildings which are not federally subsidized, and (2) the 30-percent present value credit under §42(b)(2)(B)(ii) for new buildings which are federally subsidized and for existing buildings.

In general, §42(d)(5)(C)(i) provides that in the case of any building located in a designated qualified census tract or difficult development area (as defined in § 42(d)(5)(C)(ii) and (iii)), (I) the eligible basis of a new building will be 130 percent of the eligible basis determined without regard to this rule, and (II) in the case of an existing building, the rehabilitation expenditures taken into account under §42(e) will be 130 percent of the expenditures determined without regard to this rule.

Section 42(g)(1) defines the term "qualified low-income housing project" as any project for residential rental property if the project meets the requirements of § 42(g)(1)(A) or (B), whichever the taxpayer elects. The election is irrevocable. The project meets the requirements of §42(g)(1)(A) if 20 percent or more of the residential units in the project are rent-restricted and occupied by individuals whose income is 50 percent or less of AMGI. The project meets the requirements of §42(g)(1)(B) if 40 percent or more of the residential units in the project are rent-restricted and occupied by individuals whose income is 60 percent or less of AMGI. The requirement a taxpayer elects is referred to as the "minimum set-aside" for the project.

Section 42(g)(2)(A) provides that for purposes of §42(g)(1), a residential unit is rent-restricted if the gross rent with respect to the unit does not exceed 30 percent of the imputed income limitation applicable to the unit.

Section 42(g)(2)(C) provides that the imputed income limitation applicable to a unit is the income limitation which would apply under §42(g)(1) to individuals occupying the unit if the number of individuals occupying the unit were: (i) in the case of a unit which does not have a separate bedroom, 1 individual; and (ii) in the case of a unit which has one or more separate bedrooms, 1.5 individuals for each separate bedroom.

Section 42(g)(3)(A) provides that a building will be treated as a qualified low-income building only if the project (of which the building is a part) meets the requirements of §42(g)(1) not later than the close of the first year of the credit period for the building.

Section 42(i)(2)(A) provides that for purposes of §42(b)(1), a new building will be treated as federally subsidized for any taxable year if, at any time during the taxable year or any prior taxable year, there is or was outstanding any obligation the interest on which is exempt from tax under §103, or any below market Federal loan, the proceeds of which are or were used (directly or indirectly) with respect to the building or operation thereof.

Section 42(i)(2)(B) provides that a loan or tax-exempt obligation will not be taken into account under §42(i)(2)(A) if the taxpayer elects to exclude from eligible basis of the building for purposes of §42(d), in the case of a loan, the principal amount of the loan, and in the case of a tax-exempt obligation, the proceeds of the obligation.

Section 42(i)(2)(C) provides that §42(i)(2)(A) will not apply to any tax-exempt obligation or below market Federal loan used to provide

construction financing for any building if (i) the obligation or loan (when issued or made) identified the building for which the proceeds of the obligation or loan would be used, and (ii) the obligation is redeemed, and the loan is repaid, before the building is placed in service.

Section 42(i)(2)(D) provides that the term "below market Federal loan" means any loan funded in whole or in part with Federal funds if the interest rate payable on the loan is less than the applicable Federal rate (AFR) in effect under §1274(d)(1) (as of the date the loan was made).

Section 42(i)(2)(E)(i) generally provides that assistance provided under the HOME Investment Partnerships Act (HOME) with respect to any building will not be treated as a below market Federal loan under § 42(i)(2)(D) if 40 percent or more of the residential units in the building are occupied by individuals whose income is 50 percent or less of AMGI (the special set-aside). Section 42(d)(5)(C) (the 130 percent eligible basis increase) does not apply to any building to which the preceding sentence applies.

**Q-6.**

Taxpayer owns a new qualified low-income housing project consisting of Buildings 1 and 2, each containing 100 residential rental units. Forty percent of the units in each building are low-income units. Taxpayer elected the minimum set-aside for the project under §42(g)(1)(B). Also, Taxpayer elected on Form 8609, Low-Income Housing Credit Allocation Certification, to treat the buildings as part of a multiple building project. A HOME loan at less than the AFR was provided with respect to the project.

(a) How does the special set-aside under §42(i)(2)(E)(i) apply to qualify Buildings 1 and 2 for the 70-percent present value credit under §42(b)?

(b) What rent restriction applies to the low-income units used to satisfy the special set-aside under §42(i)(2)(E)(i)?

**A-6.**

(a) To qualify the project for the 70-percent present value credit, Taxpayer must rent at least 40 units in each of Buildings 1 and 2 to tenants whose income is 50 percent or less of AMGI throughout the 15-year compliance period because the rule under §42(i)(2)(E)(i) applies on a building-by-building basis. Because these units are to be low-income units and Taxpayer elected the minimum set-aside under § 42(g)(1)(B), the same units used to satisfy the special set-aside under §42(i)(2)(E)(i) will also satisfy the project's minimum set-aside.

(b) The rent restriction that applies for all of the low-income units in the project, including the units in Buildings 1 and 2 which are used to satisfy the special set-aside under § 42(i)(2)(E)(i), is based on the applicable income limitation under § 42(g)(1)(B) because §42(g)(2)(C) contains no exception for buildings that satisfy the special set-aside contained in §42(i)(2)(E)(i). Therefore, the imputed income limitation (as defined in §42(g)(2)(C)) applicable to the units in this project is 60 percent of AMGI. Under §42(g)(2), rent may not exceed 30 percent of this imputed income limitation.

**Q-7.**

(a) Taxpayer owns a newly constructed qualified low-income housing project consisting of one building located in a qualified census tract (Building). A HOME loan at less than the AFR was provided with respect to Building.

Construction of Building was funded in part with an obligation the interest on which is exempt from tax under §103 that was outstanding after Building was placed in service. Taxpayer did not elect to exclude from eligible basis the principal amount of the HOME loan or the proceeds of the tax-exempt obligation as provided under §42(i)(2)(B). Forty percent of the residential units in Building are occupied by individuals whose income is 50 percent or less of area median gross income. Is Building eligible for the increase in eligible basis provided under §42(d)(5)(C)(i)(I)?

(b) The facts are the same as in (a) above except that the interest rate on the HOME loan when made was not less than the AFR in effect under §1274(d)(1), and the tax-exempt obligation was redeemed before Building was placed in service. Is Building eligible for the increase in eligible basis under §42(d)(5)(C)(i)(I)?

(c) The facts are the same as in (a) above except that the special set-aside under §42(i)(2)(E)(i) was not met, and the tax-exempt obligation was redeemed before Building was placed in service. Is Building eligible for the increase in eligible basis under §42(d)(5)(C)(i)(I)?

**A-7.**

(a) Yes. Because the tax-exempt obligation is outstanding after Building was placed in service and the proceeds of the obligation were not excluded from Building's eligible basis under §42(i)(2)(B), Building is treated as federally subsidized under § 42(i)(2)(A). Inasmuch as the building is treated as federally subsidized, the 30-percent present value credit under §42(b) will apply to Building. The fact that the tax-exempt obligation caused Building to be federally subsidized makes §42(i)(2)(E)(i) (which provides that certain HOME loans will not cause a project to be federally subsidized if the special set-aside requirement under that section is satisfied, and whose applicability prohibits the increase in eligible basis under §42(d)(5)(C)) inapplicable. Accordingly, Building is eligible for the increase in eligible basis under § 42(d)(5)(C)(i)(I).

If the tax-exempt obligation was redeemed before Building was placed in service or the proceeds of the obligation were excluded from Building's eligible basis, Building would no longer be treated as federally subsidized by the tax-exempt obligation under § 42(i)(2)(A). Therefore, §42(i)(2)(E)(i) would be applicable, and cause Building not to be treated as federally subsidized by the HOME loan under §42(i)(2)(A). Accordingly, the prohibition in §42(i)(2)(E)(i) against using §42(d)(5)(C) would apply, and Building would not be eligible for the increase in eligible basis under §42(d)(5)(C)(i)(I). The 70-percent value credit under §42(b) would apply to Building.

(b) Yes. When the HOME loan was made, the interest rate on the loan was not less than the AFR. Therefore, the loan is not described in §42(i)(2)(D), and the building will not be treated as federally subsidized under §42(i)(2)(A). The 70-percent present value credit will apply to Building. Because §42(i)(2)(E)(i) is inapplicable to HOME loans not described in §42(i)(2)(D), this loan is not subject to §42(i)(2)(E)(i), and the prohibition in §42(i)(2)(E)(i) against using §42(d)(5)(C) does not apply. Accordingly, Building is eligible for the increase in eligible basis under §42(d)(5)(C)(i)(I).

(c) Yes. Although Building meets the exception under §42(i)(2)(C) with respect to the tax-exempt obligation, Building is treated as federally

subsidized under § 42(i)(2)(A) because it received a HOME loan at less than the AFR and does not meet the special set-aside under §42(i)(2)(E)(i). The 30-percent present value credit will apply to Building as it is treated as federally subsidized. Because Building does not meet the special set-aside under §42(i)(2)(E)(i), the prohibition in §42(i)(2)(E)(i) against using §42(d)(5)(C) does not apply, and Building is eligible for the increase in eligible basis under §42(d)(5)(C)(i)(I).

If Taxpayer elected to exclude the principal amount of the HOME loan from the eligible basis of Building under §42(i)(2)(B) (whether or not the special set-aside under § 42(i)(2)(E)(i) was met), Building would not be treated as federally subsidized under § 42(i)(2)(A), and the 70-percent present value credit would apply to Building. Because the HOME loan would not be taken into account, §42(i)(2)(D) and §42(i)(2)(E)(i) do not apply to Building. Therefore, Building would not be described in §42(i)(2)(E)(i). Accordingly, the prohibition in §42(i)(2)(E)(i) against using §42(d)(5)(C) would not apply, and Building would be eligible for the increase in eligible basis under § 42(d)(5)(C)(i)(I).

## **E. VACANT UNIT RULE ISSUES**

### **Law**

Section 1.42-5(c)(1)(ix) provides that a housing credit agency must require the owner of a low-income housing project to certify at least annually to the housing credit agency that, for the preceding 12-month period, if a low-income unit in the project became vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income (the "vacant unit rule").

The legislative history to §42 indicates that vacant units, formerly occupied by low-income individuals, may continue to be treated as occupied by qualified low-income individuals for purposes of the minimum set-aside requirement (as well as for determining qualified basis) provided reasonable attempts are made to rent the unit. H.R. Conf. Rep. No. 841, *supra*, at II-94.

Section 42(g)(2)(D)(i) provides that notwithstanding an increase in the income of the occupants of a low-income unit above the income limitation applicable under § 42(g)(1), the unit will continue to be treated as a low-income unit if the income of the occupants initially met the income limitation and the unit continues to be rent-restricted. Section 42(g)(2)(D)(ii) provides that if the income of the occupants of the unit increases above 140 percent of the income limitation applicable under §42(g)(1), the unit ceases to be treated as a low-income unit if any available or subsequently available residential rental unit in the building (of a size comparable to, or smaller than, the unit) is occupied by a new resident whose income exceeds the income limitation (the "available unit rule").

Under §1.42-15(a), a low-income unit in which the aggregate income of the occupants of the unit rises above 140 percent of the applicable income limitation under §42(g)(1) is referred to as an "over-income unit."

Section 1.42-15(c) provides that a unit is not available for purposes of the

available unit rule when the unit is no longer available for rent due to contractual arrangements that are binding under local law (for example, a unit is not available if it is subject to a preliminary reservation that is binding on the owner under local law prior to the date a lease is signed or the unit is occupied).

**Q-8.**

On July 1, 2003, an income-qualified household (Household) initially occupied a rent-restricted residential rental unit in Building 1 of Project. On October 31, 2003, the property manager moved Household (and transferred Household's lease) to a similar rent-restricted unit in Building 2 of Project that was not previously occupied. Household occupied the Building 2 unit at the end of 2003. The unit Household vacated in Building 1 was unoccupied during November and December. Are both units in Buildings 1 and 2 low-income units at the end of 2003?

**A-8.**

No. While a vacant low-income unit generally retains its character as a low-income unit, where an owner simply moves a tenant from a unit in one building to a unit in another building in the same project, both units may not be treated as low-income units; rather, only the unit that the tenant actually occupies at the end of a month in the first year of the credit period and at the end of each year in subsequent years qualifies as a low-income unit. Thus, in this situation, while the unit in Building 1 vacated by Household was treated as a low-income unit during the months it was occupied by Household, the unit ceased to be treated as a low-income unit when Household vacated the unit. At that time, the vacated unit would be treated as a unit not previously occupied.

**Q-9.**

Ten units previously occupied by income-qualified tenants in a 200-unit mixed-use housing project are vacant. None of the low-income units in the project had been over-income units. The project owner displayed a banner and for rent signs at the entrance to the project, placed classified advertisements in two local newspapers, and contacted prospective low-income tenants on a waiting list for the project and on a local public housing authority list of section 8 voucher holders about the low-income unit vacancies. These are customary methods of advertising apartment vacancies in the area of the project for identifying prospective tenants. Subsequent to the low-income unit vacancies, a market-rate unit of comparable size to the low-income units became vacant. Will the owner violate the vacant unit rule if the owner rents the market-rate unit before any of the low-income units?

**A-9.**

No. In accordance with §1.42-5(c)(1)(ix), the owner of a qualified low-income housing project has to use reasonable attempts to rent a vacant low-income unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project are rented to tenants not having a qualifying income. Thus, if the project owner makes reasonable attempts to rent the vacant low-income units to income-qualified tenants, the owner may rent the newly vacated market-rate unit before renting the low-income units and continue to characterize the vacant low-income units as low-income units for purposes of the minimum set-aside requirements in §42(g)(1) and calculation of the applicable fraction under § 42(c)(1)(B).

What constitutes reasonable attempts to rent a vacant unit is based on facts and circumstances, and may differ from project to project depending on factors such as the size and location of the project, tenant turnover rates, and market conditions. Also, the different advertising methods that are accessible to owners and prospective tenants would affect what is considered reasonable. Under the facts in this situation, the owner used reasonable methods of advertising an apartment vacancy in the area of the project before the owner rented the market-rate unit. Thus, the owner made reasonable attempts to rent the vacant low-income units.

In addition, the available unit rule is not violated by rental of the market-rate unit before the low-income units because there are no over-income units in the building.

**Q-10.**

A building has 10 units of comparable size, consisting of 7 low-income units (none was an over-income unit) and 3 market-rate units. All units in the building were occupied except for one market-rate unit. A low-income unit became vacant on March 15, 2004. Between March 15, 2004, and March 29, 2004, the owner made reasonable attempts to rent this unit to an income-qualified tenant. The vacant low-income unit became subject to a reservation (a contractual arrangement that is binding on the building owner under local law prior to the date a lease is signed or the unit is occupied) on March 29, 2004, under which the owner agreed to rent the unit to A, whose income meets the income limitation elected for the project under §42(g)(1). Thereafter, the owner ceased any efforts to attempt to rent the unit. On April 30, 2004, A signed a lease for the unit and occupied the unit on May 1, 2004. The vacant market-rate unit was rented to a market-rate tenant on April 15, 2004. Did the owner violate the vacant unit rule?

**A-10.**

No. For purposes of the vacant unit rule, an owner needs to make reasonable attempts to rent an available vacant low-income unit. To determine what constitutes an available unit for purposes of the vacant unit rule, the Internal Revenue Service will adopt the rule under §1.42-15(c) for when a unit is considered not available. Therefore, a unit is not available for purposes of the vacant unit rule when the unit is no longer available for rent due to contractual arrangements that are binding under local law, such as a reservation entered into between a building owner and a prospective tenant. Thus, in this situation, because the vacant low-income unit was subject to a reservation that was binding under local law prior to the renting of the vacant market-rate unit, the low-income unit was not available when the market-rate unit was rented. Accordingly, the owner no longer needed to make reasonable efforts to rent the low-income unit.

In addition, the available unit rule is not violated by rental of the market-rate unit because there is no over-income unit in the building.

## **F. RECORDKEEPING AND RECORD RETENTION ISSUE**

### **Law**

Section 42(m)(1)(A)(i) requires each housing credit agency to allocate low-income housing credits according to a qualified allocation plan. Under § 42(m)(1)(B)(iii), an allocation plan is not qualified unless it contains a procedure that the housing credit agency (or an agent or other private contractor of the agency) will follow in (1) monitoring for noncompliance



with the provisions of § 42, (2) notifying the Service of any noncompliance which the agency becomes aware of, and (3) monitoring for noncompliance with habitability standards through regular site visits.

Under § 1.425(a)(2)(i)(A), for the procedure to satisfy §42(m)(1)(B)(iii), the procedure must include the recordkeeping and record retention provisions of § 1.425(b). However, a monitoring procedure adopted by a housing credit agency may require additional recordkeeping and record retention provisions beyond those specifically provided in §1.42-5(b).

Section 1.42-5(b)(1) provides that a housing credit agency must require the owner of a low-income housing project to keep certain specified records for each qualified low-income building in the project for each year in the compliance period. Under §1.425(b)(2), the owner must be required to retain the records described in § 1.42-5(b)(1) for a particular year for at least 6 years after the due date (with extensions) for filing the Federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least 6 years beyond the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period (as defined in §42(i)(1)) of the building. Section 1.42-5(b)(3) also specifies that the owner must be required to retain the original local health, safety, or building code violation reports or notices that were issued by the state or local government unit (as described in § 1.425(c)(1)(vi)) for inspection by the housing credit agency.

The general requirements for keeping records for purposes of the Code are in § 6001 and the regulations thereunder.

Rev. Proc. 97-22, 1997-1 C.B. 652, provides guidance to taxpayers that maintain books and records by using an electronic storage system that either images their hardcopy (paper) books and records or transfers their computerized books and records to an electronic storage media, such as an optical disk. Rev. Proc. 97-22 provides that records maintained in an electronic storage system that complies with the requirements of this revenue procedure will constitute records within the meaning of § 6001.

**Q-11.**

May a taxpayer comply with the recordkeeping and record retention provisions under § 1.425(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records?

**A-11.**

Yes, provided that the electronic storage system satisfies the requirements of Rev. Proc. 97-22. However, complying with the recordkeeping and record retention requirements of the Service does not exempt an owner from having to satisfy any additional recordkeeping and record retention requirements of the monitoring procedure adopted by the housing credit agency. For example, the housing credit agency may require the taxpayer to maintain hardcopy books and records.

For the basic requirements of maintaining records in an automated data processing system, including electronic storage systems, see Rev. Proc. 98-25, 1998-1 C.B. 689.

**G. TENANT INCOME DOCUMENTATION ISSUE**

## Law

Section 1.42-5(b)(1)(vi) provides that a housing credit agency must require the owner of a low-income housing project to keep records for each qualified low-income building in the project that show, for each year in the compliance period, the annual income certification of each low-income tenant per unit. Under §1.42-5(b)(1)(vii), the housing credit agency must require the owner to keep documentation to support each low-income tenant's income certification (for example, a copy of the tenant's Federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation).

Under §1.42-5(c)(1)(iii), the housing credit agency must require the owner of a low-income housing project to certify at least annually that, for the preceding 12-month period, the owner has received an annual income certification from each low-income tenant, and documentation to support that certification.

Rev. Proc. 94-65, 1994-2 C.B. 798, indicates that an owner may satisfy the documentation requirement of §1.42-5(b)(1)(vii) for a low-income tenant's income from assets by obtaining a signed, sworn statement from the tenant or prospective tenant if (1) the tenant's or prospective tenant's Net Family assets do not exceed \$5,000, and (2) the tenant or prospective tenant provides a signed, sworn statement to this effect to the building owner. The revenue procedure provides that a housing credit agency's monitoring procedure may not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's income from assets to satisfy the documentation requirement. In addition, the revenue procedure indicates that a housing credit agency's monitoring procedure may continue to require that an owner obtain documentation, other than the signed, sworn statement, to support a low-income tenant's annual certification of income from assets.

### **Q-12.**

On reviewing tenant files of a project, the housing credit agency discovered that for purposes of determining the income of certain tenants, the owner had accepted signed, sworn self-certifications in which the tenants stated that they had not received any child support payments. Is a signed, sworn self-certification by a tenant sufficient documentation under §1.42-5(b)(1)(vii) to show that the tenant is not receiving child support payments?

### **A-12.**

Yes. Consistent with the documentation requirements in Rev. Proc. 94-65, a signed, sworn self-certification by a tenant is sufficient documentation under § 1.42-5(b)(1)(vii) to show that a tenant is not receiving child support payments. In addition to specifying that a tenant is not receiving any child support payments, an annual signed, sworn self-certification should indicate whether the tenant will be seeking or expects to receive child support payments within the next 12 months. If the tenant possesses a child support agreement but is not presently receiving any child support payments, the tenant should include an explanation of this and all supporting documentation such as a divorce decree and court documents to enforce payment. Also, the self-certification should indicate that the tenant will notify the owner of any changes in the status of child support.

A housing credit agency's monitoring procedure, however, may not permit an owner to rely on a low-income tenant's signed, sworn statement indicating that the tenant is not receiving child support payments if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual child support payments to satisfy the documentation requirement in §1.42-5(b)(1)(vii).

A housing credit agency's monitoring procedure may continue to require that an owner obtain documentation, other than the statement described above, to support a low-income tenant's annual certification of child support payments.

#### **DRAFTING INFORMATION**

The principal author of this revenue ruling is Gregory N. Doran. For further information regarding this revenue ruling, contact Harold Burghart of the Office of Associate Chief Counsel (Passthroughs and Special Industries) at (202) 622-3040 (not a toll-free call).

## *FEDERAL REGULATION #8*

*IRS Revenue Procedure 94-57: Gross Rent Floor*



**Rev. Proc. 94-57, 1994-2 CB 744-- IRC Sec(s). 42**

**August 24, 1994**

Part III Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. (Also Part I, sections 42; 1.42-13(a).)

**1. PURPOSE**

This revenue procedure informs owners of qualified low-income housing projects and housing credit agencies (Agencies) when the gross rent floor in section 42(g)(2)(A) of the Internal Revenue Code takes effect.

**2. BACKGROUND**

On May 5, 1993, new area median gross income (AMGI) figures went into effect for the United States Department of Housing and Urban Development programs and other federal programs that use AMGI figures, including the section 42 low-income housing tax credit program. In some areas, the AMGI level fell below previous levels.

Section 42(g)(1) defines a qualified low-income housing project as any project for residential rental use that meets one of the following requirements: (A) 20 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50 percent or less of AMGI, as adjusted for family size, or (B) 40 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60 percent or less of AMGI, as adjusted for family size.

Section 42(g)(2)(A) provides that, under section 42(g)(1), a residential unit is rent-restricted if the gross rent for the unit does not exceed 30 percent of the imputed income limitation applicable to the unit. Under section 42(g)(2)(C), the imputed income limitation applicable to a unit is the income limitation that would apply under section 42(g)(1) to individuals occupying the unit if the number of individuals occupying the unit were as follows: (i) in the case of a unit that does not have a separate bedroom, one individual, or (ii) in the case of a unit that has one or more separate bedrooms, 1.5 individuals for each separate bedroom.

For calculating gross rent on a rent-restricted unit, section 7108(e)(2) of the Revenue Reconciliation Act of 1989, 1990-1 C.B. 214, 220, amended section 42(g)(2)(A) to provide that the amount of the income limitation under section 42(g)(1) applicable for any period is not less than the limitation applicable for the earliest period the building that contains the unit was included in the determination of whether the project is a qualified low-income housing project (the gross rent floor). Section 42(g)(3)(A) provides that, except as otherwise provided in section 42(g)(3), a building is treated as a qualified low-income building only if the project (of which the building is a part) meets the requirements of section 42(g)(1) not later than the close of the first year of the credit period for the building.

Section 42(h)(1)(A) provides that the amount of credit determined under section 42 for any taxable year for any building shall not exceed the housing credit dollar amount allocated to the building under section 42(h). Under section 42(m)(2)(A), the housing credit dollar amount allocated to a project shall not exceed the amount an Agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period. Section 42(m)(2)(B) provides that in making the determination under section 42(m)(2)(A), an Agency shall consider (i) the sources and uses of funds and the total financing planned for the project, (ii) any proceeds or receipts expected to be generated by reason of tax benefits, (iii) the percentage of housing credit dollar amounts used for project costs other than the cost of intermediaries, and (iv) the reasonableness of the developmental and operational costs of the project. The gross rent under section 42(g)(2)(A) that a low-income housing project may generate is a source of funds an Agency must consider in making the determination under section 42(m)(2)(A).

Section 42(h)(4)(A) provides that section 42(h)(1) does not apply to the portion of any credit allowable under section 42(a) that is attributable to eligible basis financed by any obligation the interest on which is exempt from tax under section 103 if (i) the obligation is taken into account under section 146, and (ii) principal payments on the financing are applied within a reasonable period to redeem obligations the proceeds of which were used to provide the financing. Section 42(h)(4)(B) provides that for purposes of section 42(h)(4)(A), if 50 percent or more of the aggregate basis of any building and the land on which the building is located is financed by an obligation described in section 42(h)(4)(A), section 42(h)(1) does not apply to any portion of the credit allowable under section 42(a) for the building. Section 42(m)(2)(D) provides that section 42(h)(4) does not apply to any project unless the governmental unit that issued the bonds (or on behalf of which the bonds were issued) makes a determination under rules similar to the rules of section 42(m)(2)(A) and (B). Upon making this determination, an Agency will issue a "determination letter" to a building.

Under section 1.42-13(a) of the Income Tax Regulations, the Secretary may provide guidance through various publications in the Internal Revenue Bulletin to carry out the purposes of section 42.

### **3. SCOPE**

This revenue procedure applies to Agencies and owners of qualified low-income housing projects, as defined by section 42(g)(1).

### **4. PROCEDURE**

Except for a low-income building described in section 42(h)(4)(B) (a bond-financed building), the Internal Revenue Service will treat the gross rent floor in section 42(g)(2)(A) as taking effect on the date an Agency initially allocates a housing credit dollar amount to the building under section 42(h)(1). However, the Service will treat the gross rent floor as taking effect on a building's placed in service date if the building owner designates that date as the date on which the gross rent floor will take effect for the building. An owner must make this designation to use the placed in service date and inform the Agency that made the allocation to the building no later than the date on which the building is placed in service.

For a bond-financed building, the Service will treat the gross rent floor in section 42(g)(2)(A) as taking effect on the date an Agency initially issues a determination letter to the building. However, the Service will treat the gross rent floor as taking effect on a building's placed in service date if the building owner designates that date as the date on which the gross rent floor will take effect for the building. An owner must make this designation to use the placed in service date and inform the Agency that issued the determination letter to the building no later than the date on which the building is placed in service.

An Agency should establish a procedure that will allow an owner to inform the Agency of this designation no later than the date the owner's building is placed in service.

For the effect of a change in AMGI on the initial qualification of a tenant as a low-income tenant and the available unit rule, see Rev. Rul. 94-57.

## **5. EFFECTIVE DATE**

This revenue procedure is effective for low-income housing projects receiving initial allocations or determination letters issued after \* . For those projects that received initial allocations or determination letters prior to this effective date, for purposes of establishing the gross rent floor in section 42(g)(2)(A), owners and Agencies may use a date based on a reasonable interpretation of section 42.

## **DRAFTING INFORMATION**

The principal author of this revenue procedure is Jeffrey A. Erickson of the Office of the Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure, contact Mr. Erickson at (202) 622-3040 (not a toll free call).





## *FEDERAL REGULATION #9*

*IRS Revenue Procedure 94-65: Documentation of  
Income from Assets*



**October 11, 1994**

## **1. Purpose**

This revenue procedure informs housing credit agencies (Agency) and owners of qualified low-income housing projects (owners) when a signed, sworn statement by a low-income tenant will satisfy the documentation requirement of section 1.42-5(b)(1)(vii) of the Income Tax Regulations.

## **2. Background**

Section 1.42-5 provides the minimum requirements that an Agency's compliance monitoring procedure must contain to satisfy its compliance monitoring duties under section 42(m)(1)(B)(iii). Section 1.42-5(b)(1)(vi) provides that an Agency must require an owner to keep records for each qualified low-income building in the project that show for each year in the compliance period the annual income certifications of each low-income tenant per unit. Section 1.42-5(b)(1)(vii) provides that an Agency must require an owner to keep documents for each qualified low-income building in its project for each year in the compliance period that support each low-income tenant's income certification. The term "low-income tenant" refers to the individuals occupying a rent-restricted unit in a qualified low-income housing project whose annual income satisfies the section 42(g)(1) income limitation elected by the owner of the project. Examples of the documentation required under section 1.42-5(b)(1)(vii) include a copy of the tenant's federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation. A verification of income from a third party is referred to as a "third party verification."

The Internal Revenue Service has determined that an owner may satisfy the documentation requirement of section 1.42-5(b)(1)(vii) for a low-income tenant's income from assets by obtaining a signed, sworn statement from the tenant or prospective tenant if (1) the tenant's or prospective tenant's Net Family assets do not exceed \$5,000, and (2) the tenant or prospective tenant provides a signed, sworn statement to this effect to the building owner. See H.R. Conf. Rep. No. 213, 103d Cong., 1st Sess. 544 (1993).

## **3. Scope**

This revenue procedure applies to Agencies and owners of qualified low-income housing projects.

## **4. Procedure**

.01 To determine a tenant's Net Family assets, owners and Agencies must use the definition of "Net Family assets" in 24 CFR 813.102, which provides definitions for the H.U.D. section 8 program.

.02 Except as provided in sections 4.03 and 4.04 of this revenue procedure, an Agency's monitoring procedure may provide that an owner may satisfy the

documentation requirement for income from assets in section 1.42-5(b)(1)(vii) for a low-income tenant whose Net Family assets do not exceed \$5,000 by annually obtaining a signed, sworn statement that includes the following:

(1) That the tenant's Net Family assets do not exceed \$5,000, and

(2) The tenant's annual income from Net Family assets.

.03 An Agency's monitoring procedure, however, may not permit an owner to rely on a low-income tenant's signed, sworn statement of annual income from assets if a reasonable person in the owner's position would conclude that the tenant's income is higher than the tenant's represented annual income. In this case, the owner must obtain other documentation of the low-income tenant's annual income from assets to satisfy the documentation requirement in section 1.42- 5(b)(1)(vii).

.04 An Agency's monitoring procedure may continue to require that an owner obtain documentation, other than the statement described in section 4.02 of this revenue procedure, to support a low-income tenant's annual certification of income from assets.

#### **5. Effective Date**

This revenue procedure is effective October 11, 1994.

#### **Drafting Information**

The principal author of this revenue procedure is Jeffrey A. Erickson of the Office of the Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure, contact Mr. Erickson at (202) 622-3040 (not a toll-free call).

## *FEDERAL REGULATION #10*

*IRS Revenue Procedure 2003-82 & 2005-37: Safe  
Harbor Procedures*



## **SECTION 1. PURPOSE**

This revenue procedure provides safe harbors under which the Internal Revenue Service will treat a residential unit in a building as a low-income unit under §42(i)(3)(A) of the Internal Revenue Code if the incomes of the individuals occupying the unit are at or below the applicable income limitation under §42(g)(1) or §142(d)(4)(B)(i) before the beginning of the first taxable year of the building's credit period under §42(f)(1), but their incomes exceed the applicable income limitation at the beginning of the first taxable year of the building's credit period.

## **SECTION 2. BACKGROUND**

.01 Questions have arisen regarding when individuals must satisfy the applicable income limitation under §42(g)(1) or §142(d)(4)(B)(i) when they move into a residential unit in an existing building under §42(i)(5) on or after the date a taxpayer acquires the existing building for rehabilitation under §42(e), but before the beginning of the first taxable year of the building's credit period under §42(f)(1). Because of these questions, some taxpayers require that the individuals' incomes not exceed the applicable income limitation at the beginning of the first taxable year of the building's credit period, even though the individuals' income did not exceed the applicable income limitation when the individuals moved into the unit. This has resulted in some individuals being evicted, where permissible under local law, from low-income housing projects.

.02 Section 42(a) provides that, for purposes of §38, the amount of the low-income housing credit determined for any taxable year in the credit period is an amount equal to the applicable percentage of the qualified basis of each qualified low-income building.

.03 Section 42(c)(2)(A) generally defines a qualified low-income building as any building which is part of a qualified low-income housing project at all times during the building's compliance period (which is defined in §42(i)(1) as the period of 15 taxable years beginning with the first taxable year of the credit period under §42(f)(1)).

.04 Section 42(i)(4) defines a new building as a building the original use of which begins with the taxpayer. An existing building is defined in §42(i)(5) as any building which is not a new building. Section 42(e)(1) provides that rehabilitation expenditures paid or incurred by the taxpayer with respect to any building are treated as a separate new building for purposes of §42.



.05 Section 42(f)(1) defines the credit period as the period of 10 taxable years beginning with (A) the taxable year in which the building is placed in service, or (B) at the election of the taxpayer, the succeeding taxable year, but in each case only if the building is a qualified low-income building as of the close of the first year of the period. Under §42(f)(5)(A), the credit period for an existing building must not begin before the first taxable year of the credit period for rehabilitation expenditures with respect to the building.

.06 Section 42(g)(1) defines a qualified low-income housing project as any project for residential rental use that meets one of the following requirements: (A) 20 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 50 percent or less of the area median gross income, or (B) 40 percent or more of the residential units in the project are both rent-restricted and occupied by individuals whose income is 60 percent or less of the area median gross income. Under §42(g)(2), a residential unit is rent-restricted for purposes of §42(g)(1) if the gross rent for the unit does not exceed 30 percent of the imputed income limitation for the unit. Residential units that satisfy these rent and income requirements are defined in §42(i)(3)(A) as "low-income units." Section 42(i)(3)(B), (C), (D), and (E) provide more requirements for low-income units. Under §42(g)(4), a deep rent skewed project, as defined in §142(d)(4)(B), is also a qualified low-income housing project. To be a deep rent skewed project, §142(d)(4)(B)(i) requires that 15 percent or more of the low-income units in the project must be occupied by individuals whose income is 40 percent or less of the area median gross income.

.07 Section 42(g)(2)(D)(i) provides that, notwithstanding an increase in the income of the occupants of a low-income unit above the income limitation applicable under §42(g)(1), the unit will continue to be treated as a low-income unit if the income of the occupants initially met the income limitation and the unit continues to be rent-restricted. However, under the available unit rule in §42(g)(2)(D)(ii), if the income of the occupants of the unit increases above 140 percent of the income limitation applicable under §42(g)(1), §42(g)(2)(D)(i) ceases to apply to the unit if any residential rental unit in the building (of a size comparable to, or smaller than, such unit) is occupied by a new resident whose income exceeds the applicable income limitation. In the case of a deep rent skewed project described in §142(d)(4)(B), if the income of the occupants of the unit increases above 170 percent of the income limitation applicable under §42(g)(1), §42(g)(2)(D)(i) ceases to apply to the unit if any low-income unit in the building is occupied by a new resident whose income exceeds 40 percent of area median gross income. See also §1.42-15 of the Income Tax Regulations.

.08 Under §42(h)(1), the amount of the credit determined under §42(a) for any taxable year with respect to any building must not exceed the housing credit dollar amount allocated to the building. However, under §42(h)(4)(A), a credit allocation generally is not necessary for the portion of a building's eligible basis financed by an obligation the interest on which is exempt from tax under §103 and the obligation is taken into account under §146. Under §42(h)(4)(B), no credit allocation under §42(h)(1) is necessary for any portion of a building's eligible basis if 50 percent or more of the aggregate basis of the building and the land on which it is located is financed with tax-exempt obligations.

### **SECTION 3. SCOPE**

This revenue procedure only applies to residential units in a building where the incomes of the individuals occupying the unit are at or below the applicable income limitation under §42(g)(1) or §142(d)(4)(B)(i) before the beginning of the first taxable year of the building's credit period under §42(f)(1), but their incomes exceed the applicable income limitation at the beginning of the first taxable year of the building's credit period.

### **SECTION 4. SAFE HARBORS**

.01 Existing buildings under §42(i)(5) and new buildings under §42(e)(1). A residential unit in an existing building under §42(i)(5) or a new building under §42(e)(1) will be considered a low-income unit under §42(i)(3)(A) at the beginning of the first taxable year of the building's credit period under §42(f)(1) if:

(1) The individuals occupying the unit have incomes that are at or below the applicable income limitation under §42(g)(1) or §142(d)(4)(B)(i) on either the date the existing building was acquired by the taxpayer or the date the individuals started occupying the unit, whichever is later (based on the area median gross income on that date), but their incomes exceed the applicable income limitation at the beginning of the first taxable year of the building's credit period (based on the area median gross income on that date);

(2) The incomes of the individuals occupying the unit are first tested for purposes of the available unit rule under §42(g)(2)(D)(ii) and §1.42-15 at the beginning of the first taxable year of the building's credit period;

(3) The unit has been rent-restricted under §42(g)(2) from either the date the existing building was acquired by the taxpayer or the date the individuals started occupying the unit, whichever is later, to the beginning of the first taxable year of the building's credit period;

(4) Either:

(a) Section 42(h)(1) applies to the building and the taxpayer either receives an allocation to rehabilitate the existing building or enters into a binding commitment for an allocation to rehabilitate the existing building by either the end of the taxable year the taxpayer acquired the existing building or the end of the taxable year the individuals started occupying the unit, whichever is later; or

(b) Section 42(h)(1) does not apply to the building by reason of §42(h)(4) and the tax-exempt bonds for the project are issued by either the end of the taxable year the taxpayer acquired the existing building or the end of the taxable year the individuals started occupying the unit, whichever is later; and

(5) The unit has been a low-income unit under §42(i)(3)(B), (C), (D), and (E) from either the date the existing building was acquired by the taxpayer or the date the individuals started occupying the unit, whichever is later, to the beginning of the first taxable year of the building's credit period.

.02 New buildings under §42(i)(4) (not including new buildings under §42(e)(1)). A residential unit in a new building under §42(i)(4) will be considered a low-income unit under §42(i)(3)(A) at the beginning of the first taxable year of the building's credit period under §42(f)(1) if:

(1) The individuals occupying the unit have incomes that are at or below the applicable income limitation under §42(g)(1) or §142(d)(4)(B)(i) on the date the individuals started occupying the unit (based on the area median gross income on that date), but their incomes exceed the applicable income limitation in effect at the beginning of the first taxable year of the building's credit period (based on the area median gross income on that date);

(2) The incomes of the individuals occupying the unit are first tested for purposes of the available unit rule under §42(g)(2)(D)(ii) and §1.42-15 at the beginning of the first taxable year of the building's credit period;

(3) The unit has been rent-restricted under §42(g)(2) from the date the individuals started occupying the unit to the beginning of the first taxable year of the building's credit period;

(4) The taxpayer elects under §42(f)(1)(B) to treat the taxable year succeeding the taxable year the building was placed in service as the first taxable year of the credit period; and

(5) The unit has been a low-income unit under §42(i)(3)(B), (C), (D), and (E) from the date the individuals started occupying the unit to the beginning of the first taxable year of the building's credit period.

## **SECTION 5. AUDIT PROTECTION**

If the taxpayer currently uses a method consistent with the safe harbors for determining whether a unit is a low-income unit under §42(i)(3)(A) at the beginning of the first taxable year of the building's credit period under §42(f)(1) (as described in section 4 of this revenue procedure), the issue will not be raised by the Service in a taxable year that ends before November 24, 2003. Also, if the taxpayer currently uses a method consistent with the safe harbors for determining whether a unit is a low-income unit under §42(i)(3)(A) at the beginning of the first taxable year of the building's credit period under §42(f)(1) (as described in section 4 of this revenue procedure) and the issue is under consideration (within the meaning of section 3.09 of Rev. Proc. 2002-9, 2002-1 C.B. 327) for taxable years in examination, before an appeals office, or before the U.S. Tax Court in a taxable year that ends before November 24, 2003, the issue will not be further pursued by the Service.

## **SECTION 6. EFFECTIVE DATE**

This revenue procedure is effective for taxable years ending on or after November 24, 2003.

## **SECTION 7. DRAFTING INFORMATION**

The principal author of this revenue procedure is Paul Handleman of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure, contact Mr. Handleman at (202) 622-3040 (not a toll-free call).

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.  
(Also Part I, § 42; 1.42-5.)

Rev. Proc. 2005-37

#### SECTION 1. PURPOSE

This revenue procedure establishes a safe harbor under which housing credit agencies and project owners may meet the requirements of § 42(h)(6)(B)(i) of the Internal Revenue Code as described in Q&A-5 of Rev. Rul. 2004-82, 2004-35 I.R.B. 350, concerning extended low-income housing commitments (commitments).

#### SECTION 2. BACKGROUND

Section 42(a) provides for a credit for investment in qualified low-income buildings (as defined in § 42(c)(2)). Under § 42(i)(3)(A), low-income units in a building must be occupied by individuals who meet the income limitation applicable under § 42(g)(1) to the project of which the building is a part. The building owner must elect under § 42(g)(1) to rent a percentage of the residential units to individuals whose income is 50 percent or less of area median gross income or 60 percent or less of area median gross income.

Section 42(h)(6)(A) provides that no credit will be allowed with respect to any building for the taxable year unless a commitment (as defined in § 42(h)(6)(B)) is in effect as of the end of the taxable year.

Section 42(h)(6)(B)(i) requires commitments to include the prohibitions against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii) during the extended use period, that is, prohibitions against eviction or termination of tenancy of an existing tenant of any low-income unit (other than for good cause) and any increase in the gross rent with respect to a low-income unit not otherwise permitted by § 42, applicable throughout the entire commitment period.

Section 42(h)(6)(B)(ii) provides that a commitment must allow individuals who meet the income limitation applicable to the building under § 42(g) (whether prospective, present, or former occupants of the building) the right to enforce in any state court the prohibitions of § 42(h)(6)(B)(i).

Section 42(h)(6)(J) provides that if, during a taxable year, there is a determination that a commitment was not in effect as of the beginning of the taxable year, the determination shall not apply to any period before the year and subparagraph (A) shall be applied without regard to the determination if the failure is corrected within 1 year from the date of determination.

Section 1.42-5(c)(1)(xi) of the Income Tax Regulations provides that a housing credit agency must require the owner of a low-income housing project to certify at least annually to the housing credit agency that, for the preceding 12-month period, a commitment as described in § 42(h)(6) was in effect (for buildings subject to § 7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 1990-1 C.B. 210),

including the requirement under § 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to § 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 1993-3 C.B. 1).

On August 30, 2004, the Service ruled in Q&A-5 of Rev. Rul. 2004-82 that § 42(h)(6)(B)(i) requires commitments to include the prohibitions against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii) during the extended use period, that is, prohibitions against eviction or termination of tenancy of an existing tenant of any low-income unit (other than for good cause) and any increase in the gross rent with respect to a low-income unit not otherwise permitted by § 42, applicable throughout the entire commitment period. This requirement for commitments extends back to the effective date of § 42(h)(6)(B)(i). See § 11701(a)(7)(A) of the Omnibus Budget Reconciliation Act of 1990, 1991-2 C.B. 481, 531.

Q&A-5 provided that if it is determined by the end of a taxable year that a taxpayer's commitment does not meet the requirements for a commitment under § 42(h)(6)(B) (for example, it does not provide no-cause eviction protection for the tenants of low-income units throughout the extended use period), the low income housing credit is not allowable with respect to the building for the taxable year, or any prior taxable year. However, if the failure to have a valid commitment in effect is corrected within 1 year from the date of the determination, the determination will not apply to the current year of the credit period or any prior year.

Q&A-5 required each Agency to review its existing commitments by December 31, 2004, to ensure that the no-cause eviction protection and the prohibition against improper increases in gross rent apply throughout the extended use period. If during that review, an Agency determined that a commitment did not comply with these requirements, the 1-year period described under § 42(h)(6)(J) will commence on the date of that determination.

### SECTION 3. SAFE HARBOR

.01 The Service has determined that Agencies may satisfy the review requirements under Q&A-5 for commitments entered into before January 1, 2006, under § 42(h)(6)(B)(i) in the following manner:

(1) Commitments entered into before January 1, 2006, that contain general language requiring building owners to comply with the requirements of § 42 (catch-all language) satisfy the requirements under Q&A-5, if:

(a) Agencies notify building owners in writing on or before December 31, 2005, that consistent with the interpretation in Q&A-5, the catch-all language prohibits the owner from evicting or terminating the tenancy of an existing tenant of any low-income unit (other than for good cause) throughout the entire commitment period. Further, Agencies must notify building owners that the catch-all language prohibits the owner from making an increase in the gross rent with respect to a low-income unit not otherwise permitted by § 42 throughout the entire commitment period;

(b) The owner must, as part of its certification under § 1.42-5(c)(1)(xi), certify annually that for the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenants



had an increase in the gross rent with respect to a low-income unit not otherwise permitted under § 42;

(c) If the owner fails to make the certifications in (b) above or the Agency learns that the owner has evicted tenants in low-income units or terminated their tenancies other than for good cause or has increased the gross rent of a tenant with respect to a low-income unit not otherwise permitted under § 42, the Agency shall report the owner to the Internal Revenue Service using Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition; and

(d) Section 3.02 shall also apply to any amendment to any commitment containing catch-all language if the amendment is executed after December 31, 2005.

(2) Commitments entered into before January 1, 2006, that do not contain specific language on the § 42(h)(6)(B)(i) prohibition against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii) or catch-all language do not satisfy the requirements of Q&A-5 and must be amended to clearly provide for the § 42(h)(6)(B)(i) prohibition against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii) by December 31, 2005.

.02 The Service has determined that Agencies may satisfy the review requirements under Q&A-5 for commitments executed after December 31, 2005, under § 42(h)(6)(B)(i) in the following manner:

(1) Commitments executed after December 31, 2005, must clearly provide for the § 42(h)(6)(B)(i) prohibition against the actions described in subclauses (I) and (II) of § 42(h)(6)(E)(ii);

(2) The owner must, as part of its certifications under § 1.42-5(c)(1)(xi), certify annually that for the preceding 12-month period no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under § 42; and

(3) If the owner fails to make the certifications in (2) above or the Agency learns that the owner has evicted tenants in low-income units or terminated their tenancies other than for good cause or has increased the gross rent of a tenant with respect to a low-income unit not otherwise permitted under § 42, the Agency shall report the owner to the Internal Revenue Service using Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition.

#### EFFECTIVE DATE

This revenue procedure is effective on June 21, 2005, the date this revenue procedure was released to the tax services.

#### DRAFTING INFORMATION

The principal author of this revenue procedure is Jack Malgeri of the Office of the Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure contact Mr. Malgeri on (202) 622-3040 (not a toll-free call).



## *APPENDICES*

# *APPENDIX A*

## *Glossary of Terms*

# GLOSSARY OF TERMS

| Term                                         | Definition                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>140% Rule:</b>                            | The Next Available Unit Rule applies if the household income increases more than 140% above the current maximum income limit per person.                                                                                                                                                                                       |
| <b>Accessibility:</b>                        | Usable for access or capable of being used.                                                                                                                                                                                                                                                                                    |
| <b>Acquisition:</b>                          | Action taken to acquire by purchase, donation, or eminent domain real property.                                                                                                                                                                                                                                                |
| <b>Acquisition:</b>                          | Action taken to acquire by purchase, donation, or eminent domain real property.                                                                                                                                                                                                                                                |
| <b>American with Disabilities Act (ADA):</b> | A broad civil rights law guaranteeing equal opportunity for individuals with disabilities in employment, public accommodations transportation, state and local government services, and telecommunications.                                                                                                                    |
| <b>Amount of tax credit:</b>                 | The tax credit percentage, multiplied by the qualified basis.                                                                                                                                                                                                                                                                  |
| <b>Annual Compliance Report:</b>             | A report or series of reports submitted to the Corporation annually (generally due July 1st) that documents a project(s) occupancy and tax credit units as of the end of the monitoring year.                                                                                                                                  |
| <b>Annual Gross Income:</b>                  | The anticipated total income from all sources and assets received by the family head and/or spouse, and by each additional member of the family for the 12-month period following certification of eligibility.                                                                                                                |
| <b>Applicable Federal Rate (AFR):</b>        | A monthly "present value" calculation of interest rate statistic issued by the Treasury Department used to determine the annual tax credit percentage for projects based on the placed in service date.                                                                                                                        |
| <b>Applicable Fraction:</b>                  | The portion or the percentage of a project leased as qualified tax credit units, which is determined at the end of the tax year and is the lesser of the number of tax credit units as percentage of residential units or total floor space of credit units as a percentage of the total floor space of all residential units. |
| <b>Asset Income:</b>                         | Income which is generated by a savings accounts, real estate, or other investments.                                                                                                                                                                                                                                            |
| <b>Bond Posting:</b>                         | A bond posted with a Treasury Department approved surety company to avoid recapture of a portion of previously claimed credits after a change of ownership of a LIHTC property. The bond must be maintained throughout the compliance period and for 58 months after the end of the compliance period.                         |
| <b>Building Identification Number:</b>       | A number assigned by Mississippi Home Corporation which allows the Internal Revenue Service to identify a building in a tax credit project.                                                                                                                                                                                    |
| <b>Carryover Allocation:</b>                 | The credit of allocation that is to be placed in service no later than the end of the second calendar year following the allocation year. Carryover allocation also gives owners additional time to place a project in service                                                                                                 |
| <b>Cash Value:</b>                           | The amount the household would receive if the asset were converted to cash.                                                                                                                                                                                                                                                    |
| <b>Certificate of Occupancy ("CO"):</b>      | A certificate issued which certifies that a building is ready for occupancy.                                                                                                                                                                                                                                                   |

| Term                                                | Definition                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Common Space/Area:</b>                           | Facilities that are reasonably required for the development and include common areas such as swimming pools, other recreational facilities, community buildings and parking areas. Common areas can only be counted for tax credits if they are available for all residents on a nondiscriminatory basis at no additional charge.                                              |
| <b>Common Area Unit:</b>                            | A unit in a development that is occupied by Resident managers, maintenance personnel, or security officer. A common area unit is not a housing unit and is not included in the total housing unit for the development.. A common area unit is not included in the calculations for the unit fraction, floor space fraction or applicable fraction, and is not rent-restricted. |
| <b>Compliance Period:</b>                           | A period of compliance which begins the date the project is placed in service and lasts for 15 consecutive years.                                                                                                                                                                                                                                                              |
| <b>Compliance Violations:</b>                       | See noncompliance.                                                                                                                                                                                                                                                                                                                                                             |
| <b>Credit:</b>                                      | The low-income housing tax credit available for federal income tax purposes under Section 42 of the Internal Revenue Code of 1986 for a qualified building.                                                                                                                                                                                                                    |
| <b>Credit Period:</b>                               | A period of ten years beginning with the first year the development claimed tax credits, which may be the year the building was placed-in-service or the year after, should the owner make the election.                                                                                                                                                                       |
| <b>Development Period:</b>                          | Begins when a commitment of low-income housing tax credits is made and lasts until the project is placed in service. This period can last for a few months or take as long as 2 years.                                                                                                                                                                                         |
| <b>Difficult to Develop Area Designation (DDA):</b> | Areas with the worst housing cost problems using the following ratios as an indicator of problems: Fair Market Rate (FMR) median family income the designation is awarded to 20 percent of the metro and non-metro areas. With severe problems, (using OMB definition) recalculated annually; such areas receive special additional tax benefits under this program.           |
| <b>Discriminatory Housing Practice:</b>             | An act that is unlawful under Section 804, 805, 806, or 818 of the Fair Housing Act.                                                                                                                                                                                                                                                                                           |
| <b>Eligible Basis:</b>                              | Reflects the amount of project cost such as acquisition and/or rehabilitation cost allowable under the Low Income Housing Tax Credit program.                                                                                                                                                                                                                                  |
| <b>Elderly Family:</b>                              | A family of two or more persons of which one person is 62 years of age or older.                                                                                                                                                                                                                                                                                               |
| <b>Empty Unit:</b>                                  | A tax credit unit that has never been rented.                                                                                                                                                                                                                                                                                                                                  |
| <b>Extended Use Agreement:</b>                      | See LURA.                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Extended Use Period:</b>                         | The period beginning on the first day of the compliance period on which the building is a part of a qualified tax credit housing development and ending on the later of 1) the date specified by the agency in the extended low-income housing commitment or 2) the date which is 15 years after the close of the compliance period.                                           |
| <b>Fair Housing Act:</b>                            | Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988 which makes it illegal to discriminate in the sale, rental, financing, advertising or operation of housing. It also makes it illegal to discriminate in residential lending decisions and to make discriminatory statements in advertising.                                  |
| <b>Fair Market Rent (FMR):</b>                      | The maximum chargeable gross rent in an area for projects participating in the HUD Section 8 program and is determined by HUD.                                                                                                                                                                                                                                                 |

| Term                              | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Familial Status:</b>           | A protective class of one or more individuals who have not attained the age of 18 years who live with; a) a parent or another person having legal custody of such individual(s); or b) a legal guardian who has the written permission of the parent or other person.                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Floor Space Fraction:</b>      | The fraction of a development reserved for low-income housing. The numerator of this fraction is the total square footage of floor space in all low-income housing units in the development, and the denominator is the total square footage of floor space in all housing units in the project, whether occupied or not. Where applicable, the floor space fraction is determined building by building.                                                                                                                                                                                                                                         |
| <b>FmHA:</b>                      | See Rural Development.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Full-time Student:</b>         | A person(s) who attends school full-time during at least five calendar months during the calendar year at a regular educational institution. Colleges must certify the full-time student status and the actual hours.                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>General Partner:</b>           | An individual or entity responsible for the project's operation and is normally accountable to investors primarily for compliance requirements as well as losses and/or financial risk.                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Government Subsidized:</b>     | Units for which all or part of the rent or operating expenses are paid for directly by a government agency. Government subsidy programs include HUD Section 8 and 236, Rural Housing Services (RHS) Section 515, and other programs sponsored by local housing authorities or agencies. Typically, tenants are charged a percentage of their income (usually 30%) as rent if they are unable to pay the full cost of a unit.                                                                                                                                                                                                                     |
| <b>Gross Income:</b>              | The gross amount (before taxes or deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and other compensation of all the adults of the household.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Gross Rent:</b>                | Total tenant paid rent plus an allowance for tenant paid utilities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Handicapped:</b>               | A person with a physical or mental impairment that is expected to be long-continued, indefinite duration and/or impedes the person ability to live independently.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Historic Tax Credit:</b>       | Program which gives income tax credits to investors who restore old or historic buildings in designated areas. This is a separate program from the Low Income Housing Tax Credit Program.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>HOME Program:</b>              | A block grant program which is HUD's major subsidy or support program for affordable housing. This program provides direct funding allocations that are distributed by formula to cities and states primarily for rental housing, but also for single-family ownership housing.                                                                                                                                                                                                                                                                                                                                                                  |
| <b>HUD:</b>                       | United States Department of Housing and Urban Development. The primary agency for sponsoring subsidized housing in the United States, particularly in urban areas.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>HUD Section 8 Certificate:</b> | A government subsidized housing program administered by local public housing agencies through which low-income households qualify for rent subsidies. Qualified households must pay 30% of adjusted income, 10% of gross income, or the portion of welfare designated for housing, whichever is greatest. Rent subsidies paid to the housing unit owner compensate the owner for the difference in the payment made by the household and the area Fair Market Rent. Qualified housing units must meet quality guidelines. Subsidies may also be project-based, in which a project earns the subsidy by renting the unit to qualified households. |



| Term                           | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>HUD Section 8 Voucher:</b>  | A government subsidized housing program administered by local public housing agencies through which income-qualified tenants can use government subsidies to reside at any project which meets certain qualifications. Qualified households pay 30% of adjusted income or 10% of gross income, whichever is greater. Government subsidies pay the housing unit owner the difference between what the qualified household pays and the area payment standard. Voucher holders may choose housing that rents for more than the area payment standard, but they will be responsible for paying the difference between the charged rent and payment standard. |
| <b>Imputed Asset Income:</b>   | Cash value of all assets multiplied by the passbook rate. Thus, this is income having been received had all assets earned interest. The greater of imputed income or actual asset income is used in calculating annual gross income if the total of all assets is greater than 5,000.                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Income Limits:</b>          | 50% or 60% of the area median on a per person basis for tax credit purposes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Income Eligibility:</b>     | The gross projected income to be received in the next 12 months following the effective date of the certification according to the HUD section 8 program.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Initial Compliance:</b>     | The deadline to initially meet the minimum set-aside election.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Inspection:</b>             | Physical on-site monitoring inspections which include, but not limited to, an inspection of the physical appearance of a property as well as the files and documentation of all TC units on a property.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>IRC:</b>                    | Internal Revenue Code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>IRS:</b>                    | Internal Revenue Service                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Lease-up Period:</b>        | The period of time which begins once a project is placed in service and lasts until the owner claims the project's low income housing tax credits. Owners can start claiming credits at the end of the taxable year that the project was placed in service, or they can wait until the end of the following tax year to claim their credits.                                                                                                                                                                                                                                                                                                              |
| <b>LIHTC:</b>                  | Low Income Housing Tax Credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>LIHTC Dwelling Lease:</b>   | A lease with an original lease term of 6 months or longer which contain signatures of the head of household and an authorized property management representative.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>LIHTC Income Limits:</b>    | Maximum annual gross income (by household size) that a household can earn in order to be eligible for the Low Income Housing Tax Credit Program.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Limited Partnership:</b>    | A group of persons and/or entity who has a vested interest in the property.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Live-in Aide/Attendant:</b> | A person who lives with an elderly disabled or handicapped individual and is essential to that individual(s) care and well-being but not obligated for the individual(s) support and would be living in the unit except to provide support services.                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Low Income Family:</b>      | A family whose annual income does not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller or larger families.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Low Income Housing:</b>     | Affordable decent, safe, and sanitary dwellings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

| Term                                        | Definition                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Low-Income Unit:</b>                     | A qualified housing unit that is both rent-restricted and occupied by residents whose income is at or below the applicable percentage of the level selected as the minimum set-aside.                                                                                                                                                                    |
| <b>LURA:</b>                                | An abbreviation for the Declaration of Land Use Restriction Agreement. Also, known as an Extended Use Agreement. An agreement which extends the low-income occupancy requirements and rent restrictions of a Housing Tax Credit development for a minimum of 15 years or more beyond the end of the compliance period unless certain conditions are met. |
| <b>Market Rent:</b>                         | Rent collected from families ineligible for rental assistance through other programs and is generally comparable to the rents of other projects in the area where the project(s) is located.                                                                                                                                                             |
| <b>Maximum Allowable Income:</b>            | The highest income a household can make and be eligible for the Tax Credit program. The maximum allowable income is set at 60% of the area's median household income unless otherwise noted.                                                                                                                                                             |
| <b>Metropolitan Statistical Area (MSA):</b> | Denotes an area associated with an urban area. MSA determinations are made by the Census Bureau based on population and interaction. Non-urban areas included in an MSA are marked by a high rate of commuting and interaction. MSA boundaries are particularly important in determining maximum allowable rents for Tax Credit development.             |
| <b>Minimum Set-Aside:</b>                   | The federally required minimum level of tax credit units in a property (20%, 40% or NYC 25%) elected by an owner at the time of allocation.                                                                                                                                                                                                              |
| <b>Mixed Income Projects:</b>               | Developments which have tenants whose incomes are restricted and those whose income are not restricted.                                                                                                                                                                                                                                                  |
| <b>Noncompliance:</b>                       | An event in which an owner's project becomes classified for failure to either adhere to guidelines as set forth in Section 42 of the Internal Revenue Code (IRC) and/or conditions of the Extended Use Agreement.                                                                                                                                        |
| <b>Noncompliance Fee:</b>                   | A fee charged to an owner by the Corporation for failure to comply with LIHTC, national, state or local guidelines.                                                                                                                                                                                                                                      |
| <b>Occupied Unit:</b>                       | A LIHTC unit which has been rented.                                                                                                                                                                                                                                                                                                                      |
| <b>Overage:</b>                             | The term used to describe tenant paid gross rent which exceed LIHTC maximum allowable rent and must be refunded to the tenant by an owner.                                                                                                                                                                                                               |
| <b>Over Income Tenant:</b>                  | A tenant whose total anticipated gross annual income exceeds the maximum allowable income for the family in a particular area.                                                                                                                                                                                                                           |
| <b>Pass Book Rate:</b>                      | Interest rate determined by HUD and applied to assets when calculating imputed asset income.                                                                                                                                                                                                                                                             |
| <b>Placed in Service (PIS):</b>             | The date when a building or a project is ready for occupancy and an owner is permitted to begin claiming tax credits.                                                                                                                                                                                                                                    |
| <b>Private Letter Ruling:</b>               | Generally, a request made to the IRS by individual taxpayers on particular transaction involving the tax credit.                                                                                                                                                                                                                                         |
| <b>Public Housing:</b>                      | A housing development that is publicly funded and administered for low-income families.                                                                                                                                                                                                                                                                  |

| Term                                    | Definition                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Qualified Allocation Plan (QAP):</b> | A plan for allocating credits adopted by Mississippi Home Corporation in accordance with Section 42(c)(1) of the IRC and outlines housing needs specific to the State of Mississippi.                                                                                                                                                         |
| <b>Qualified Basis:</b>                 | Reflects the eligible cost attributable to eligible low-income units, and is determined by taking the amount of allowable project cost and adjusting the amount by the applicable fraction. The "claimable" portion of credits in a property according to the Internal Revenue code (IRC) formula and eligible low income units.              |
| <b>Qualified Census Tract:</b>          | The areas as defined by the Census, where 50% of all households have incomes less than 60 percent of the area median family income, adjusted for household size; such areas receive special additional tax benefits under this program; this calculation is based on 1990 census data and current income limit policies and area definitions. |
| <b>Recapture:</b>                       | The reduction in the allowable credit as penalties for noncompliance. In addition, the sale or disposition of a tax credit building may as well result in recapture event.                                                                                                                                                                    |
| <b>Recertification:</b>                 | The annual redetermination of household income and eligibility.                                                                                                                                                                                                                                                                               |
| <b>Recertification Waiver:</b>          | A waiver given to owners of 100% tax credit projects for conducting annual recertifications on income eligible tenants. The Internal Revenue Service (IRS) is the entity responsible for issuing the waiver.                                                                                                                                  |
| <b>Record- Keeping:</b>                 | Maintenance of well-organized and complete files which are essential for the administration of the project, which should include household characteristics, assistance, support documents, leases, etc.                                                                                                                                       |
| <b>Rent Floor:</b>                      | The maximum permissible rent (generally the initial rental amount) for any unit which may not fall below the initial rent when the unit was first occupied.                                                                                                                                                                                   |
| <b>Restricted Rent:</b>                 | The maximum allowable rent according to the IRS formula including any utilities or services that must be paid by the resident.                                                                                                                                                                                                                |
| <b>Rental Application:</b>              | A form used to survey a tenant(s) income and gather information about household income and composition.                                                                                                                                                                                                                                       |
| <b>Revenue Ruling:</b>                  | An official interpretation of the tax laws by the IRS published in the Internal Revenue Bulletin.                                                                                                                                                                                                                                             |
| <b>Rural Development (RD):</b>          | The U.S. Department of Agriculture Rural Development [formerly Farmers Home Administration (FmHA)] or Rural Housing Services.                                                                                                                                                                                                                 |
| <b>Section 8:</b>                       | See Section 8 Certificates.                                                                                                                                                                                                                                                                                                                   |
| <b>Services:</b>                        | Activities and/or programs provided to residents that are in addition to the furnishing of a housing unit.                                                                                                                                                                                                                                    |
| <b>The "Code":</b>                      | Refers to Section 42 of the Internal Revenue Code which outlines the requirements and guidelines of the Low Income Housing Tax Credit program.                                                                                                                                                                                                |
| <b>Transient Housing:</b>               | Housing that does not have an initial lease term of six months or longer and has a kitchen and bathroom in each housing unit. There is no limitation on the length of a lease, nor is there any minimum rental period.                                                                                                                        |
| <b>Unit Type:</b>                       | Based on the number of bedrooms: studio, one-bedroom, two-bedroom, etc.                                                                                                                                                                                                                                                                       |

| Term                      | Definition                                                                                                                                                                                                                                                              |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Utility Allowance:</b> | An adjustment for tenant paid utilities, excluding telephone, cable, etc. (utilities paid solely by an owner does not have an utility allowance) used to keep rents within gross rent guidelines of the Tax Credit program. Utility allowance also varies by unit type. |
| <b>Vacant Unit:</b>       | A LIHTC unit from which someone has moved.                                                                                                                                                                                                                              |
| <b>Verifications:</b>     | The appropriate documents received which proves the income and composition of a household.                                                                                                                                                                              |
| <b>Voucher:</b>           | See HUD Section 8 Voucher.                                                                                                                                                                                                                                              |

# *APPENDIX B*

*HTC Income & Rent Limits*

*2006-2008*

[illegible]

## FY 2006

| AMITE CO.                       | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| MFI \$32,500<br>MAXIMUM RENT AT | 50%               | \$12,800.00 | \$13,700.00 | \$17,400.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| ATTALA CO.                      | 50%               | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$36,900<br>MAXIMUM RENT AT | 50%               | \$13,450.00 | \$14,425.00 | \$15,400.00 | \$17,300.00 | \$19,250.00 | \$20,000.00 | \$20,750.00 | \$22,300.00 | \$23,850.00 | \$25,400.00 |
|                                 | 60%               | \$16,140.00 | \$17,310.00 | \$18,480.00 | \$20,760.00 | \$23,100.00 | \$24,000.00 | \$24,900.00 | \$26,760.00 | \$28,620.00 | \$30,480.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| BENTON CO.                      | 50%               | \$336.25    | \$360.63    | \$385.00    | \$432.50    | \$481.25    | \$500.00    | \$518.75    | \$557.50    | \$596.25    | \$635.00    |
|                                 | 60%               | \$403.50    | \$432.75    | \$462.00    | \$519.00    | \$577.50    | \$600.00    | \$622.50    | \$669.00    | \$715.50    | \$762.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$36,700<br>MAXIMUM RENT AT | 50%               | \$12,850.00 | \$13,775.00 | \$14,700.00 | \$16,500.00 | \$18,350.00 | \$19,075.00 | \$19,800.00 | \$21,300.00 | \$22,750.00 | \$24,200.00 |
|                                 | 60%               | \$15,420.00 | \$16,530.00 | \$17,640.00 | \$19,800.00 | \$22,020.00 | \$22,890.00 | \$23,760.00 | \$25,560.00 | \$27,300.00 | \$29,040.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| BOLIVAR CO.                     | 50%               | \$321.25    | \$344.38    | \$367.50    | \$412.50    | \$458.75    | \$495.00    | \$532.50    | \$568.75    | \$605.00    | \$642.00    |
|                                 | 60%               | \$385.50    | \$413.25    | \$441.00    | \$495.00    | \$550.50    | \$572.25    | \$594.00    | \$639.00    | \$682.50    | \$726.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$29,900<br>MAXIMUM RENT AT | 50%               | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CALHOUN CO.                     | 50%               | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$36,400<br>MAXIMUM RENT AT | 50%               | \$13,900.00 | \$14,900.00 | \$15,900.00 | \$17,850.00 | \$19,850.00 | \$20,650.00 | \$21,450.00 | \$23,050.00 | \$24,600.00 | \$26,200.00 |
|                                 | 60%               | \$16,680.00 | \$17,880.00 | \$19,080.00 | \$21,420.00 | \$23,820.00 | \$24,780.00 | \$25,740.00 | \$27,660.00 | \$29,520.00 | \$31,440.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CARROLL CO.                     | 50%               | \$347.50    | \$372.50    | \$397.50    | \$446.25    | \$496.25    | \$516.25    | \$536.25    | \$576.25    | \$615.00    | \$655.00    |
|                                 | 60%               | \$417.00    | \$447.00    | \$477.00    | \$535.50    | \$595.50    | \$619.50    | \$643.50    | \$691.50    | \$738.00    | \$786.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$38,600<br>MAXIMUM RENT AT | 50%               | \$13,700.00 | \$14,700.00 | \$15,700.00 | \$17,650.00 | \$19,600.00 | \$20,375.00 | \$21,150.00 | \$22,750.00 | \$24,300.00 | \$25,850.00 |
|                                 | 60%               | \$16,440.00 | \$17,640.00 | \$18,840.00 | \$21,180.00 | \$23,520.00 | \$24,450.00 | \$25,380.00 | \$27,300.00 | \$29,160.00 | \$31,020.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CHICKASAW CO.                   | 50%               | \$342.50    | \$367.50    | \$392.50    | \$441.25    | \$490.00    | \$509.38    | \$528.75    | \$568.75    | \$607.50    | \$646.25    |
|                                 | 60%               | \$411.00    | \$441.00    | \$471.00    | \$529.50    | \$588.00    | \$611.25    | \$634.50    | \$682.50    | \$729.00    | \$775.50    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$38,200<br>MAXIMUM RENT AT | 50%               | \$13,950.00 | \$14,925.00 | \$15,900.00 | \$17,900.00 | \$19,900.00 | \$20,700.00 | \$21,500.00 | \$23,100.00 | \$24,700.00 | \$26,250.00 |
|                                 | 60%               | \$16,740.00 | \$17,910.00 | \$19,080.00 | \$21,480.00 | \$23,880.00 | \$24,840.00 | \$25,800.00 | \$27,720.00 | \$29,640.00 | \$31,500.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CHOCTAW CO.                     | 50%               | \$348.75    | \$373.13    | \$397.50    | \$447.50    | \$497.50    | \$517.50    | \$537.50    | \$577.50    | \$617.50    | \$656.25    |
|                                 | 60%               | \$418.50    | \$447.75    | \$477.00    | \$537.00    | \$597.00    | \$621.00    | \$645.00    | \$693.00    | \$741.00    | \$787.50    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$36,300<br>MAXIMUM RENT AT | 50%               | \$13,300.00 | \$14,250.00 | \$15,200.00 | \$17,100.00 | \$19,000.00 | \$19,750.00 | \$20,500.00 | \$22,050.00 | \$23,550.00 | \$25,100.00 |
|                                 | 60%               | \$15,960.00 | \$17,100.00 | \$18,240.00 | \$20,520.00 | \$22,800.00 | \$23,700.00 | \$24,600.00 | \$26,460.00 | \$28,260.00 | \$30,120.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CLAIBORNE CO.                   | 50%               | \$332.50    | \$356.25    | \$380.00    | \$427.50    | \$475.00    | \$493.75    | \$512.50    | \$551.25    | \$588.75    | \$627.50    |
|                                 | 60%               | \$399.00    | \$427.50    | \$456.00    | \$513.00    | \$570.00    | \$592.50    | \$615.00    | \$661.50    | \$706.50    | \$753.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$31,600<br>MAXIMUM RENT AT | 50%               | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CLARKE CO.                      | 50%               | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$34,600<br>MAXIMUM RENT AT | 50%               | \$14,200.00 | \$15,225.00 | \$16,250.00 | \$18,250.00 | \$20,300.00 | \$21,100.00 | \$21,900.00 | \$23,550.00 | \$25,150.00 | \$26,800.00 |
|                                 | 60%               | \$17,040.00 | \$18,270.00 | \$19,500.00 | \$21,900.00 | \$24,360.00 | \$25,320.00 | \$26,280.00 | \$28,260.00 | \$30,180.00 | \$32,160.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| CLAY CO.                        | 50%               | \$355.00    | \$380.63    | \$406.25    | \$456.25    | \$507.50    | \$527.50    | \$547.50    | \$588.75    | \$628.75    | \$670.00    |
|                                 | 60%               | \$426.00    | \$456.75    | \$487.50    | \$547.50    | \$609.00    | \$633.00    | \$657.00    | \$706.50    | \$754.50    | \$804.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$37,200<br>MAXIMUM RENT AT | 50%               | \$13,000.00 | \$13,950.00 | \$14,900.00 | \$16,750.00 | \$18,600.00 | \$19,350.00 | \$20,100.00 | \$21,600.00 | \$23,050.00 | \$24,550.00 |
|                                 | 60%               | \$15,600.00 | \$16,740.00 | \$17,880.00 | \$20,100.00 | \$22,320.00 | \$23,220.00 | \$24,120.00 | \$25,920.00 | \$27,660.00 | \$29,460.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MFI \$37,200<br>MAXIMUM RENT AT | 50%               | \$325.00    | \$348.75    | \$372.50    | \$418.75    | \$465.00    | \$483.75    | \$502.50    | \$540.00    | \$576.25    | \$613.75    |
|                                 | 60%               | \$390.00    | \$418.50    | \$447.00    | \$502.50    | \$558.00    | \$580.50    | \$603.00    | \$648.00    | \$691.50    | \$736.50    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |

Income amounts for 1.5 and 4.5 persons are for rent calculation purposes only.

## FY 2006

|                 |                   |          |             |             |             |             |             |             |             |             |             |             |
|-----------------|-------------------|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| COAHOMA CO.     | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,400.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| COVINGTON CO.   | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| FRANKLIN CO.    | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| GREENE CO.      | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$13,600.00 | \$14,575.00 | \$15,550.00 | \$17,500.00 | \$19,450.00 | \$20,225.00 | \$21,000.00 | \$22,550.00 | \$24,100.00 | \$25,650.00 |
|                 |                   | 60%      | \$16,320.00 | \$17,490.00 | \$18,660.00 | \$21,000.00 | \$23,340.00 | \$24,270.00 | \$25,200.00 | \$27,060.00 | \$28,920.00 | \$30,780.00 |
| MAXIMUM RENT AT | 50%               | \$340.00 | \$364.38    | \$388.75    | \$437.50    | \$486.25    | \$505.63    | \$525.00    | \$563.75    | \$602.50    | \$641.25    | \$679.50    |
|                 |                   | 60%      | \$408.00    | \$437.25    | \$466.50    | \$523.00    | \$583.50    | \$606.75    | \$630.00    | \$676.50    | \$723.00    | \$769.50    |
|                 |                   | 60%      | \$13,700.00 | \$14,675.00 | \$15,650.00 | \$17,600.00 | \$19,550.00 | \$20,325.00 | \$21,100.00 | \$22,700.00 | \$24,250.00 | \$25,800.00 |
| GRENADA CO.     | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$16,440.00 | \$17,610.00 | \$18,780.00 | \$21,120.00 | \$23,460.00 | \$24,390.00 | \$25,320.00 | \$27,240.00 | \$29,100.00 | \$30,960.00 |
|                 |                   | 60%      | \$16,440.00 | \$17,610.00 | \$18,780.00 | \$21,120.00 | \$23,460.00 | \$24,390.00 | \$25,320.00 | \$27,240.00 | \$29,100.00 | \$30,960.00 |
| MAXIMUM RENT AT | 50%               | \$342.50 | \$366.88    | \$391.25    | \$440.00    | \$488.75    | \$508.13    | \$527.50    | \$567.50    | \$606.25    | \$645.00    | \$679.50    |
|                 |                   | 60%      | \$411.00    | \$440.25    | \$469.50    | \$528.00    | \$586.50    | \$609.75    | \$633.00    | \$681.00    | \$727.50    | \$774.00    |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| HUMPHREYS CO.   | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| ISSAQUENA CO.   | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| TAWAMBA CO.     | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$15,100.00 | \$16,175.00 | \$17,250.00 | \$19,400.00 | \$21,550.00 | \$22,400.00 | \$23,250.00 | \$25,000.00 | \$26,700.00 | \$28,450.00 |
|                 |                   | 60%      | \$18,120.00 | \$19,410.00 | \$20,700.00 | \$23,280.00 | \$25,860.00 | \$26,880.00 | \$27,900.00 | \$30,000.00 | \$32,040.00 | \$34,140.00 |
| MAXIMUM RENT AT | 50%               | \$377.50 | \$404.38    | \$431.25    | \$485.00    | \$538.75    | \$560.00    | \$581.25    | \$625.00    | \$667.50    | \$711.25    | \$750.00    |
|                 |                   | 60%      | \$453.00    | \$485.25    | \$517.50    | \$582.00    | \$646.50    | \$672.00    | \$697.50    | \$750.00    | \$801.00    | \$853.50    |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| JEFFERSON CO.   | PERCENT OF MEDIAN | 50%      | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | 60%      | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               | \$320.00 | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    | \$62.50     |
|                 |                   | 60%      | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | 60%      | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |

Income amounts for 1.5 and 4.5 persons are for rent calculation purposes only.



## FY 2006

|                                 |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
|---------------------------------|-------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| JEFFERSON DA CO.                | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$12,800.00<br>\$15,360.00 | \$13,700.00<br>\$16,440.00 | \$14,600.00<br>\$17,520.00 | \$16,450.00<br>\$19,740.00 | \$18,250.00<br>\$21,900.00 | \$18,975.00<br>\$22,770.00 | \$19,700.00<br>\$23,640.00 | \$21,150.00<br>\$25,380.00 | \$22,650.00<br>\$27,180.00 | \$24,100.00<br>\$28,920.00 |
| MFI \$30,300<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| JONES CO.                       | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$320.00<br>\$384.00       | \$342.50<br>\$411.00       | \$365.00<br>\$438.00       | \$411.25<br>\$493.50       | \$456.25<br>\$569.25       | \$474.38<br>\$574.50       | \$492.50<br>\$591.00       | \$528.75<br>\$634.50       | \$566.25<br>\$679.50       | \$602.50<br>\$723.00       |
| MFI \$39,000<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| KEMPER CO.                      | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$13,650.00<br>\$15,360.00 | \$14,625.00<br>\$16,440.00 | \$15,600.00<br>\$17,520.00 | \$17,550.00<br>\$19,740.00 | \$19,500.00<br>\$21,900.00 | \$20,275.00<br>\$22,770.00 | \$21,050.00<br>\$23,640.00 | \$22,600.00<br>\$25,260.00 | \$24,200.00<br>\$29,040.00 | \$25,750.00<br>\$30,900.00 |
| MFI \$35,300<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LAFAYETTE CO.                   | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$320.00<br>\$384.00       | \$342.50<br>\$411.00       | \$365.00<br>\$438.00       | \$411.25<br>\$493.50       | \$456.25<br>\$569.25       | \$474.38<br>\$574.50       | \$492.50<br>\$591.00       | \$528.75<br>\$634.50       | \$566.25<br>\$679.50       | \$602.50<br>\$723.00       |
| MFI \$51,300<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LAUDERDALE CO.                  | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$15,000.00<br>\$18,000.00 | \$16,050.00<br>\$19,260.00 | \$17,100.00<br>\$20,520.00 | \$19,250.00<br>\$23,100.00 | \$21,400.00<br>\$25,680.00 | \$22,250.00<br>\$26,700.00 | \$23,100.00<br>\$27,720.00 | \$24,800.00<br>\$29,760.00 | \$26,550.00<br>\$31,860.00 | \$28,250.00<br>\$33,900.00 |
| MFI \$42,800<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LAWRENCE CO.                    | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$16,850.00<br>\$20,200.00 | \$18,050.00<br>\$21,660.00 | \$19,250.00<br>\$23,100.00 | \$21,650.00<br>\$25,980.00 | \$24,050.00<br>\$28,860.00 | \$25,000.00<br>\$30,000.00 | \$25,950.00<br>\$31,440.00 | \$27,900.00<br>\$33,480.00 | \$29,800.00<br>\$35,760.00 | \$31,850.00<br>\$40,620.00 |
| MFI \$48,100<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LEAKE CO.                       | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$21,200.00<br>\$25,050.00 | \$22,400.00<br>\$26,800.00 | \$23,600.00<br>\$28,600.00 | \$25,800.00<br>\$30,800.00 | \$28,000.00<br>\$33,200.00 | \$29,200.00<br>\$34,600.00 | \$30,400.00<br>\$35,800.00 | \$32,600.00<br>\$38,000.00 | \$34,800.00<br>\$42,400.00 | \$37,062.50<br>\$47,500.00 |
| MFI \$54,300<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LEE CO.                         | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$17,800.00<br>\$21,360.00 | \$19,050.00<br>\$22,860.00 | \$20,300.00<br>\$24,360.00 | \$22,850.00<br>\$27,420.00 | \$25,400.00<br>\$30,480.00 | \$26,425.00<br>\$31,710.00 | \$27,450.00<br>\$32,940.00 | \$29,450.00<br>\$35,340.00 | \$31,500.00<br>\$37,800.00 | \$33,550.00<br>\$40,260.00 |
| MFI \$50,800<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LEFLORE CO.                     | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$320.00<br>\$384.00       | \$342.50<br>\$411.00       | \$365.00<br>\$438.00       | \$411.25<br>\$493.50       | \$456.25<br>\$569.25       | \$474.38<br>\$574.50       | \$492.50<br>\$591.00       | \$528.75<br>\$634.50       | \$566.25<br>\$679.50       | \$602.50<br>\$723.00       |
| MFI \$29,300<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LINCOLN CO.                     | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$320.00<br>\$384.00       | \$342.50<br>\$411.00       | \$365.00<br>\$438.00       | \$411.25<br>\$493.50       | \$456.25<br>\$569.25       | \$474.38<br>\$574.50       | \$492.50<br>\$591.00       | \$528.75<br>\$634.50       | \$566.25<br>\$679.50       | \$602.50<br>\$723.00       |
| MFI \$39,400<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| LOWNDES CO.                     | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$13,800.00<br>\$16,560.00 | \$14,775.00<br>\$17,730.00 | \$15,750.00<br>\$18,900.00 | \$17,750.00<br>\$21,300.00 | \$20,500.00<br>\$23,640.00 | \$20,500.00<br>\$24,600.00 | \$21,300.00<br>\$25,560.00 | \$22,850.00<br>\$27,420.00 | \$24,450.00<br>\$29,340.00 | \$26,000.00<br>\$31,200.00 |
| MFI \$41,600<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| MAXIMUM RENT AT                 | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$345.00<br>\$414.00       | \$369.38<br>\$443.25       | \$393.75<br>\$472.50       | \$443.75<br>\$532.50       | \$492.50<br>\$591.00       | \$512.50<br>\$615.00       | \$532.50<br>\$639.00       | \$571.25<br>\$685.50       | \$611.25<br>\$733.50       | \$650.00<br>\$780.00       |
| MFI \$41,600<br>MAXIMUM RENT AT |                   |                            |                            |                            |                            |                            |                            |                            |                            |                            |                            |
| MAXIMUM RENT AT                 | PERCENT OF MEDIAN | 1 PERSON                   | 1.5 PERSONS                | 2 PERSONS                  | 3 PERSONS                  | 4 PERSONS                  | 4.5 PERSONS                | 5 PERSONS                  | 6 PERSONS                  | 7 PERSONS                  | 8 PERSONS                  |
|                                 |                   | \$390.00<br>\$468.00       | \$417.50<br>\$501.00       | \$445.00<br>\$534.00       | \$501.25<br>\$601.50       | \$578.75<br>\$694.50       | \$645.00<br>\$787.50       | \$690.00<br>\$845.00       | \$733.50<br>\$898.50       | \$773.00<br>\$945.00       | \$833.75<br>\$1,015.50     |

Income amounts for 1.5 and 4.5 persons are for rent calculation purposes only.

## FY 2006

|                 |                   |                 |                   |             |             |             |             |             |             |             |             |             |
|-----------------|-------------------|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| MARION CO.      | PERCENT OF MEDIAN | 1 PERSON        | 1.5 PERSONS       | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |             |
|                 |                   | 50%             | \$12,800.00       | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |             |
|                 |                   | 60%             | \$15,360.00       | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |             |
| MAXIMUM RENT AT | 50%               | \$320.00        | \$342.50          | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |             |
|                 |                   | 60%             | \$384.00          | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                 |                   | MONROE CO.      | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| MFI \$33,800    | PERCENT OF MEDIAN | 50%             | \$14,750.00       | \$15,800.00 | \$16,850.00 | \$18,950.00 | \$21,050.00 | \$22,750.00 | \$24,400.00 | \$26,100.00 | \$27,800.00 |             |
|                 |                   | 60%             | \$17,700.00       | \$18,960.00 | \$20,220.00 | \$22,740.00 | \$25,260.00 | \$26,280.00 | \$27,300.00 | \$29,280.00 | \$31,320.00 | \$33,360.00 |
|                 |                   | MAXIMUM RENT AT | 50%               | \$368.75    | \$395.00    | \$421.25    | \$473.75    | \$526.25    | \$547.50    | \$568.75    | \$610.00    | \$652.50    |
| MAXIMUM RENT AT | 60%               | \$442.50        | \$474.00          | \$505.50    | \$568.50    | \$631.50    | \$657.00    | \$682.50    | \$732.00    | \$783.00    | \$834.00    |             |
|                 |                   | MONTGOMERY CO.  | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$35,500    | PERCENT OF MEDIAN | 50%         | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 |
| 60%             | \$15,360.00       |                 |                   | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |             |
| MAXIMUM RENT AT | 50%               |                 |                   | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    |
| MAXIMUM RENT AT | 60%               | \$384.00        | \$411.00          | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |             |
|                 |                   | NESHOBIA CO.    | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$38,200    | PERCENT OF MEDIAN | 50%         | \$13,350.00 | \$14,325.00 | \$15,300.00 | \$17,200.00 | \$19,100.00 | \$20,650.00 | \$22,150.00 | \$23,700.00 |
| 60%             | \$16,020.00       |                 |                   | \$17,190.00 | \$18,360.00 | \$20,640.00 | \$22,920.00 | \$23,850.00 | \$24,780.00 | \$26,580.00 | \$28,440.00 | \$30,240.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$333.75    | \$358.13    | \$382.50    | \$430.00    | \$477.50    | \$496.88    | \$516.25    | \$553.75    | \$592.50    |
| MAXIMUM RENT AT | 60%               | \$400.50        | \$429.75          | \$459.00    | \$516.00    | \$573.00    | \$596.25    | \$619.50    | \$664.50    | \$711.00    | \$756.00    |             |
|                 |                   | NEWTON CO.      | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$39,800    | PERCENT OF MEDIAN | 50%         | \$13,950.00 | \$14,925.00 | \$15,900.00 | \$17,900.00 | \$19,900.00 | \$20,700.00 | \$23,100.00 | \$24,700.00 |
| 60%             | \$16,740.00       |                 |                   | \$17,910.00 | \$19,080.00 | \$21,480.00 | \$23,880.00 | \$24,840.00 | \$25,800.00 | \$27,720.00 | \$29,640.00 | \$31,500.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$348.75    | \$373.13    | \$397.50    | \$447.50    | \$497.50    | \$517.50    | \$537.50    | \$577.50    | \$617.50    |
| MAXIMUM RENT AT | 60%               | \$418.50        | \$447.75          | \$477.00    | \$537.00    | \$597.00    | \$621.00    | \$645.00    | \$693.00    | \$741.00    | \$787.50    |             |
|                 |                   | NOXUBEE CO.     | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$30,700    | PERCENT OF MEDIAN | 50%         | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 |
| 60%             | \$15,360.00       |                 |                   | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |             |
| MAXIMUM RENT AT | 50%               |                 |                   | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    |
| MAXIMUM RENT AT | 60%               | \$384.00        | \$411.00          | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |             |
|                 |                   | OKTIBBEHA CO.   | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$40,300    | PERCENT OF MEDIAN | 50%         | \$15,800.00 | \$16,950.00 | \$18,100.00 | \$20,350.00 | \$22,600.00 | \$24,400.00 | \$26,200.00 | \$28,000.00 |
| 60%             | \$18,960.00       |                 |                   | \$20,340.00 | \$21,720.00 | \$24,420.00 | \$27,120.00 | \$29,280.00 | \$31,440.00 | \$33,600.00 | \$35,820.00 |             |
| MAXIMUM RENT AT | 50%               |                 |                   | \$395.00    | \$423.75    | \$452.50    | \$508.75    | \$565.00    | \$587.50    | \$610.00    | \$655.00    | \$700.00    |
| MAXIMUM RENT AT | 60%               | \$474.00        | \$508.50          | \$543.00    | \$610.50    | \$678.00    | \$705.00    | \$732.00    | \$786.00    | \$840.00    | \$895.50    |             |
|                 |                   | PANOLA CO.      | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$36,800    | PERCENT OF MEDIAN | 50%         | \$12,900.00 | \$13,800.00 | \$14,700.00 | \$16,550.00 | \$18,400.00 | \$19,125.00 | \$19,850.00 | \$21,350.00 |
| 60%             | \$15,480.00       |                 |                   | \$16,560.00 | \$17,640.00 | \$19,860.00 | \$22,080.00 | \$22,950.00 | \$23,820.00 | \$25,620.00 | \$27,360.00 | \$29,160.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$322.00    | \$345.00    | \$367.50    | \$413.75    | \$460.00    | \$478.13    | \$496.25    | \$533.75    | \$570.00    |
| MAXIMUM RENT AT | 60%               | \$387.00        | \$414.00          | \$441.00    | \$496.50    | \$552.00    | \$573.75    | \$595.50    | \$640.50    | \$684.00    | \$729.00    |             |
|                 |                   | PEARL RIVER CO. | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$43,200    | PERCENT OF MEDIAN | 50%         | \$15,100.00 | \$16,200.00 | \$17,300.00 | \$19,450.00 | \$21,600.00 | \$22,475.00 | \$23,350.00 | \$25,050.00 |
| 60%             | \$18,120.00       |                 |                   | \$19,440.00 | \$20,760.00 | \$23,340.00 | \$25,920.00 | \$26,970.00 | \$28,020.00 | \$30,060.00 | \$32,160.00 | \$34,200.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$377.50    | \$405.00    | \$432.50    | \$486.25    | \$540.00    | \$561.88    | \$583.75    | \$626.25    | \$670.00    |
| MAXIMUM RENT AT | 60%               | \$453.00        | \$486.00          | \$519.00    | \$583.50    | \$648.00    | \$674.25    | \$700.50    | \$751.50    | \$804.00    | \$855.00    |             |
|                 |                   | PIKE CO.        | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$33,700    | PERCENT OF MEDIAN | 50%         | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,975.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 |
| 60%             | \$15,360.00       |                 |                   | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$23,640.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$474.38    | \$492.50    | \$528.75    | \$566.25    |
| MAXIMUM RENT AT | 60%               | \$384.00        | \$411.00          | \$438.00    | \$493.50    | \$547.50    | \$569.25    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |             |
|                 |                   | PONTOTOC CO.    | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 |                   | MFI \$45,600    | PERCENT OF MEDIAN | 50%         | \$15,950.00 | \$17,100.00 | \$18,250.00 | \$20,500.00 | \$22,800.00 | \$23,700.00 | \$24,600.00 | \$26,450.00 |
| 60%             | \$19,140.00       |                 |                   | \$20,520.00 | \$21,900.00 | \$24,600.00 | \$27,360.00 | \$28,440.00 | \$29,520.00 | \$31,740.00 | \$33,900.00 | \$36,120.00 |
| MAXIMUM RENT AT | 50%               |                 |                   | \$398.75    | \$427.50    | \$456.25    | \$512.50    | \$570.00    | \$592.50    | \$615.00    | \$661.25    | \$706.25    |
| MAXIMUM RENT AT | 60%               | \$478.50        | \$513.00          | \$547.50    | \$615.00    | \$684.00    | \$711.00    | \$738.00    | \$787.50    | \$847.50    | \$903.00    |             |

Income amounts for 1.5 and 4.5 persons are for rent calculation purposes only.

|                                 |                   |          |             |             |             |             |             |             |             |             |             |
|---------------------------------|-------------------|----------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PRETIVSS CO.                    | PERCENT OF MEDIAN | 1 PERSON | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| MFI \$39,000<br>MAXIMUM RENT AT | 50%               |          | \$14,625.00 | \$15,600.00 | \$17,500.00 | \$19,500.00 | \$20,275.00 | \$21,050.00 | \$22,100.00 | \$24,200.00 | \$25,750.00 |
|                                 | 60%               |          | \$17,550.00 | \$18,720.00 | \$21,060.00 | \$23,400.00 | \$24,375.00 | \$25,260.00 | \$27,120.00 | \$29,040.00 | \$30,900.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| MFI \$39,000<br>MAXIMUM RENT AT | 50%               |          | \$365.63    | \$390.00    | \$438.75    | \$487.50    | \$506.88    | \$526.25    | \$565.00    | \$605.00    | \$643.75    |
|                                 | 60%               |          | \$409.50    | \$468.00    | \$525.50    | \$585.00    | \$608.25    | \$631.50    | \$678.00    | \$726.00    | \$772.50    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| QUITMAN CO.                     | PERCENT OF MEDIAN | 1 PERSON | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| MFI \$28,400<br>MAXIMUM RENT AT | 50%               |          | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               |          | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| SCOTT CO.                       | 50%               |          | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               |          | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| SHARKEY CO.                     | 50%               |          | \$13,050.00 | \$13,975.00 | \$14,900.00 | \$16,800.00 | \$18,650.00 | \$19,400.00 | \$21,650.00 | \$23,150.00 | \$24,600.00 |
|                                 | 60%               |          | \$15,660.00 | \$16,770.00 | \$17,880.00 | \$20,160.00 | \$22,380.00 | \$23,280.00 | \$25,980.00 | \$27,780.00 | \$29,520.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| MFI \$29,700<br>MAXIMUM RENT AT | 50%               |          | \$326.25    | \$349.38    | \$372.50    | \$420.00    | \$466.25    | \$503.75    | \$541.25    | \$578.75    | \$615.00    |
|                                 | 60%               |          | \$391.50    | \$419.25    | \$447.00    | \$504.00    | \$559.50    | \$604.50    | \$649.50    | \$694.50    | \$738.00    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| SMITH CO.                       | 50%               |          | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               |          | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| SUNFLOWER CO.                   | 50%               |          | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               |          | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| TALLAHATCHIE CO.                | 50%               |          | \$12,800.00 | \$13,700.00 | \$14,600.00 | \$16,450.00 | \$18,250.00 | \$19,700.00 | \$21,150.00 | \$22,650.00 | \$24,100.00 |
|                                 | 60%               |          | \$15,360.00 | \$16,440.00 | \$17,520.00 | \$19,740.00 | \$21,900.00 | \$22,770.00 | \$25,380.00 | \$27,180.00 | \$28,920.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| TIPPAH CO.                      | 50%               |          | \$320.00    | \$342.50    | \$365.00    | \$411.25    | \$456.25    | \$492.50    | \$528.75    | \$566.25    | \$602.50    |
|                                 | 60%               |          | \$384.00    | \$411.00    | \$438.00    | \$493.50    | \$547.50    | \$591.00    | \$634.50    | \$679.50    | \$723.00    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| MFI \$38,100<br>MAXIMUM RENT AT | 50%               |          | \$13,950.00 | \$14,950.00 | \$15,950.00 | \$17,950.00 | \$19,950.00 | \$21,550.00 | \$23,150.00 | \$24,750.00 | \$26,350.00 |
|                                 | 60%               |          | \$16,740.00 | \$17,940.00 | \$19,140.00 | \$21,540.00 | \$23,940.00 | \$24,900.00 | \$27,780.00 | \$29,700.00 | \$31,620.00 |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |
| TISHOMINGO CO.                  | 50%               |          | \$373.75    | \$398.75    | \$428.75    | \$498.75    | \$558.75    | \$618.75    | \$678.75    | \$738.75    | \$798.75    |
|                                 | 60%               |          | \$418.50    | \$448.50    | \$478.50    | \$538.50    | \$598.50    | \$658.50    | \$718.50    | \$778.50    | \$838.50    |
|                                 | MAXIMUM RENT AT   |          |             |             |             |             |             |             |             |             |             |

Income amounts for 1.5 and 4.5 persons are for rent calculation purposes only.

[illegible]

**Mississippi Home Corporation**  
**FY 2007**  
**HOUSING TAX CREDITS**  
**INCOME AND RENT LIMITS**  
**EFFECTIVE 20- MARCH - 2007**

*Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!*

|                                 |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Gulfport-Biloxi, MS</b>      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$16,850.00 | \$18,075.00 | \$19,300.00 | \$21,700.00 | \$24,100.00 | \$25,075.00 | \$26,050.00 | \$27,950.00 | \$29,900.00 | \$31,800.00 |
|                                 | 60%               | \$20,220.00 | \$21,090.00 | \$23,160.00 | \$26,040.00 | \$28,920.00 | \$30,090.00 | \$31,260.00 | \$33,540.00 | \$35,980.00 | \$38,160.00 |
| <b>Hattiesburg, MS</b>          | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$421.25    | \$451.88    | \$482.50    | \$542.50    | \$602.50    | \$626.88    | \$651.25    | \$698.75    | \$747.50    | \$795.00    |
|                                 | 60%               | \$505.50    | \$542.25    | \$579.00    | \$651.00    | \$723.00    | \$752.25    | \$781.50    | \$838.50    | \$897.00    | \$954.00    |
| <b>MFI \$42,700</b>             | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$15,050.00 | \$16,125.00 | \$17,200.00 | \$19,350.00 | \$21,500.00 | \$22,350.00 | \$23,200.00 | \$24,950.00 | \$26,650.00 | \$28,400.00 |
|                                 | 60%               | \$18,060.00 | \$19,350.00 | \$20,640.00 | \$23,220.00 | \$25,800.00 | \$26,820.00 | \$27,840.00 | \$29,940.00 | \$31,980.00 | \$34,080.00 |
| <b>Jackson, MS HMFA</b>         | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$376.25    | \$403.13    | \$430.00    | \$483.75    | \$537.50    | \$558.75    | \$580.00    | \$623.75    | \$666.25    | \$710.00    |
|                                 | 60%               | \$451.50    | \$483.75    | \$516.00    | \$580.50    | \$645.00    | \$670.50    | \$696.00    | \$748.50    | \$799.50    | \$852.00    |
| <b>Simpson County, MS HMFA</b>  | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$18,700.00 | \$20,025.00 | \$21,350.00 | \$24,050.00 | \$26,700.00 | \$27,775.00 | \$28,850.00 | \$33,100.00 | \$33,100.00 | \$35,250.00 |
|                                 | 60%               | \$22,440.00 | \$24,030.00 | \$25,620.00 | \$28,860.00 | \$32,040.00 | \$33,330.00 | \$34,620.00 | \$37,140.00 | \$39,720.00 | \$42,300.00 |
| <b>MFI \$37,500</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$467.50    | \$500.63    | \$533.75    | \$601.25    | \$667.50    | \$694.38    | \$721.25    | \$773.75    | \$827.50    | \$881.25    |
|                                 | 60%               | \$561.00    | \$600.75    | \$640.50    | \$721.50    | \$801.00    | \$833.25    | \$865.50    | \$928.50    | \$993.00    | \$1,057.50  |
| <b>Marshall County, MS HMFA</b> | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| <b>MFI \$38,300</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| <b>Memphis, TN-MS-AR HMFA</b>   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$15,250.00 | \$16,325.00 | \$17,400.00 | \$19,600.00 | \$21,750.00 | \$22,625.00 | \$23,500.00 | \$25,250.00 | \$26,950.00 | \$28,700.00 |
|                                 | 60%               | \$18,300.00 | \$19,590.00 | \$20,880.00 | \$23,520.00 | \$26,100.00 | \$27,150.00 | \$28,200.00 | \$30,300.00 | \$32,340.00 | \$34,440.00 |
| <b>MFI \$53,200</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$381.25    | \$408.13    | \$435.00    | \$490.00    | \$543.75    | \$565.63    | \$587.50    | \$631.25    | \$673.75    | \$717.50    |
|                                 | 60%               | \$457.50    | \$489.75    | \$522.00    | \$588.00    | \$652.50    | \$678.75    | \$705.00    | \$757.50    | \$808.50    | \$861.00    |
| <b>Tate County, MS HMFA</b>     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$20,050.00 | \$21,475.00 | \$22,900.00 | \$25,800.00 | \$28,650.00 | \$29,800.00 | \$30,950.00 | \$33,250.00 | \$35,550.00 | \$37,800.00 |
|                                 | 60%               | \$24,060.00 | \$25,770.00 | \$27,480.00 | \$30,960.00 | \$34,380.00 | \$35,760.00 | \$37,140.00 | \$39,900.00 | \$42,660.00 | \$45,360.00 |
| <b>MFI \$47,700</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$501.25    | \$536.88    | \$572.50    | \$645.00    | \$716.25    | \$745.00    | \$773.75    | \$831.25    | \$888.75    | \$945.00    |
|                                 | 60%               | \$601.50    | \$644.25    | \$687.00    | \$774.00    | \$859.50    | \$894.00    | \$928.50    | \$997.50    | \$1,066.50  | \$1,134.00  |
| <b>Tunica County, MS HMFA</b>   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$16,700.00 | \$17,900.00 | \$19,100.00 | \$21,450.00 | \$23,850.00 | \$24,800.00 | \$25,750.00 | \$27,650.00 | \$29,550.00 | \$31,500.00 |
|                                 | 60%               | \$20,040.00 | \$21,480.00 | \$22,920.00 | \$25,740.00 | \$28,620.00 | \$29,760.00 | \$30,900.00 | \$33,180.00 | \$35,460.00 | \$37,800.00 |
| <b>MFI \$29,300</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$417.50    | \$447.50    | \$477.50    | \$536.25    | \$596.25    | \$620.00    | \$643.75    | \$691.25    | \$738.75    | \$787.50    |
|                                 | 60%               | \$501.00    | \$537.00    | \$573.00    | \$643.50    | \$715.50    | \$744.00    | \$772.50    | \$829.50    | \$886.50    | \$945.00    |
| <b>Pascagoula, MS MSA</b>       | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$15,250.00 | \$16,325.00 | \$17,400.00 | \$19,600.00 | \$21,750.00 | \$22,625.00 | \$23,500.00 | \$25,250.00 | \$26,950.00 | \$28,700.00 |
|                                 | 60%               | \$18,300.00 | \$19,590.00 | \$20,880.00 | \$23,520.00 | \$26,100.00 | \$27,150.00 | \$28,200.00 | \$30,300.00 | \$32,340.00 | \$34,440.00 |
| <b>MFI \$50,400</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$381.25    | \$408.13    | \$435.00    | \$490.00    | \$543.75    | \$565.63    | \$587.50    | \$631.25    | \$673.75    | \$717.50    |
|                                 | 60%               | \$457.50    | \$489.75    | \$522.00    | \$588.00    | \$652.50    | \$678.75    | \$705.00    | \$757.50    | \$808.50    | \$861.00    |
| <b>ADAMS CO.</b>                | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$17,650.00 | \$18,900.00 | \$20,150.00 | \$22,700.00 | \$25,200.00 | \$26,200.00 | \$27,200.00 | \$29,250.00 | \$31,250.00 | \$33,250.00 |
|                                 | 60%               | \$21,180.00 | \$22,680.00 | \$24,180.00 | \$27,240.00 | \$30,240.00 | \$31,440.00 | \$32,640.00 | \$35,100.00 | \$37,500.00 | \$39,900.00 |
| <b>MFI \$33,800</b>             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$441.25    | \$472.50    | \$503.75    | \$567.50    | \$630.00    | \$655.00    | \$680.00    | \$731.25    | \$781.25    | \$831.25    |
|                                 | 60%               | \$529.50    | \$567.00    | \$604.50    | \$681.00    | \$756.00    | \$786.00    | \$816.00    | \$877.50    | \$937.50    | \$997.50    |
| <b>MAXIMUM RENT AT</b>          | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| <b>MAXIMUM RENT AT</b>          | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |

Mississippi Home Corporation  
FY 2007  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 20- MARCH - 2007

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

| ALCORN CO.      |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,750.00 | \$15,800.00 | \$18,850.00 | \$18,950.00 | \$21,050.00 | \$21,900.00 | \$22,750.00 | \$24,400.00 | \$26,100.00 | \$27,800.00 |
|                 | 60%               | \$17,700.00 | \$18,960.00 | \$20,220.00 | \$22,740.00 | \$25,260.00 | \$26,280.00 | \$27,300.00 | \$29,280.00 | \$31,320.00 | \$33,360.00 |
| MFI \$42,100    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$368.75    | \$395.00    | \$421.25    | \$473.75    | \$526.25    | \$547.50    | \$568.75    | \$610.00    | \$652.50    | \$695.00    |
| 60%             |                   | \$442.50    | \$474.00    | \$505.50    | \$568.50    | \$631.50    | \$657.00    | \$682.50    | \$732.00    | \$783.00    | \$834.00    |
| AMITE CO.       |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$35,600    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| ATTALA CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$35,200    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| BENTON CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$34,500    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| BOLIVAR CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$31,300    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| CALHOUN CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,900.00 | \$14,900.00 | \$15,900.00 | \$17,850.00 | \$19,850.00 | \$20,650.00 | \$21,450.00 | \$23,050.00 | \$24,600.00 | \$26,200.00 |
|                 | 60%               | \$16,680.00 | \$17,880.00 | \$19,080.00 | \$21,420.00 | \$23,820.00 | \$24,780.00 | \$25,740.00 | \$27,660.00 | \$29,520.00 | \$31,440.00 |
| MFI \$39,400    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$347.50    | \$372.50    | \$397.50    | \$446.25    | \$496.25    | \$516.25    | \$536.25    | \$576.25    | \$615.00    | \$655.00    |
| 60%             |                   | \$417.00    | \$447.00    | \$477.00    | \$535.50    | \$595.50    | \$619.50    | \$643.50    | \$691.50    | \$738.00    | \$786.00    |
| CARROLL CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,450.00 | \$15,475.00 | \$16,500.00 | \$18,600.00 | \$20,650.00 | \$21,475.00 | \$22,300.00 | \$23,950.00 | \$25,600.00 | \$27,250.00 |
|                 | 60%               | \$17,340.00 | \$18,570.00 | \$19,800.00 | \$22,320.00 | \$24,780.00 | \$25,770.00 | \$26,760.00 | \$28,740.00 | \$30,720.00 | \$32,700.00 |
| MFI \$41,300    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$361.25    | \$386.88    | \$412.50    | \$465.00    | \$516.25    | \$536.88    | \$557.50    | \$598.75    | \$640.00    | \$681.25    |
| 60%             |                   | \$433.50    | \$464.25    | \$495.00    | \$558.00    | \$619.50    | \$644.25    | \$669.00    | \$718.50    | \$768.00    | \$817.50    |
| CHICKASAW CO.   |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,950.00 | \$14,925.00 | \$15,900.00 | \$17,900.00 | \$19,900.00 | \$20,700.00 | \$21,500.00 | \$23,100.00 | \$24,700.00 | \$26,250.00 |
|                 | 60%               | \$16,740.00 | \$17,910.00 | \$19,080.00 | \$21,480.00 | \$23,880.00 | \$24,840.00 | \$25,800.00 | \$27,720.00 | \$29,640.00 | \$31,500.00 |
| MFI \$39,000    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$348.75    | \$373.13    | \$397.50    | \$447.50    | \$497.50    | \$517.50    | \$537.50    | \$577.50    | \$617.50    | \$656.25    |
| 60%             |                   | \$418.50    | \$447.75    | \$477.00    | \$537.00    | \$597.00    | \$621.00    | \$645.00    | \$693.00    | \$741.00    | \$787.50    |
| CHOCTAW CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$36,500    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| CLAIBORNE CO.   |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$34,700    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| CLARKE CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,200.00 | \$15,225.00 | \$16,250.00 | \$18,250.00 | \$20,300.00 | \$21,100.00 | \$21,900.00 | \$23,550.00 | \$25,150.00 | \$26,800.00 |
|                 | 60%               | \$17,040.00 | \$18,270.00 | \$19,500.00 | \$21,900.00 | \$24,360.00 | \$25,320.00 | \$26,280.00 | \$28,260.00 | \$30,180.00 | \$32,160.00 |
| MFI \$38,200    |                   |             |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$355.00    | \$380.63    | \$406.25    | \$456.25    | \$507.50    | \$527.50    | \$547.50    | \$588.75    | \$628.75    | \$670.00    |
| 60%             |                   | \$426.00    | \$456.75    | \$487.50    | \$547.50    | \$609.00    | \$633.00    | \$657.00    | \$706.50    | \$754.50    | \$804.00    |

Mississippi Home Corporation  
FY 2007  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 20- MARCH - 2007

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                                 |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLAY CO.                        | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$14,050.00 | \$15,075.00 | \$16,100.00 | \$18,100.00 | \$20,100.00 | \$20,900.00 | \$21,700.00 | \$23,300.00 | \$24,900.00 | \$26,550.00 |
| MFI \$40,200<br>MAXIMUM RENT AT | 60%               | \$16,860.00 | \$18,090.00 | \$19,320.00 | \$21,720.00 | \$24,120.00 | \$25,080.00 | \$26,040.00 | \$27,960.00 | \$29,880.00 | \$31,860.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| 50%                             |                   | \$351.25    | \$376.88    | \$402.50    | \$452.50    | \$502.50    | \$522.50    | \$542.50    | \$582.50    | \$622.50    | \$663.75    |
|                                 | 60%               | \$421.50    | \$452.25    | \$483.00    | \$543.00    | \$603.00    | \$627.00    | \$651.00    | \$699.00    | \$747.00    | \$796.50    |
| COAHOMA CO.                     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$30,900<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| COVINGTON CO.                   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$36,200<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| FRANKLIN CO.                    | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$36,000<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| GREENE CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,575.00 | \$15,550.00 | \$17,500.00 | \$19,450.00 | \$20,225.00 | \$21,000.00 | \$22,550.00 | \$24,100.00 | \$25,650.00 |
|                                 | 60%               | \$16,320.00 | \$17,490.00 | \$18,660.00 | \$21,000.00 | \$23,340.00 | \$24,270.00 | \$25,200.00 | \$27,060.00 | \$28,920.00 | \$30,780.00 |
| MFI \$38,200<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$364.38    | \$388.75    | \$437.50    | \$486.25    | \$505.63    | \$525.00    | \$563.75    | \$602.50    | \$641.25    |
| 60%                             |                   | \$408.00    | \$437.25    | \$466.50    | \$525.00    | \$583.50    | \$606.75    | \$625.00    | \$676.50    | \$723.00    | \$769.50    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| GRENADA CO.                     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,700.00 | \$14,675.00 | \$15,650.00 | \$17,600.00 | \$19,550.00 | \$20,325.00 | \$21,100.00 | \$22,700.00 | \$24,250.00 | \$25,800.00 |
|                                 | 60%               | \$16,440.00 | \$17,610.00 | \$18,780.00 | \$21,120.00 | \$23,460.00 | \$24,390.00 | \$25,320.00 | \$27,240.00 | \$29,100.00 | \$30,960.00 |
| MFI \$37,800<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$342.50    | \$366.88    | \$391.25    | \$440.00    | \$488.75    | \$508.13    | \$527.50    | \$567.50    | \$606.25    | \$645.00    |
| 60%                             |                   | \$411.00    | \$440.25    | \$469.50    | \$528.00    | \$586.50    | \$609.75    | \$633.00    | \$681.00    | \$727.50    | \$774.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| HOLMES CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$25,100<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| HUMPHREYS CO.                   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$27,200<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| ISSAQUENA CO.                   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$27,800<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%                             |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| ITAWAMBA CO.                    | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$15,100.00 | \$16,175.00 | \$17,250.00 | \$19,400.00 | \$21,550.00 | \$22,400.00 | \$23,250.00 | \$25,000.00 | \$26,700.00 | \$28,450.00 |
|                                 | 60%               | \$18,120.00 | \$19,410.00 | \$20,700.00 | \$23,280.00 | \$25,860.00 | \$26,880.00 | \$27,900.00 | \$30,000.00 | \$32,040.00 | \$34,140.00 |
| MFI \$42,500<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$377.50    | \$404.38    | \$431.25    | \$485.00    | \$538.75    | \$560.00    | \$581.25    | \$625.00    | \$667.50    | \$711.25    |
| 60%                             |                   | \$453.00    | \$485.25    | \$517.50    | \$582.00    | \$646.50    | \$672.00    | \$697.50    | \$750.00    | \$801.00    | \$853.50    |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| JASPER CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MFI \$35,200<br>MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |

Mississippi Home Corporation  
FY 2007  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 20- MARCH - 2007

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

| JEFFERSON CO.    | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                  |                   | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
| MFI \$27,000     | 50%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%              |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| JEFFERSON DA CO. | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
| MFI \$32,000     | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%              |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| JONES CO.        | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,650.00 | \$14,625.00 | \$15,600.00 | \$17,550.00 | \$19,500.00 | \$20,275.00 | \$21,050.00 | \$22,600.00 | \$24,200.00 | \$25,750.00 |
| MFI \$38,500     | 60%               | \$16,380.00 | \$17,550.00 | \$18,720.00 | \$21,060.00 | \$23,400.00 | \$24,330.00 | \$25,260.00 | \$27,120.00 | \$29,040.00 | \$30,900.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$341.25    | \$365.63    | \$390.00    | \$438.75    | \$487.50    | \$506.88    | \$526.25    | \$565.00    | \$605.00    | \$643.75    |
| 60%              |                   | \$409.50    | \$438.75    | \$468.00    | \$526.50    | \$585.00    | \$608.25    | \$631.50    | \$678.00    | \$726.00    | \$772.50    |
| KEMPER CO.       | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
| MFI \$35,000     | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%              |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| LAFAYETTE CO.    | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$17,950.00 | \$19,225.00 | \$20,500.00 | \$23,100.00 | \$25,650.00 | \$26,675.00 | \$27,700.00 | \$29,750.00 | \$31,800.00 | \$33,850.00 |
| MFI \$50,100     | 60%               | \$21,540.00 | \$23,070.00 | \$24,600.00 | \$27,720.00 | \$30,780.00 | \$32,010.00 | \$33,240.00 | \$35,700.00 | \$38,160.00 | \$40,620.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$448.75    | \$480.63    | \$512.50    | \$577.50    | \$641.25    | \$666.88    | \$692.50    | \$743.75    | \$795.00    | \$846.25    |
| 60%              |                   | \$538.50    | \$576.75    | \$615.00    | \$693.00    | \$769.50    | \$800.25    | \$831.00    | \$892.50    | \$954.00    | \$1,015.50  |
| LAUDERDALE CO.   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$15,950.00 | \$17,075.00 | \$18,200.00 | \$20,500.00 | \$22,750.00 | \$23,650.00 | \$24,550.00 | \$26,400.00 | \$28,200.00 | \$30,050.00 |
| MFI \$45,500     | 60%               | \$19,140.00 | \$20,490.00 | \$21,840.00 | \$24,600.00 | \$27,300.00 | \$28,380.00 | \$29,460.00 | \$31,680.00 | \$33,840.00 | \$36,060.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$398.75    | \$426.88    | \$455.00    | \$512.50    | \$568.75    | \$591.25    | \$613.75    | \$660.00    | \$705.00    | \$751.25    |
| 60%              |                   | \$478.50    | \$512.25    | \$546.00    | \$615.00    | \$682.50    | \$709.50    | \$736.50    | \$792.00    | \$846.00    | \$901.50    |
| LAWRENCE CO.     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$16,850.00 | \$18,050.00 | \$19,250.00 | \$21,650.00 | \$24,050.00 | \$25,000.00 | \$25,950.00 | \$27,900.00 | \$29,800.00 | \$31,750.00 |
| MFI \$44,800     | 60%               | \$20,220.00 | \$21,660.00 | \$23,100.00 | \$25,980.00 | \$28,860.00 | \$30,000.00 | \$31,140.00 | \$33,480.00 | \$35,760.00 | \$38,100.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$421.25    | \$451.25    | \$481.25    | \$541.25    | \$601.25    | \$625.00    | \$648.75    | \$697.50    | \$745.00    | \$793.75    |
| 60%              |                   | \$505.50    | \$541.50    | \$577.50    | \$649.50    | \$721.50    | \$750.00    | \$778.50    | \$837.00    | \$894.00    | \$952.50    |
| LEAKE CO.        | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
| MFI \$37,200     | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%              |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| LEE CO.          | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$17,800.00 | \$19,050.00 | \$20,300.00 | \$22,850.00 | \$25,400.00 | \$26,425.00 | \$27,450.00 | \$29,450.00 | \$31,500.00 | \$33,550.00 |
| MFI \$50,700     | 60%               | \$21,360.00 | \$22,860.00 | \$24,360.00 | \$27,420.00 | \$30,480.00 | \$31,710.00 | \$32,940.00 | \$35,340.00 | \$37,800.00 | \$40,260.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$445.00    | \$476.25    | \$507.50    | \$571.25    | \$635.00    | \$660.63    | \$686.25    | \$736.25    | \$787.50    | \$838.75    |
| 60%              |                   | \$534.00    | \$571.50    | \$609.00    | \$685.50    | \$762.00    | \$792.75    | \$823.50    | \$883.50    | \$945.00    | \$1,006.50  |
| LEFLORE CO.      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
| MFI \$30,200     | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
| 60%              |                   | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| LINCOLN CO.      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$13,800.00 | \$14,775.00 | \$15,750.00 | \$17,750.00 | \$19,700.00 | \$20,500.00 | \$21,300.00 | \$22,850.00 | \$24,450.00 | \$26,000.00 |
| MFI \$38,700     | 60%               | \$16,560.00 | \$17,730.00 | \$18,900.00 | \$21,300.00 | \$23,640.00 | \$24,600.00 | \$25,560.00 | \$27,420.00 | \$29,340.00 | \$31,200.00 |
| MAXIMUM RENT AT  |                   |             |             |             |             |             |             |             |             |             |             |
| 50%              |                   | \$345.00    | \$369.38    | \$393.75    | \$443.75    | \$492.50    | \$512.50    | \$532.50    | \$571.25    | \$611.25    | \$650.00    |
| 60%              |                   | \$414.00    | \$443.25    | \$472.50    | \$532.50    | \$591.00    | \$615.00    | \$639.00    | \$685.50    | \$733.50    | \$780.00    |



Mississippi Home Corporation  
FY 2007  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 20- MARCH - 2007

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                                 |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| LOWNDES CO.                     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$15,600.00 | \$16,700.00 | \$17,800.00 | \$20,050.00 | \$22,250.00 | \$23,150.00 | \$24,050.00 | \$25,800.00 | \$27,600.00 | \$29,350.00 |
| MFI \$43,800<br>MAXIMUM RENT AT | 60%               | \$18,720.00 | \$20,040.00 | \$21,360.00 | \$24,060.00 | \$26,700.00 | \$27,780.00 | \$28,860.00 | \$30,960.00 | \$33,120.00 | \$35,220.00 |
|                                 |                   |             |             |             |             |             |             |             |             |             |             |
| MARION CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$390.00    | \$417.50    | \$445.00    | \$501.25    | \$556.25    | \$578.75    | \$601.25    | \$645.00    | \$690.00    | \$733.75    |
|                                 | 60%               | \$468.00    | \$501.00    | \$534.00    | \$601.50    | \$667.50    | \$694.50    | \$721.50    | \$774.00    | \$828.00    | \$880.50    |
| MFI \$34,800<br>MAXIMUM RENT AT | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MONROE CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| MONTGOMERY CO.                  | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| NESHOBIA CO.                    | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| NEWTON CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$13,950.00 | \$14,925.00 | \$15,900.00 | \$17,900.00 | \$19,900.00 | \$20,700.00 | \$21,500.00 | \$23,100.00 | \$24,700.00 | \$26,250.00 |
|                                 | 60%               | \$16,740.00 | \$17,910.00 | \$19,080.00 | \$21,480.00 | \$23,880.00 | \$24,840.00 | \$25,800.00 | \$27,720.00 | \$29,640.00 | \$31,500.00 |
| NOXUBEE CO.                     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$348.75    | \$373.13    | \$397.50    | \$447.50    | \$497.50    | \$517.50    | \$537.50    | \$577.50    | \$617.50    | \$656.25    |
|                                 | 60%               | \$418.50    | \$447.75    | \$477.00    | \$537.00    | \$597.00    | \$621.00    | \$645.00    | \$693.00    | \$741.00    | \$787.50    |
| MFI \$31,700<br>MAXIMUM RENT AT | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| OKTIBBEHA CO.                   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| MFI \$42,300<br>MAXIMUM RENT AT | 50%               | \$15,800.00 | \$16,950.00 | \$18,100.00 | \$20,350.00 | \$22,600.00 | \$23,500.00 | \$24,400.00 | \$26,200.00 | \$28,000.00 | \$29,850.00 |
|                                 | 60%               | \$18,960.00 | \$20,340.00 | \$21,720.00 | \$24,420.00 | \$27,120.00 | \$28,200.00 | \$29,280.00 | \$31,440.00 | \$33,600.00 | \$35,820.00 |
| PANOLA CO.                      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$395.00    | \$423.75    | \$452.50    | \$508.75    | \$565.00    | \$587.50    | \$610.00    | \$655.00    | \$700.00    | \$746.25    |
|                                 | 60%               | \$474.00    | \$508.50    | \$543.00    | \$610.50    | \$678.00    | \$705.00    | \$732.00    | \$786.00    | \$840.00    | \$895.50    |
| MFI \$37,600<br>MAXIMUM RENT AT | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| PEARL RIVER CO.                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| MFI \$42,000<br>MAXIMUM RENT AT | 50%               | \$15,100.00 | \$16,200.00 | \$17,300.00 | \$19,450.00 | \$21,600.00 | \$22,475.00 | \$23,350.00 | \$25,050.00 | \$26,800.00 | \$28,500.00 |
|                                 | 60%               | \$18,120.00 | \$19,440.00 | \$20,760.00 | \$23,340.00 | \$25,920.00 | \$26,970.00 | \$28,020.00 | \$30,060.00 | \$32,160.00 | \$34,200.00 |
| PIKE CO.                        | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$377.50    | \$405.00    | \$432.50    | \$486.25    | \$540.00    | \$561.88    | \$583.75    | \$626.25    | \$670.00    | \$712.50    |
|                                 | 60%               | \$453.00    | \$486.00    | \$519.00    | \$583.50    | \$648.00    | \$674.25    | \$700.50    | \$751.50    | \$804.00    | \$855.00    |
| MFI \$34,000<br>MAXIMUM RENT AT | 50%               | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                                 | 60%               | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
|                                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                                 | 50%               | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                                 | 60%               | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |

**EFFECTIVE 20- MARCH - 2007**

**Note:** Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                 |                   |  |             |             |             |             |             |             |             |             |             |             |
|-----------------|-------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| PONTOTOC CO.    | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$16,050.00 | \$17,200.00 | \$18,350.00 | \$20,650.00 | \$22,950.00 | \$23,875.00 | \$24,800.00 | \$26,600.00 | \$28,450.00 | \$30,300.00 |
|                 | 60%               |  | \$19,260.00 | \$20,640.00 | \$22,020.00 | \$24,780.00 | \$27,540.00 | \$28,650.00 | \$29,760.00 | \$31,920.00 | \$34,140.00 | \$36,360.00 |
| MAXIMUM RENT AT | 50%               |  |             |             |             |             |             |             |             |             |             |             |
|                 | 60%               |  | \$401.25    | \$430.00    | \$458.75    | \$516.25    | \$573.75    | \$596.88    | \$620.00    | \$665.00    | \$711.25    | \$757.50    |
|                 | 60%               |  | \$481.50    | \$516.00    | \$550.50    | \$619.50    | \$688.50    | \$716.25    | \$744.00    | \$798.00    | \$853.50    | \$909.00    |
| PRENTISS CO.    | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$14,200.00 | \$15,200.00 | \$16,200.00 | \$18,250.00 | \$20,250.00 | \$21,050.00 | \$21,850.00 | \$23,500.00 | \$25,100.00 | \$26,750.00 |
|                 | 60%               |  | \$17,040.00 | \$18,240.00 | \$19,440.00 | \$21,900.00 | \$24,300.00 | \$25,260.00 | \$26,220.00 | \$28,200.00 | \$30,120.00 | \$32,100.00 |
| MAXIMUM RENT AT | 50%               |  |             |             |             |             |             |             |             |             |             |             |
|                 | 60%               |  | \$355.00    | \$380.00    | \$405.00    | \$456.25    | \$506.25    | \$526.25    | \$546.25    | \$587.50    | \$627.50    | \$668.75    |
|                 | 60%               |  | \$426.00    | \$456.00    | \$486.00    | \$547.50    | \$607.50    | \$631.50    | \$655.50    | \$705.00    | \$753.00    | \$802.50    |
| QUITMAN CO.     | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               |  | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT | 50%               |  |             |             |             |             |             |             |             |             |             |             |
|                 | 60%               |  | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                 | 60%               |  | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| SCOTT CO.       | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               |  | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT | 50%               |  |             |             |             |             |             |             |             |             |             |             |
|                 | 60%               |  | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                 | 60%               |  | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| SHARKEY CO.     | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$13,600.00 | \$14,550.00 | \$15,500.00 | \$17,450.00 | \$19,400.00 | \$20,175.00 | \$20,950.00 | \$22,500.00 | \$24,050.00 | \$25,600.00 |
|                 | 60%               |  | \$16,320.00 | \$17,460.00 | \$18,600.00 | \$20,940.00 | \$23,280.00 | \$24,210.00 | \$25,140.00 | \$27,000.00 | \$28,860.00 | \$30,720.00 |
| MAXIMUM RENT AT | 50%               |  |             |             |             |             |             |             |             |             |             |             |
|                 | 60%               |  | \$340.00    | \$363.75    | \$387.50    | \$436.25    | \$485.00    | \$504.38    | \$523.75    | \$562.50    | \$601.25    | \$640.00    |
|                 | 60%               |  | \$408.00    | \$436.50    | \$465.00    | \$523.50    | \$582.00    | \$605.25    | \$628.50    | \$675.00    | \$721.50    | \$768.00    |
| SMITH CO.       | PERCENT OF MEDIAN |  | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                 | 50%               |  | \$15,000.00 | \$16,075.00 | \$17,150.00 | \$19,300.00 | \$21,450.00 | \$22,300.00 | \$23,150.00 | \$24,900.00 | \$26,600.00 | \$28,300.00 |
|                 | 60%               |  | \$18,000.00 | \$19,290.00 | \$20,580.00 | \$23,160.00 | \$25,740.00 | \$26,760.00 | \$27,780.00 | \$29,880.00 | \$31,920.00 | \$33,960.00 |

## FY 2007

## INCOME AND RENT LIMITS

## EFFECTIVE 20- MARCH - 2007

[illegible]

Mississippi Home Corporation  
FY 2008  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                          |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|--------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Gulfport-Biloxi, MS      | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$17,150.00 | \$18,375.00 | \$19,600.00 | \$22,050.00 | \$24,500.00 | \$25,475.00 | \$26,450.00 | \$28,400.00 | \$30,400.00 | \$32,350.00 |
|                          | 60%               | \$20,580.00 | \$22,050.00 | \$23,520.00 | \$26,460.00 | \$29,400.00 | \$30,570.00 | \$31,740.00 | \$34,080.00 | \$36,480.00 | \$38,920.00 |
| Hattiesburg, MS          | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$428.75    | \$459.38    | \$490.00    | \$551.25    | \$612.50    | \$636.88    | \$661.25    | \$710.00    | \$760.00    | \$808.75    |
|                          | 60%               | \$514.50    | \$551.25    | \$588.00    | \$661.50    | \$735.00    | \$764.25    | \$793.50    | \$852.00    | \$912.00    | \$970.50    |
| MFI \$47,200             | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$16,500.00 | \$17,700.00 | \$18,900.00 | \$21,250.00 | \$23,600.00 | \$24,550.00 | \$25,500.00 | \$27,400.00 | \$29,250.00 | \$31,150.00 |
|                          | 60%               | \$19,800.00 | \$21,240.00 | \$22,680.00 | \$25,500.00 | \$28,320.00 | \$29,460.00 | \$30,600.00 | \$32,880.00 | \$35,100.00 | \$37,380.00 |
| Jackson, MS HMFA         | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$412.50    | \$442.50    | \$472.50    | \$531.25    | \$590.00    | \$613.75    | \$637.50    | \$685.00    | \$731.25    | \$778.75    |
|                          | 60%               | \$495.00    | \$531.00    | \$567.00    | \$637.50    | \$708.00    | \$736.50    | \$765.00    | \$822.00    | \$877.50    | \$934.50    |
| Simpson County, MS HMFA  | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$19,000.00 | \$20,350.00 | \$21,700.00 | \$24,450.00 | \$27,100.00 | \$28,225.00 | \$29,300.00 | \$31,500.00 | \$33,650.00 | \$35,850.00 |
|                          | 60%               | \$22,800.00 | \$24,420.00 | \$26,040.00 | \$29,340.00 | \$32,580.00 | \$33,870.00 | \$35,160.00 | \$37,800.00 | \$40,380.00 | \$43,020.00 |
| MFI \$39,100             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$475.00    | \$508.75    | \$542.50    | \$611.25    | \$678.75    | \$705.63    | \$732.50    | \$787.50    | \$841.25    | \$896.25    |
|                          | 60%               | \$570.00    | \$610.50    | \$651.00    | \$733.50    | \$814.50    | \$846.75    | \$879.00    | \$945.00    | \$1,009.50  | \$1,075.50  |
| Marshall County, MS HMFA | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                          | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| Memphis, TN-MS-AR HMFA   | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                          | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$39,900             | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$15,550.00 | \$16,650.00 | \$17,750.00 | \$20,000.00 | \$22,200.00 | \$23,100.00 | \$24,000.00 | \$25,750.00 | \$27,550.00 | \$29,300.00 |
|                          | 60%               | \$18,660.00 | \$19,980.00 | \$21,300.00 | \$24,000.00 | \$26,640.00 | \$27,720.00 | \$28,800.00 | \$30,900.00 | \$33,060.00 | \$35,160.00 |
| MFI \$54,400             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$388.75    | \$416.25    | \$443.75    | \$500.00    | \$555.00    | \$577.50    | \$600.00    | \$643.75    | \$688.75    | \$732.50    |
|                          | 60%               | \$466.50    | \$499.50    | \$532.50    | \$600.00    | \$666.00    | \$693.00    | \$720.00    | \$772.50    | \$826.50    | \$879.00    |
| Tate County, MS HMFA     | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$20,050.00 | \$21,475.00 | \$22,900.00 | \$25,800.00 | \$28,650.00 | \$29,800.00 | \$30,950.00 | \$33,250.00 | \$35,550.00 | \$37,800.00 |
|                          | 60%               | \$24,060.00 | \$25,770.00 | \$27,480.00 | \$30,960.00 | \$34,380.00 | \$35,760.00 | \$37,140.00 | \$39,900.00 | \$42,660.00 | \$45,360.00 |
| MFI \$49,600             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$501.25    | \$536.88    | \$572.50    | \$645.00    | \$716.25    | \$745.00    | \$773.75    | \$831.25    | \$888.75    | \$945.00    |
|                          | 60%               | \$601.50    | \$644.25    | \$687.00    | \$774.00    | \$859.50    | \$894.00    | \$928.50    | \$997.50    | \$1,066.50  | \$1,134.00  |
| Tunica County, MS HMFA   | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$17,350.00 | \$18,600.00 | \$19,850.00 | \$22,300.00 | \$24,800.00 | \$25,800.00 | \$26,800.00 | \$28,750.00 | \$30,750.00 | \$32,750.00 |
|                          | 60%               | \$20,820.00 | \$22,320.00 | \$23,820.00 | \$26,760.00 | \$29,760.00 | \$30,960.00 | \$32,160.00 | \$34,500.00 | \$36,900.00 | \$39,300.00 |
| Pascagoula, MS MSA       | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$433.75    | \$465.00    | \$496.25    | \$557.50    | \$620.00    | \$645.00    | \$670.00    | \$718.75    | \$768.75    | \$818.75    |
|                          | 60%               | \$520.50    | \$558.00    | \$595.50    | \$669.00    | \$744.00    | \$774.00    | \$804.00    | \$862.50    | \$922.50    | \$982.50    |
| MFI \$30,400             | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$15,550.00 | \$16,650.00 | \$17,750.00 | \$20,000.00 | \$22,200.00 | \$23,100.00 | \$24,000.00 | \$25,750.00 | \$27,550.00 | \$29,300.00 |
|                          | 60%               | \$18,660.00 | \$19,980.00 | \$21,300.00 | \$24,000.00 | \$26,640.00 | \$27,720.00 | \$28,800.00 | \$30,900.00 | \$33,060.00 | \$35,160.00 |
| MFI \$53,600             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$388.75    | \$416.25    | \$443.75    | \$500.00    | \$555.00    | \$577.50    | \$600.00    | \$643.75    | \$688.75    | \$732.50    |
|                          | 60%               | \$466.50    | \$499.50    | \$532.50    | \$600.00    | \$666.00    | \$693.00    | \$720.00    | \$772.50    | \$826.50    | \$879.00    |
| ADAMS CO.                | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$18,750.00 | \$20,100.00 | \$21,450.00 | \$24,100.00 | \$26,800.00 | \$27,875.00 | \$28,950.00 | \$31,100.00 | \$33,250.00 | \$35,400.00 |
|                          | 60%               | \$22,500.00 | \$24,120.00 | \$25,740.00 | \$28,920.00 | \$32,160.00 | \$33,450.00 | \$34,740.00 | \$37,320.00 | \$39,900.00 | \$42,480.00 |
| MFI \$35,300             | MAXIMUM RENT AT   |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$468.75    | \$502.50    | \$536.25    | \$602.50    | \$670.00    | \$696.88    | \$723.75    | \$777.50    | \$831.25    | \$885.00    |
|                          | 60%               | \$562.50    | \$603.00    | \$643.50    | \$723.00    | \$804.00    | \$836.25    | \$868.50    | \$933.00    | \$997.50    | \$1,062.00  |
| MAXIMUM RENT AT          | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                          | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT          | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                          | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                          | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |

Mississippi Home Corporation  
FY 2008  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

| ALCORN CO.      | 1 PERSON          | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$15,300.00 | \$16,400.00 | \$17,500.00 | \$19,650.00 | \$21,850.00 | \$23,600.00 | \$25,350.00 | \$27,100.00 | \$28,850.00 |
|                 | 60%               | \$18,360.00 | \$19,080.00 | \$21,000.00 | \$23,580.00 | \$26,220.00 | \$28,320.00 | \$30,420.00 | \$32,520.00 | \$34,620.00 |
| MFI \$43,700    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$382.50    | \$410.00    | \$437.50    | \$491.25    | \$546.25    | \$590.00    | \$633.75    | \$677.50    | \$721.25    |
| 60%             |                   | \$459.00    | \$492.00    | \$525.00    | \$589.50    | \$655.50    | \$708.00    | \$760.50    | \$813.00    | \$865.50    |
| AMITE CO.       |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$37,300    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| ATTALA CO.      |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$36,600    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| BENTON CO.      |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$35,800    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| BOLIVAR CO.     |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$32,600    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| CALHOUN CO.     |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,300.00 | \$15,325.00 | \$16,350.00 | \$18,400.00 | \$20,450.00 | \$22,100.00 | \$23,700.00 | \$25,350.00 | \$27,000.00 |
|                 | 60%               | \$17,160.00 | \$18,390.00 | \$19,620.00 | \$22,080.00 | \$24,540.00 | \$26,520.00 | \$28,440.00 | \$30,420.00 | \$32,400.00 |
| MFI \$40,900    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$357.50    | \$383.13    | \$408.75    | \$460.00    | \$511.25    | \$552.50    | \$592.50    | \$633.75    | \$675.00    |
| 60%             |                   | \$429.00    | \$459.75    | \$490.50    | \$552.00    | \$613.50    | \$663.00    | \$711.00    | \$760.50    | \$810.00    |
| CARROLL CO.     |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$15,100.00 | \$16,175.00 | \$17,250.00 | \$19,400.00 | \$21,550.00 | \$23,250.00 | \$25,000.00 | \$26,700.00 | \$28,450.00 |
|                 | 60%               | \$18,120.00 | \$19,410.00 | \$20,700.00 | \$23,280.00 | \$25,860.00 | \$27,900.00 | \$30,000.00 | \$32,140.00 | \$34,140.00 |
| MFI \$43,100    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$377.50    | \$404.38    | \$431.25    | \$485.00    | \$538.75    | \$581.25    | \$625.00    | \$667.50    | \$711.25    |
| 60%             |                   | \$453.00    | \$485.25    | \$517.50    | \$582.00    | \$646.50    | \$697.50    | \$750.00    | \$801.00    | \$853.50    |
| CHICKASAW CO.   |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,150.00 | \$15,150.00 | \$16,150.00 | \$18,200.00 | \$20,200.00 | \$21,800.00 | \$23,450.00 | \$25,050.00 | \$26,650.00 |
|                 | 60%               | \$16,980.00 | \$18,180.00 | \$19,380.00 | \$21,840.00 | \$24,240.00 | \$26,160.00 | \$28,140.00 | \$30,060.00 | \$31,980.00 |
| MFI \$40,400    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$353.75    | \$378.75    | \$403.75    | \$455.00    | \$505.00    | \$545.00    | \$586.25    | \$626.25    | \$666.25    |
| 60%             |                   | \$424.50    | \$454.50    | \$484.50    | \$546.00    | \$606.00    | \$654.00    | \$703.50    | \$751.50    | \$799.50    |
| CHOCTAW CO.     |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$37,600    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| CLAIBORNE CO.   |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MFI \$36,000    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| CLARKE CO.      |                   |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,200.00 | \$15,225.00 | \$16,250.00 | \$18,250.00 | \$20,300.00 | \$21,900.00 | \$23,550.00 | \$25,150.00 | \$26,800.00 |
|                 | 60%               | \$17,040.00 | \$18,270.00 | \$19,500.00 | \$21,900.00 | \$24,360.00 | \$26,280.00 | \$28,260.00 | \$30,180.00 | \$32,160.00 |
| MFI \$39,900    |                   |             |             |             |             |             |             |             |             |             |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$355.00    | \$380.63    | \$406.25    | \$456.25    | \$507.50    | \$547.50    | \$588.75    | \$628.75    | \$670.00    |
| 60%             |                   | \$426.00    | \$456.75    | \$487.50    | \$547.50    | \$609.00    | \$657.00    | \$706.50    | \$754.50    | \$804.00    |

Mississippi Home Corporation  
FY 2008  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                 |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLAY CO.        |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,700.00 | \$15,750.00 | \$16,800.00 | \$18,900.00 | \$21,000.00 | \$21,850.00 | \$22,700.00 | \$24,350.00 | \$26,050.00 | \$27,700.00 |
|                 | 60%               | \$17,640.00 | \$18,900.00 | \$20,160.00 | \$22,680.00 | \$25,200.00 | \$26,220.00 | \$27,240.00 | \$29,220.00 | \$31,260.00 | \$33,240.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$367.50    | \$393.75    | \$420.00    | \$472.50    | \$525.00    | \$546.25    | \$567.50    | \$608.75    | \$651.25    | \$692.50    |
|                 | 60%               | \$441.00    | \$472.50    | \$504.00    | \$567.00    | \$630.00    | \$655.50    | \$681.00    | \$730.50    | \$781.50    | \$831.00    |
| COAHOMA CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| COVINGTON CO.   |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| GREENE CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| GRENADA CO.     |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| HOLMES CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| HUMPHREYS CO.   |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| ISSAQUENA CO.   |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| ITAWAMBA CO.    |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$15,400.00 | \$16,500.00 | \$17,600.00 | \$19,800.00 | \$22,000.00 | \$22,875.00 | \$23,750.00 | \$25,500.00 | \$27,300.00 | \$29,050.00 |
|                 | 60%               | \$18,480.00 | \$19,800.00 | \$21,120.00 | \$23,760.00 | \$26,400.00 | \$27,450.00 | \$28,500.00 | \$30,600.00 | \$32,760.00 | \$34,860.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$385.00    | \$412.50    | \$440.00    | \$495.00    | \$550.00    | \$571.88    | \$593.75    | \$637.50    | \$682.50    | \$726.25    |
|                 | 60%               | \$462.00    | \$495.00    | \$528.00    | \$594.00    | \$660.00    | \$686.25    | \$712.50    | \$765.00    | \$819.00    | \$871.50    |
| JASPER CO.      |                   |             |             |             |             |             |             |             |             |             |             |
|                 | PERCENT OF MEDIAN |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
|                 | 50%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                 | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |

Mississippi Home Corporation  
FY 2008  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

| JEFFERSON CO.                                 | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|-----------------------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| MFI \$28,000<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                               | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | PERCENT OF MEDIAN | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| JEFFERSON DA CO.<br>50%<br>60%                | 50%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
|                                               | 60%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                               | PERCENT OF MEDIAN | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$33,600<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | 60%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                               | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| JONES CO.<br>50%<br>60%                       | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                               | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | PERCENT OF MEDIAN | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$36,500<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$377.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                               | 60%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
|                                               | PERCENT OF MEDIAN | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| KEIMPER CO.<br>50%<br>60%                     | 50%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | 60%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                               | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| LAFAYETTE CO.<br>50%<br>60%                   | 50%               | \$18,200.00 | \$19,500.00 | \$20,800.00 | \$23,400.00 | \$26,000.00 | \$27,050.00 | \$28,100.00 | \$30,150.00 | \$32,250.00 | \$34,300.00 |
|                                               | 60%               | \$21,840.00 | \$23,400.00 | \$24,960.00 | \$28,080.00 | \$31,200.00 | \$32,460.00 | \$33,720.00 | \$36,180.00 | \$38,700.00 | \$41,160.00 |
|                                               | PERCENT OF MEDIAN | \$456.00    | \$487.50    | \$520.00    | \$585.00    | \$650.00    | \$676.25    | \$702.50    | \$753.75    | \$806.25    | \$857.50    |
| LAUDERDALE CO.<br>50%<br>60%                  | 50%               | \$15,950.00 | \$17,075.00 | \$18,200.00 | \$20,500.00 | \$22,750.00 | \$23,650.00 | \$24,550.00 | \$26,400.00 | \$28,200.00 | \$30,050.00 |
|                                               | 60%               | \$19,140.00 | \$20,490.00 | \$21,840.00 | \$24,600.00 | \$27,300.00 | \$28,380.00 | \$29,460.00 | \$31,680.00 | \$33,840.00 | \$36,060.00 |
|                                               | PERCENT OF MEDIAN | \$398.75    | \$426.88    | \$455.00    | \$512.50    | \$568.75    | \$591.25    | \$613.75    | \$660.00    | \$705.00    | \$751.25    |
| LAWRENCE CO.<br>50%<br>60%                    | 50%               | \$478.50    | \$512.25    | \$546.00    | \$615.00    | \$682.50    | \$709.50    | \$736.50    | \$792.00    | \$846.00    | \$901.50    |
|                                               | 60%               | \$16,850.00 | \$18,050.00 | \$19,250.00 | \$21,650.00 | \$24,050.00 | \$25,000.00 | \$25,950.00 | \$27,900.00 | \$29,800.00 | \$31,750.00 |
|                                               | PERCENT OF MEDIAN | \$20,220.00 | \$21,660.00 | \$23,100.00 | \$25,980.00 | \$28,860.00 | \$30,000.00 | \$31,140.00 | \$33,480.00 | \$35,760.00 | \$38,100.00 |
| MFI \$46,000<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$421.25    | \$451.25    | \$481.25    | \$541.25    | \$601.25    | \$625.00    | \$648.75    | \$697.50    | \$745.00    | \$793.75    |
|                                               | 60%               | \$505.50    | \$541.50    | \$577.50    | \$649.50    | \$721.50    | \$750.00    | \$778.50    | \$837.00    | \$894.00    | \$952.50    |
|                                               | PERCENT OF MEDIAN | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$38,800<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | 60%               | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                               | PERCENT OF MEDIAN | \$17,800.00 | \$19,050.00 | \$20,300.00 | \$22,850.00 | \$25,400.00 | \$26,425.00 | \$27,450.00 | \$29,450.00 | \$31,500.00 | \$33,550.00 |
| MFI \$48,500<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$21,360.00 | \$22,860.00 | \$24,360.00 | \$27,420.00 | \$30,480.00 | \$31,710.00 | \$32,940.00 | \$35,340.00 | \$37,800.00 | \$40,260.00 |
|                                               | 60%               | \$445.00    | \$476.25    | \$507.50    | \$571.25    | \$635.00    | \$660.63    | \$686.25    | \$736.25    | \$787.50    | \$838.75    |
|                                               | PERCENT OF MEDIAN | \$534.00    | \$571.50    | \$609.00    | \$685.50    | \$762.00    | \$792.75    | \$823.50    | \$883.50    | \$945.00    | \$1,006.50  |
| LEFLORE CO.<br>50%<br>60%                     | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                               | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                               | PERCENT OF MEDIAN | \$377.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| LINCOLN CO.<br>50%<br>60%                     | 50%               | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
|                                               | 60%               | \$14,200.00 | \$15,225.00 | \$16,250.00 | \$18,250.00 | \$20,300.00 | \$21,100.00 | \$21,900.00 | \$23,550.00 | \$25,150.00 | \$26,800.00 |
|                                               | PERCENT OF MEDIAN | \$17,040.00 | \$18,270.00 | \$19,500.00 | \$21,900.00 | \$24,360.00 | \$25,320.00 | \$26,280.00 | \$28,260.00 | \$30,180.00 | \$32,160.00 |
| MFI \$40,600<br>MAXIMUM RENT AT<br>50%<br>60% | 50%               | \$355.00    | \$380.63    | \$406.25    | \$456.25    | \$507.50    | \$527.50    | \$547.50    | \$588.75    | \$628.75    | \$670.00    |
|                                               | 60%               | \$426.00    | \$456.75    | \$487.50    | \$547.50    | \$609.00    | \$633.00    | \$657.00    | \$706.50    | \$754.50    | \$804.00    |
|                                               | PERCENT OF MEDIAN | \$426.00    | \$456.75    | \$487.50    | \$547.50    | \$609.00    | \$633.00    | \$657.00    | \$706.50    | \$754.50    | \$804.00    |

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HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

| LOWNDES CO.     | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|-----------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                 |                   | \$15,950.00 | \$17,100.00 | \$18,250.00 | \$20,500.00 | \$22,800.00 | \$23,700.00 | \$24,600.00 | \$26,450.00 | \$28,250.00 | \$30,100.00 |
| MFI \$45,600    | 50%               | \$19,140.00 | \$20,520.00 | \$21,900.00 | \$24,600.00 | \$27,360.00 | \$28,440.00 | \$29,520.00 | \$31,740.00 | \$33,900.00 | \$36,120.00 |
| MAXIMUM RENT AT | 60%               |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$398.75    | \$427.50    | \$456.25    | \$512.50    | \$570.00    | \$592.50    | \$615.00    | \$661.25    | \$706.25    | \$752.50    |
| 60%             |                   | \$478.50    | \$513.00    | \$547.50    | \$615.00    | \$684.00    | \$711.00    | \$738.00    | \$793.50    | \$847.50    | \$903.00    |
| MARION CO.      | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$36,300    | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MONROE CO.      | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$15,450.00 | \$16,550.00 | \$17,650.00 | \$19,850.00 | \$22,050.00 | \$22,925.00 | \$23,800.00 | \$25,600.00 | \$27,350.00 | \$29,100.00 |
| MFI \$44,100    | 60%               | \$18,540.00 | \$19,860.00 | \$21,180.00 | \$23,820.00 | \$26,460.00 | \$27,510.00 | \$28,560.00 | \$30,720.00 | \$32,820.00 | \$34,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$386.25    | \$413.75    | \$441.25    | \$496.25    | \$551.25    | \$573.13    | \$595.00    | \$640.00    | \$683.75    | \$727.50    |
| 60%             |                   | \$463.50    | \$496.50    | \$529.50    | \$595.50    | \$661.50    | \$687.75    | \$714.00    | \$768.00    | \$820.50    | \$873.00    |
| MONTGOMERY CO.  | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$38,000    | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| NESHOBA CO.     | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,150.00 | \$15,150.00 | \$16,150.00 | \$18,200.00 | \$20,200.00 | \$21,000.00 | \$21,800.00 | \$23,450.00 | \$25,050.00 | \$26,650.00 |
| MFI \$40,400    | 60%               | \$16,980.00 | \$18,180.00 | \$19,380.00 | \$21,840.00 | \$24,240.00 | \$25,200.00 | \$26,160.00 | \$28,140.00 | \$30,060.00 | \$31,980.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$353.75    | \$378.75    | \$403.75    | \$455.00    | \$505.00    | \$525.00    | \$545.00    | \$586.25    | \$626.25    | \$666.25    |
| 60%             |                   | \$424.50    | \$454.50    | \$484.50    | \$546.00    | \$606.00    | \$630.00    | \$654.00    | \$703.50    | \$751.50    | \$799.50    |
| NEWTON CO.      | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,500.00 | \$15,525.00 | \$16,550.00 | \$18,650.00 | \$20,700.00 | \$21,525.00 | \$22,350.00 | \$24,000.00 | \$25,650.00 | \$27,300.00 |
| MFI \$41,400    | 60%               | \$17,400.00 | \$18,630.00 | \$19,860.00 | \$22,380.00 | \$24,840.00 | \$25,830.00 | \$26,820.00 | \$28,800.00 | \$30,780.00 | \$32,760.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$362.50    | \$388.13    | \$413.75    | \$466.25    | \$517.50    | \$538.13    | \$558.75    | \$600.00    | \$641.25    | \$682.50    |
| 60%             |                   | \$435.00    | \$465.75    | \$496.50    | \$559.50    | \$621.00    | \$645.75    | \$670.50    | \$720.00    | \$769.50    | \$819.00    |
| NOXUBEE CO.     | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$33,000    | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| OKTIBBEHA CO.   | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$15,800.00 | \$16,950.00 | \$18,100.00 | \$20,350.00 | \$22,600.00 | \$23,500.00 | \$24,400.00 | \$26,200.00 | \$28,000.00 | \$29,850.00 |
| MFI \$43,900    | 60%               | \$18,960.00 | \$20,340.00 | \$21,720.00 | \$24,420.00 | \$27,120.00 | \$28,200.00 | \$29,280.00 | \$31,440.00 | \$33,600.00 | \$35,820.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$395.00    | \$423.75    | \$452.50    | \$508.75    | \$565.00    | \$587.50    | \$610.00    | \$655.00    | \$700.00    | \$746.25    |
| 60%             |                   | \$474.00    | \$508.50    | \$543.00    | \$610.50    | \$678.00    | \$705.00    | \$732.00    | \$786.00    | \$840.00    | \$895.50    |
| PANOLA CO.      | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$39,100    | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| PEARL RIVER CO. | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$15,350.00 | \$16,450.00 | \$17,550.00 | \$19,750.00 | \$21,950.00 | \$22,825.00 | \$23,700.00 | \$25,450.00 | \$27,200.00 | \$28,950.00 |
| MFI \$43,900    | 60%               | \$18,420.00 | \$19,740.00 | \$21,060.00 | \$23,700.00 | \$26,340.00 | \$27,390.00 | \$28,440.00 | \$30,540.00 | \$32,640.00 | \$34,740.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$383.75    | \$411.25    | \$438.75    | \$493.75    | \$548.75    | \$570.63    | \$592.50    | \$636.25    | \$680.00    | \$723.75    |
| 60%             |                   | \$460.50    | \$493.50    | \$526.50    | \$592.50    | \$658.50    | \$684.75    | \$711.00    | \$763.50    | \$816.00    | \$868.50    |
| PIKE CO.        | PERCENT OF MEDIAN | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
| 50%             |                   | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$35,400    | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| MAXIMUM RENT AT |                   |             |             |             |             |             |             |             |             |             |             |
| 50%             |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
| 60%             |                   | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |



**Note:** Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

[illegible]

Mississippi Home Corporation  
FY 2008  
HOUSING TAX CREDITS  
INCOME AND RENT LIMITS  
EFFECTIVE 13- FEBRUARY - 2008

Note: Income Amounts for 1.5 and 4.5 persons are for rent calculation purposes only!

|                                 |                   |             |             |             |             |             |             |             |             |             |             |
|---------------------------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| WALTHALL CO.                    |                   | 1 PERSON    | 1.5 PERSONS | 2 PERSONS   | 3 PERSONS   | 4 PERSONS   | 4.5 PERSONS | 5 PERSONS   | 6 PERSONS   | 7 PERSONS   | 8 PERSONS   |
|                                 | PERCENT OF MEDIAN | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
| MFI \$35,300<br>MAXIMUM RENT AT | 50%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                 | 60%               |             |             |             |             |             |             |             |             |             |             |
| WARREN CO.                      |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$50,500<br>MAXIMUM RENT AT | 50%               | \$17,700.00 | \$18,950.00 | \$20,200.00 | \$22,750.00 | \$25,250.00 | \$26,250.00 | \$27,250.00 | \$29,300.00 | \$31,300.00 | \$33,350.00 |
|                                 | 60%               | \$21,240.00 | \$22,740.00 | \$24,240.00 | \$27,300.00 | \$30,300.00 | \$31,500.00 | \$32,700.00 | \$35,160.00 | \$37,560.00 | \$40,020.00 |
| WASHINGTON CO.                  |                   | \$442.50    | \$473.75    | \$505.00    | \$568.75    | \$631.25    | \$656.25    | \$681.25    | \$732.50    | \$782.50    | \$833.75    |
|                                 | PERCENT OF MEDIAN | \$531.00    | \$568.50    | \$606.00    | \$682.50    | \$757.50    | \$787.50    | \$817.50    | \$879.00    | \$939.00    | \$1,000.50  |
| MFI \$36,100<br>MAXIMUM RENT AT | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| WAYNE CO.                       |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$36,800<br>MAXIMUM RENT AT | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| WEBSTER CO.                     |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$42,400<br>MAXIMUM RENT AT | 50%               | \$14,850.00 | \$15,900.00 | \$16,950.00 | \$19,100.00 | \$21,200.00 | \$22,050.00 | \$22,900.00 | \$24,600.00 | \$26,300.00 | \$28,000.00 |
|                                 | 60%               | \$17,820.00 | \$19,080.00 | \$20,340.00 | \$22,920.00 | \$25,440.00 | \$26,460.00 | \$27,480.00 | \$29,520.00 | \$31,560.00 | \$33,600.00 |
| WILKINSON CO.                   |                   | \$371.25    | \$397.50    | \$423.75    | \$477.50    | \$530.00    | \$551.25    | \$572.50    | \$615.00    | \$657.50    | \$700.00    |
|                                 | PERCENT OF MEDIAN | \$445.50    | \$477.00    | \$508.50    | \$573.00    | \$636.00    | \$661.50    | \$687.00    | \$738.00    | \$789.00    | \$840.00    |
| MFI \$28,400<br>MAXIMUM RENT AT | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| WINSTON CO.                     |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$40,500<br>MAXIMUM RENT AT | 50%               | \$14,200.00 | \$15,200.00 | \$16,200.00 | \$18,250.00 | \$20,250.00 | \$21,050.00 | \$21,850.00 | \$23,500.00 | \$25,100.00 | \$26,750.00 |
|                                 | 60%               | \$17,040.00 | \$18,240.00 | \$19,440.00 | \$21,900.00 | \$24,300.00 | \$25,260.00 | \$26,220.00 | \$28,200.00 | \$30,120.00 | \$32,100.00 |
| YALOBUSHA CO.                   |                   | \$355.00    | \$380.00    | \$405.00    | \$456.25    | \$506.25    | \$526.25    | \$546.25    | \$587.50    | \$627.50    | \$668.75    |
|                                 | PERCENT OF MEDIAN | \$426.00    | \$456.00    | \$486.00    | \$547.50    | \$607.50    | \$631.50    | \$655.50    | \$705.00    | \$753.00    | \$802.50    |
| MFI \$38,400<br>MAXIMUM RENT AT | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
| YAZOO CO.                       |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |
| MFI \$35,100<br>MAXIMUM RENT AT | 50%               | \$14,100.00 | \$15,100.00 | \$16,100.00 | \$18,150.00 | \$20,150.00 | \$20,950.00 | \$21,750.00 | \$23,350.00 | \$25,000.00 | \$26,600.00 |
|                                 | 60%               | \$16,920.00 | \$18,120.00 | \$19,320.00 | \$21,780.00 | \$24,180.00 | \$25,140.00 | \$26,100.00 | \$28,020.00 | \$30,000.00 | \$31,920.00 |
|                                 |                   | \$352.50    | \$377.50    | \$402.50    | \$453.75    | \$503.75    | \$523.75    | \$543.75    | \$583.75    | \$625.00    | \$665.00    |
|                                 | PERCENT OF MEDIAN | \$423.00    | \$453.00    | \$483.00    | \$544.50    | \$604.50    | \$628.50    | \$652.50    | \$700.50    | \$750.00    | \$798.00    |

## *APPENDIX C*

### *HTC Eligibility Forms*

# HTC ELIGIBILITY/CERTIFICATION FORMS

Below is a list of tax credit eligibility and/or certification forms. Forms identified as "mandatory" are MHC generated forms that may not be altered and/or modified without written prior consent from the Corporation. All applicable forms should be utilized as it applies to each household's situation and maintained in each household's file.

| FORM |                                                                           | Mandatory | Non-Mandatory |
|------|---------------------------------------------------------------------------|-----------|---------------|
| 1    | Affidavit of Non-Employment                                               | X         |               |
| 2    | Certification of Daily Needs                                              | X         |               |
| 3    | Certification of Tip Income <b>**NEW**</b>                                |           | X             |
| 4    | Certification of Zero Income                                              |           | X             |
| 5    | Child Support Affidavit                                                   |           | X             |
| 6    | Documentation of Telephone Verification <b>**Revised**</b>                |           | X             |
| 7    | Documentation of Unit Transfer <b>**Revised**</b>                         | X         |               |
| 8    | Eligibility Application/ Recertification Questionnaire <b>**Revised**</b> |           | X             |
| 9    | Employment Verification                                                   | X         |               |
| 10   | Initial Lease Agreement ( <i>sample not provided</i> )                    |           | X             |
| 11   | Lease Addendum for HTC Developments <b>**Revised**</b>                    |           | X             |
| 12   | Live-in Aide Housing Agreement                                            | X         |               |
| 13   | Notification/ Election of Optional Services <b>**Revised**</b>            | X         |               |
| 14   | Picture I.D. and/or Social Security Cards ( <i>sample not provided</i> )  |           | X             |
| 15   | Public Assistance Verification (TANF/AFDC) <b>**Revised**</b>             |           | X             |
| 16   | Self-Certification of Unborn Child/Adoption/Custody                       |           | X             |
| 17   | Self-Employment Affidavit <b>**Revised**</b>                              | X         |               |
| 18   | Student and Rent Certification <b>**NEW**</b>                             | X         |               |
| 19   | Student Financial Aid Verification                                        | X         |               |
| 20   | Tenant Income Certification Form (MHC)                                    | X         |               |
| 21   | Tenant Release and Consent Form                                           |           | X             |
| 22   | Under \$5,000 Asset Certification                                         | X         |               |
| 23   | Verification of Child Support <b>**NEW**</b>                              |           | X             |
| 24   | Verification of Regular Contributions                                     |           | X             |

## AFFIDAVIT OF NON-EMPLOYMENT

(To be completed by adult household members with UNEARNED income\*)

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_

Development Name: \_\_\_\_\_

|                                                |                       |
|------------------------------------------------|-----------------------|
| <input type="checkbox"/> Initial Certification | Effective Date: _____ |
| <input type="checkbox"/> Recertification       | Effective Date: _____ |

---

I, \_\_\_\_\_, understand that I have applied for occupancy at an Affordable Housing development governed by the rules of the Housing Tax Credit (HTC) program. I further understand that this Program requires me to certify all of my income, assets and eligibility information as part of determining my eligibility AND that my employment status has a direct impact on my eligibility. Thus, I hereby certify that:

☐ I AM NOT employed AND I DO NOT anticipate an imminent change in my financial status or employment status during the next 12 months.

☐ I am currently not employed BUT I AM LOOKING for employment but have not secured a job at this time.

Based on my prior employment experience and/or my educational background, I anticipate earning \_\_\_\_\_ over the next twelve months.

To support my estimate, I have attached:

- ☐ Previous year's tax returns (*at least two*)
- ☐ Previous job and salary history (*at least three consecutive statements*)
- ☐ Other\*\*: \_\_\_\_\_

---

Under penalty of perjury, I certify that the information presented in this affidavit is true and accurate to the best of my knowledge. I further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of my lease agreement.

*\*Unearned income includes income from Social Security, AFDC/TANF, Child support, or Family Contribution.*

*\*\*Any verification that has been approved by the Mississippi Home Corporation (MHC).*

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Printed Name of Applicant/Tenant

\_\_\_\_\_  
Date

# CERTIFICATION OF DAILY NEEDS

(To be completed by all households certifying to income less than \$2,500.00.)

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_

Development Name: \_\_\_\_\_

☐ Initial Certification      Effective Date: \_\_\_\_\_  
☐ Recertification      Effective Date: \_\_\_\_\_

For the next twelve months, I plan to provide for the following items through the sources listed below:

| <u>ITEMS</u>                       | <u>SOURCE</u> | <u>AMOUNT</u> |
|------------------------------------|---------------|---------------|
| RENT                               | _____         | _____         |
| FOOD                               | _____         | _____         |
| CLOTHING                           | _____         | _____         |
| TRANSPORTATION                     |               |               |
| Gas                                | _____         | _____         |
| Repairs                            | _____         | _____         |
| UTILITIES                          |               |               |
| Electric                           | _____         | _____         |
| Gas                                | _____         | _____         |
| Water                              | _____         | _____         |
| Cable                              | _____         | _____         |
| Telephone                          | _____         | _____         |
| PERSONAL HYGIENE (i.e. toiletries) | _____         | _____         |
| CLEANING SUPPLIES                  | _____         | _____         |
| HEALTH BILLS                       | _____         | _____         |
| MISCELLANEOUS                      | _____         | _____         |

Under penalty of perjury, I certify that the information presented in this affidavit is true and accurate to the best of my knowledge. I further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of my lease agreement.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Printed Name of Applicant/Tenant

\_\_\_\_\_  
Date

### CERTIFICATION OF TIP INCOME

*(To be completed by any adult household member working in a service industry position where tip income is expected. Form is to be utilized after management has documented failed attempts at a third-party verification of tips)*

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_  
Development Name: \_\_\_\_\_

☐ Initial Certification      Effective Date: \_\_\_\_\_  
☐ Recertification      Effective Date: \_\_\_\_\_

---

I, \_\_\_\_\_, understand that I have applied for occupancy at an Affordable Housing development governed by the rules of the Housing Tax Credit (HTC) program. I further understand that this Program requires me to certify all of my income, assets and eligibility information as part of determining my eligibility AND that my employment status has a direct impact on my eligibility. Thus, I hereby certify that:

☐ My employment does not generate any tip income. Explain below:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

☐ My estimated weekly earnings in tips are \$\_\_\_\_\_, this amount will be pro-rated to determine my annual gross income.

---

Under penalty of perjury, I certify that the information presented in this affidavit is true and accurate to the best of my knowledge. I further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of my lease agreement.

\_\_\_\_\_  
Signature of Applicant/Tenant      Printed Name of Applicant/Tenant      Date

## CERTIFICATION OF ZERO INCOME

(To be completed by adult household members only, if appropriate.)

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_

Development Name: \_\_\_\_\_ City: \_\_\_\_\_

1. I hereby certify that I do not individually receive income from any of the following sources:
  - a. Wages from employment (including commissions, tips, bonuses, fees, etc.);
  - b. Income from operation of a business;
  - c. Rental income from real or personal property;
  - d. Interest or dividends from assets;
  - e. Social Security payments, annuities, insurance policies, retirement funds, pensions, or death benefits;
  - f. Unemployment or disability payments;
  - g. Public assistance payments;
  - h. Periodic allowances such as alimony, child support, or gifts received from persons not living in my household;
  - i. Sales from self-employed resources (Avon, Mary Kay, Shaklee, etc.);
  - j. Any other source not named above.
2. I currently have no income of any kind and there is no imminent change expected in my financial status or employment status during the next 12 months.
3. I will be using the following sources of funds to pay for rent and other necessities: \_\_\_\_\_  
\_\_\_\_\_

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a lease agreement.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Printed Name of Applicant/Tenant

\_\_\_\_\_  
Date



# MISSISSIPPI HOME CORPORATION

## CHILD SUPPORT AFFIDAVIT

---

I, \_\_\_\_\_, do hereby attest that:

- 1) ☐ I am obliged/entitled (per court order) to receive \$\_\_\_\_\_ per month in child support and receive \$ \_\_\_\_\_ per month in child support for the following child(ren):

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

*Please provide documentation (i.e. DHS verification and/or court order) to show the obliged amount.*

- 2) ☐ I am obliged/entitled (per court order) to receive \$ \_\_\_\_\_ per month in child support yet have NOT received any payments in the past 12 months. In the next twelve months, I expect to receive \$\_\_\_\_\_ for the following child(ren):

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

*Please provide documentation from DHS showing the payment or lack thereof for the past 12 months.*

- 3) ☐ I am NOT obliged/entitled (per court order) to receive child support but receive \$\_\_\_\_\_ per month in child support for the following child(ren):

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

*Please provide a notarized statement from the source of child support (e.g. noncustodial parent).*

- 4) ☐ I am NOT obliged /entitled (per court order) to receive child support and do not receive any child support for the following child(ren):

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

**NOTE: If numbers 1, 2 or 3 is applicable, support documentation MUST accompany this form.**

---

Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a lease agreement.

\_\_\_\_\_  
Applicant/Tenant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant/Tenant

\_\_\_\_\_  
Date

# DOCUMENTATION OF TELEPHONE VERIFICATION

Applicant/Resident: \_\_\_\_\_

Unit No.: \_\_\_\_\_

## Part I:

Oral (telephone) verifications may be used when other methods are not feasible. Describe the reason(s) why third-party written or first-hand verifications are not feasible in this instance. **NOTE: Attempts at third-party and first-hand verifications MUST be documented in the file.**

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## Part II:

In lieu of third-party written or first-hand verification, on \_\_\_\_\_, at \_\_\_\_\_,  
(Date) (Time)  
I spoke with \_\_\_\_\_,  
(Contact Person) (Title)  
at \_\_\_\_\_ at \_\_\_\_\_.  
(Phone number) (Name of Employer)

## Part III:

Date employment began: \_\_\_\_\_ Date employment ended: \_\_\_\_\_

Employee's Position: \_\_\_\_\_

Gross Pay before Deductions

Wage/Salary: \$ \_\_\_\_\_ ☐ Weekly ☐ Bi-Weekly ☐ Monthly ☐ Bi-monthly ☐ Annually

Gross Year-to-date Earnings: \$ \_\_\_\_\_ (Period Covering) From: \_\_\_\_\_ To: \_\_\_\_\_

Average number of hours worked per week: \_\_\_\_\_ Number of weeks employed each year: \_\_\_\_\_

Overtime (OT) Rate: \$ \_\_\_\_\_ Average number of hours worked per week: \_\_\_\_\_

Shift Differential Rate: \$ \_\_\_\_\_ Average number of hours worked per week: \_\_\_\_\_

Amount of tips, commission, bonuses, other: \$ \_\_\_\_\_ ☐ Weekly ☐ Monthly ☐ Annually

Expected change in pay: \$ \_\_\_\_\_ Effective date: \_\_\_\_\_

Is the employee's work seasonal or sporadic? \_\_\_\_\_ If yes, what is the layoff period? \_\_\_\_\_

Other remarks regarding employee's income: \_\_\_\_\_

---

(Signature of Owner or Authorized Representative)

---

(Date)

---

(Printed Name)

---

(Print Title)

**WARNING:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful, false statements of misrepresentation to any department or agency of the U.S. or to any matter within its jurisdiction.

## Documentation of Unit Transfer

Name of Household: \_\_\_\_\_

Date of Unit Transfer: \_\_\_\_\_

Transferring from BIN: MS- \_\_\_\_\_ Transferring to BIN: MS- \_\_\_\_\_

Transferring from Unit #: \_\_\_\_\_ Rent Amount: \$ \_\_\_\_\_

Transferring to Unit #: \_\_\_\_\_ New Rent Amount \$ \_\_\_\_\_

Last (Re)Certification Date: \_\_\_\_\_ Annual Income: \$ \_\_\_\_\_

Next (Re)Certification Date: \_\_\_\_\_

Compliance status of transferring household at time of transfer (check one):

- ☐ Not a Section 42 household (market rate unit)
- ☐ First Section 42 household to qualify unit after Placed in Service (month \_\_\_\_ to \_\_\_\_)
- ☐ Section 42 household (qualified tax credit unit)
- ☐ Section 42 household (qualified tax credit unit subject to the Available Unit Rule) with recertified income over 140%. If transferring to a *different* building, the newly occupied unit will be considered non-qualifying, or a market rate unit.

Compliance status of vacant unit at time of transfer (check one):

- ☐ Not a Section 42 household (market rate unit)
- ☐ Qualified vacant unit (Section 42 household was previous occupant)
- ☐ Designated Section 42 unit never occupied by qualified household (month from \_\_\_\_ to \_\_\_\_ )

*Remember: Units “swap” status when the household lease is transferred. Since a household can qualify only one unit for Section 42 status, it is important to note carefully transfers between units where at least one of the units has never been occupied by a qualified household. If a household with recertified income that exceeds 140% of the applicable income limit transfers to a new unit a different building, the newly occupied unit is considered a market unit.*

*Place a completed copy of this form in each respective unit file.*

Notes: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Manager Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

|                                                                                            |                                                           |                                                                                                                        |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> <b>Initial</b><br><input type="checkbox"/> <b>Recertification</b> | <b>MHC HOUSING TAX CREDIT<br/>ELIGIBILITY APPLICATION</b> | <div style="text-align: right;">             _____ Move-in Date<br/>             \$ _____ Rent Amount           </div> |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|

|                            |
|----------------------------|
| Property Name _____        |
| Address _____ Unit # _____ |

|                              |
|------------------------------|
| <b>HOUSEHOLD COMPOSITION</b> |
|------------------------------|

Applicants/residents, complete this application in your own handwriting. List all persons who will be living in the unit. Give the relationship of each family member to the head of household. If this eligibility application is being completed by an applicant who is applying for occupancy with an existing household, only include the information for the new applicant.

**Each household member age 18 years or older and under age 18 if head, spouse, or co-head of household must disclose income and assets and sign and date this application.**

|   | HOUSEHOLD MEMBER'S NAME | RELATIONSHIP | DATE OF BIRTH | HAS/WILL THIS PERSON BE A STUDENT* DURING THIS AND/OR THE UPCOMING CALENDAR YEAR?<br>YES/NO | SOCIAL SECURITY NUMBER |
|---|-------------------------|--------------|---------------|---------------------------------------------------------------------------------------------|------------------------|
| 1 |                         | HEAD         |               |                                                                                             |                        |
| 2 |                         |              |               |                                                                                             |                        |
| 3 |                         |              |               |                                                                                             |                        |
| 4 |                         |              |               |                                                                                             |                        |
| 5 |                         |              |               |                                                                                             |                        |
| 6 |                         |              |               |                                                                                             |                        |
| 7 |                         |              |               |                                                                                             |                        |
| 8 |                         |              |               |                                                                                             |                        |

\* Include public and private elementary, junior & senior high, college, university, technical, trade, and mechanical schools. Do not include on-the-job training courses.

|                                     |
|-------------------------------------|
| <b>HOUSEHOLD INCOME INFORMATION</b> |
|-------------------------------------|

List current and anticipated income for the twelve-month period beginning on the anticipated move-in date or effective date of recertification.  
**Include all full time, part time or seasonal income even if completing this application in the off-season.**

| DO YOU RECEIVE OR EXPECT TO RECEIVE                                                                                     |    |                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (Check <b>YES</b> or <b>NO</b> to each item, as applicable, and include gross monthly amount. List sources on page 2.): |    |                                                                                                                                                                   |
| YES                                                                                                                     | NO | Gross Monthly Amount                                                                                                                                              |
|                                                                                                                         |    | 1. Wages, salaries (include overtime, tips, bonuses, commissions, etc.) . . . . . \$                                                                              |
|                                                                                                                         |    | 2. Does any member work for someone who pays them in cash or is self-employed. . . . . \$                                                                         |
|                                                                                                                         |    | 3. Regular pay for a member of the armed forces . . . . . \$                                                                                                      |
|                                                                                                                         |    | 4. Public Assistance (MFIP, GA) . . . . . \$                                                                                                                      |
|                                                                                                                         |    | 5. Worker's compensation . . . . . \$                                                                                                                             |
|                                                                                                                         |    | 6. Unemployment benefits or severance pay . . . . . \$                                                                                                            |
|                                                                                                                         |    | 7. Student financial assistance (public or private, not including student loans) . . . . . \$                                                                     |
|                                                                                                                         |    | 8. Child support (check yes if you have a court order, even if you are not receiving the full amount awarded) . . \$                                              |
|                                                                                                                         |    | 9. Alimony/Spousal Maintenance . . . . . \$                                                                                                                       |
|                                                                                                                         |    | 10. Social Security income (including unearned income of minor children) . . . . . \$                                                                             |
|                                                                                                                         |    | 11. Disability benefits including social security disability . . . . . \$                                                                                         |
|                                                                                                                         |    | 12. Regular payments from pensions (PERA, railroad, etc.) . . . . . \$                                                                                            |
|                                                                                                                         |    | 13. Regular payments from retirement benefits . . . . . \$                                                                                                        |
|                                                                                                                         |    | 14. Death Benefits . . . . . \$                                                                                                                                   |
|                                                                                                                         |    | 15. Regular payments from annuities or life insurance dividends . . . . . \$                                                                                      |
|                                                                                                                         |    | 16. Regular payments from inheritance, insurance settlement, lottery winnings, etc. . . . . \$                                                                    |
|                                                                                                                         |    | 17. Net income from rental property . . . . . \$                                                                                                                  |
|                                                                                                                         |    | 18. Regular cash and non-cash contributions, assistance with paying bills or gifts from individuals not living in the unit (not including groceries) . . . . . \$ |
|                                                                                                                         |    | 19. Other (list) _____ \$                                                                                                                                         |
|                                                                                                                         |    | 20. Other (list) _____ \$                                                                                                                                         |

### HOUSEHOLD ASSET INFORMATION

| Yes | No | DOES ANY HOUSEHOLD MEMBER (INCLUDING CHILDREN) HAVE MONEY HELD IN:                                        | CURRENT BALANCE |
|-----|----|-----------------------------------------------------------------------------------------------------------|-----------------|
|     |    | 21. Checking Accounts . . . . . (6 month average balance)                                                 | \$              |
|     |    | 22. Savings Accounts . . . . .                                                                            | \$              |
|     |    | 23. Stocks . . . . .                                                                                      | \$              |
|     |    | 24. Capital Investments . . . . .                                                                         | \$              |
|     |    | 25. Bonds . . . . .                                                                                       | \$              |
|     |    | 26. Trusts* . . . . .                                                                                     | \$              |
|     |    | 27. Securities . . . . .                                                                                  | \$              |
|     |    | 28. Whole Life Insurance Policy (do not include term life insurance) . . . . .                            | \$              |
|     |    | 29. 401K* . . . . .                                                                                       | \$              |
|     |    | 30. IRA/KEOGH Accounts . . . . .                                                                          | \$              |
|     |    | 31. Certificates of Deposit . . . . .                                                                     | \$              |
|     |    | 32. Pension/Retirement/Annuity accounts . . . . .                                                         | \$              |
|     |    | 33. Money Market Funds . . . . .                                                                          | \$              |
|     |    | 34. Treasury Bills . . . . .                                                                              | \$              |
|     |    | 35. Safety Deposit Box . . . . .                                                                          | \$              |
|     |    | 36. Lump Sum Payment (i.e., inheritance, insurance settlement, lottery winnings, capital gains) . . . . . | \$              |
|     |    | 37. Are any accounts held jointly with someone not in the unit? Which account and with whom? _____        |                 |
|     |    | 38. Other _____                                                                                           |                 |

\*Include Trusts, 401K, etc., only if the accounts are accessible to the household prior to termination of employment, retirement, or death. If you are unsure, list the account and it will be verified.

| Yes | No | Value                                                                                                                                                                                |
|-----|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|     |    | 39. Do you now own Real Estate? . . . . . \$<br>If yes, list address(es): _____                                                                                                      |
|     |    | 40. Do you hold a contract for deed? . . . . . \$                                                                                                                                    |
|     |    | 41. Do you have any coin collections, antique cars, gems/jewelry, stamps or any other items . . . . . \$<br>held as an investment (wedding rings and personal jewelry do not count)? |
|     |    | 42. Are any assets held jointly with another person? List person and asset(s). _____                                                                                                 |
|     |    | Is combined cash value of all household assets over \$5,000? If yes, 3rd party verification of assets is required.                                                                   |

### DO NOT LEAVE THIS SECTION BLANK.

From 1-42, **income and assets** above, provide contact information for all "YES" checked items. All information must be verified. (If a household member has more than one source of income and/or asset, use a separate line for each source. Use additional sheets, if necessary.)

| Item Number | HH Member | Name and mailing address of income or asset source | Contact Name & phone/fax number |
|-------------|-----------|----------------------------------------------------|---------------------------------|
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |
|             |           |                                                    |                                 |

Please attach documentation available to verify income (i.e., divorce/settlement papers, tax returns, social security benefit award letter, etc.).

I/We hereby certify that I/we

**Have**      **Have not**

☐ sold or given away any assets for less than Fair Market Value during the two year (24 month) period preceding the date of this application. Any assets sold or disposed of for less than Fair Market Value must be identified below.

**Household Member**

**Asset & Estimated Market Value**

**Date sold/disposed**

**Amount Received**

\$ \_\_\_\_\_

\$ \_\_\_\_\_

#### MISCELLANEOUS

The following questions pertain to yourself and every member of your household who will occupy the unit.  
Check either **YES** or **NO** in response to each question. Add an explanation below for all items checked YES.

Yes

No

☐ Will any household member, including children, live in the unit on a less than full time basis?

☐ Do you anticipate any change in your household (someone moving in or out) during the next 12 months?

☐ Does any adult member of the household have zero income? If yes, name(s): \_\_\_\_\_

☐ Does/will the household receive rent assistance? If so, indicate from what source (Section 8, Rural Development RA, etc.).

☐ Does your household have any needs that might be better served by a unit which is accessible to persons with mobility, hearing or visual impairments?

Explanation:

\_\_\_\_\_  
\_\_\_\_\_

#### SIGNATURES

I/we hereby affirm that the foregoing information is true and complete to the best of my/our knowledge, and authorize the Landlord to make inquiries to verify the statements herein. I/we further understand that any intentional misrepresentation in this application might result in a default in the rental agreement and/or eviction of this household. If any of the aforementioned information changes, I/we agree to notify Landlord immediately.

Applicant/Resident Signature \_\_\_\_\_

Date \_\_\_\_\_

Applicant/Resident Signature \_\_\_\_\_

Date \_\_\_\_\_

Applicant/Resident Signature \_\_\_\_\_

Date \_\_\_\_\_

Applicant/Resident Signature \_\_\_\_\_

Date \_\_\_\_\_

This applicant/resident required assistance in completing the eligibility application due to: \_\_\_\_\_

Assistance in completing this application was provided by: \_\_\_\_\_ Date: \_\_\_\_\_

## EMPLOYMENT VERIFICATION

### THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer)

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### Mode of Delivery:

- ☐ Mailed Date: \_\_\_\_\_  
☐ Faxed Date: \_\_\_\_\_  
☐ Hand Delivered\* Date: \_\_\_\_\_  
\* official office stamp required

RE: \_\_\_\_\_  
Applicant/Tenant Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Unit # (if assigned)

I hereby authorize release of my employment information.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

\_\_\_\_\_  
Project Owner/Management Agent

#### Return Form To:

\_\_\_\_\_

### THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name: \_\_\_\_\_ Job Title: \_\_\_\_\_

Presently Employed: Yes \_\_\_\_\_ Date First Employed \_\_\_\_\_ No \_\_\_\_\_ Last Day of Employment \_\_\_\_\_

Current Wages/Salary: \$\_\_\_\_\_ (circle one) hourly weekly bi-weekly semi-monthly monthly yearly other \_\_\_\_\_

Average # of regular hours per week: \_\_\_\_\_ Year-to-date earnings: \$\_\_\_\_\_ through \_\_/\_\_/\_\_

Overtime Rate: \$\_\_\_\_\_ per hour Average # of overtime hours per week: \_\_\_\_\_

Shift Differential Rate: \$\_\_\_\_\_ per hour Average # of shift differential hours per week: \_\_\_\_\_

Commissions, bonuses, tips, other: \$\_\_\_\_\_ (circle one) hourly weekly bi-weekly semi-monthly monthly yearly other \_\_\_\_\_

List any anticipated change in the employee's rate of pay within the next 12 months: \_\_\_\_\_; Effective date: \_\_\_\_\_

If the employee's work is seasonal or sporadic, please indicate the layoff period(s): \_\_\_\_\_

Additional remarks: \_\_\_\_\_

\_\_\_\_\_  
Employer's Signature

\_\_\_\_\_  
Employer's Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employer [Company] Name and Address

\_\_\_\_\_  
Phone #

\_\_\_\_\_  
Fax #

\_\_\_\_\_  
E-mail

**NOTE:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

Employment Verification (December 2002)

## LEASE ADDENDUM FOR LIHTC PROPERTIES

Tenant Eligibility: Landlord does not discriminate on the basis of race, religion, gender, national origin, handicap, or familial status.

This property has received an allocation of Low-Income Housing Tax Credits (LIHTC) under section 42 of the Internal Revenue Code. The Landlord is responsible for compliance with the code. In order to accomplish this, Tenant agrees to immediately notify the Landlord of all changes in household composition and all changes in household student status. Further, Tenant agrees to complete annually or at any other such time requested by Landlord the Recertification Questionnaire disclosing current household composition, household student status and all household income and assets. Tenant agrees to cooperate fully during the recertification process signing all third party verifications and providing all requested names and addresses. Tenant agrees to respond promptly to recertification notices to ensure a timely completion of the process. Tenant understands that failure to comply within thirty (30) days of the initial recertification notice is considered material non-compliance with this lease and therefore grounds for termination of the lease and eviction.

Tenant understands and certifies that the household meets the following student criteria: If the occupant or if all the occupants of a unit are full-time students, the unit will not be considered a qualifying tax credit unit unless one of the full-time students is:

1. A single parent with children, none of which are declared as dependents on another Person's tax return.
2. Married and filing a joint federal tax return.
3. Receiving AFDC payments on behalf of minor children.
4. Enrolled in a job-training program receiving assistance under the Job Training Partnership Act or funded by a state or local government agency.
5. A former participant in the Foster Care Program.

Tenant certifies that the following information is complete and correct. List all members of the household:

|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |

|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |

|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |

|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |



|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |

|             |  |                    |     |    |
|-------------|--|--------------------|-----|----|
| Name:       |  |                    |     |    |
| Birth date: |  | Full-time Student: | Yes | No |

For any persons to be added to the lease, they must fill out an application and meet the Landlord's "Tenant Selection Criteria". Any occupant deemed permanent by the Landlord that does not comply with this procedure or vacate promptly when determined ineligible or jeopardizes the household tax credit compliance is the responsibility of the Tenant and grounds for termination of the lease.

Tenant understands and agrees that the Landlord will verify in writing through a third party when necessary, the information provided on the application and recertification questionnaire in order to ensure IRC section 42 compliance. Failure of the Tenant to provide satisfactory, complete and accurate information will be considered material non-compliance with the lease. Misrepresentation of any information required to determine tenant eligibility will entitle Landlord to terminate this lease and pursue eviction.

The Tenant is permitted to have a guest(s) visit their household. However, the Landlord reserves the right to request a recorded declaration of domicile or proof of domicile if it is suspected that the guest is an unauthorized household occupant. Such suspicion may arise whenever an adult person(s) is making reoccurring visits or one continuous visit 7 days and/or nights without prior notification to the Landlord. Should the Tenant or person in question not provide the requested information needed to confirm other domicile, or should the facts be sufficient to evidence domicile in the project, then the Landlord may consider such person(s) an unauthorized occupant and terminate the lease for material non-compliance.

Tenant understands and agrees to be bound by the above stipulations. Further, the Tenant agrees to take no action to jeopardize the Landlord's tax credit compliance. Should it be determined that Tenant's continued occupancy, for whatever reason, jeopardizes the Landlord's tax credit compliance, the Tenant agrees to voluntarily after receipt of written notification from the Landlord, relocate to another dwelling and relinquish tenancy in their current unit. The Landlord will allow the Tenant sixty (60) days to accomplish this process.

**TENANT**

**LANDLORD**

**Tenant**

**By:**

**(Agent for Landlord)**

**Date**

**Tenant**

## Live-in Aide Housing Agreement

A Live-in Aide is a person or persons who:

- **Resides with an elderly, handicapped or disabled person(s);**
- **Is determined to be essential to the care and well being of the tenant;**
- **Is not obligated for the support of the tenant; and**
- **Would not be living in the unit except to provide the necessary supportive services.**

Name of Household: \_\_\_\_\_ Unit #: \_\_\_\_\_

Name of Household member requiring assistance: \_\_\_\_\_

Name of Live-in Aide: \_\_\_\_\_

The tenant and Live-in Aide acknowledge and agree to the following:

- ☐ The Live-in Aide is not a tenant of the Landlord. The Live-in Aide shall not become a tenant of the Landlord regardless of the length of his/her stay in the unit or his/her relationship to the Tenant. Relatives who meet the definition and qualify as a Live-in Aide relinquish all rights to the unit as a “remaining member” of the Tenant’s household.
- ☐ The Live-in Aide shall be living in the unit solely to provide support services to the household member requiring assistance. If the household member requiring assistance no longer resides in the unit, the Live-in Aide shall have no rights or privileges to remain on the premises.
- ☐ If the household member requiring assistance dies, the Live-in Aide shall vacate the unit within 10 days of said household’s member’s death. If the household member requiring assistance vacates the unit, the Live-in Aide shall also vacate the unit no later than said household member’s vacate date. Upon the termination of the Live-in Aide’s services for any other reason, the Live-in Aide shall vacate the unit within 24-hours.
- ☐ The Live-in Aide shall not violate any of the House Rules. The Landlord may evict the Live-in Aide if s/he violates any of the House Rules.

\_\_\_\_\_  
Tenant’s Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Live-in Aide’s Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Owner/Management Agent’s Signature

\_\_\_\_\_  
Date

## NOTIFICATION/ELECTION OF OPTIONAL SERVICES

(For use at an intermediate care facility only)

Household Name: \_\_\_\_\_ Unit No.: \_\_\_\_\_

Development Name: \_\_\_\_\_

- ☐ Initial Certification  
☐ Recertification

Effective Date: \_\_\_\_\_  
Effective Date: \_\_\_\_\_

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I, \_\_\_\_\_, have been approved for residency at \_\_\_\_\_ **[enter development name]**, an assisted living tax credit community. As a condition of residency, I understand that I am eligible to receive a non-housing related "Optional Service Package" (i.e., assistance with medication, bathing, meals, etc.) and limited, skilled nursing, medical or psychiatric care from the staff of said development (or any hired affiliate) at an OPTIONAL charge. I further understand that if I elect NOT to receive the Optional Service Package provided by the referenced development that I am still entitled to occupancy provided said services have been secured from another third-party affiliate and evidence of such has been released to said development prior to occupancy.

Therefore, with receipt of this notification and my signature below, I elect to:

☐ Receive the Optional Service Package provided by the referenced development. *With my election, I understand that I will be charged an additional optional service fee of \$\_\_\_\_\_, which is separate and distinct from the basic rental rate, to cover the cost associated with said services. I further understand that this election is for the certification period covered above but may be changed and/or amended upon written notification and acceptance by the owner/management or at the next scheduled recertification;*

☐ NOT receive the Optional Service Package provided by the referenced development. *With my election, I understand that I must retain said services from an outside third-party source and provide evidence of such to the owner/manager of the development prior to occupancy/recertification can be granted. I further understand that this election is for the certification period covered above but may be changed and/or amended upon written notification and acceptance by the owner/management or at the next scheduled recertification.*

---

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Printed Name of Applicant/Tenant

\_\_\_\_\_  
Date

## PUBLIC ASSISTANCE VERIFICATION

### THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of Agency)

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Mode of Delivery:**

☐ Mailed Date: \_\_\_\_\_  
☐ Faxed Date: \_\_\_\_\_  
☐ Hand Delivered\* Date: \_\_\_\_\_

RE: \_\_\_\_\_  
Applicant/Tenant Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Unit # (if assigned)

I hereby authorize release of my income information.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

\_\_\_\_\_  
Project Owner/Management Agent

**Return Form To:**

\_\_\_\_\_

### THIS SECTION TO BE COMPLETED BY AGENCY

Name of Head of Household \_\_\_\_\_

Household Size \_\_\_\_\_ Number of Adults \_\_\_\_\_ Number of Minors \_\_\_\_\_

**Please list all household members receiving any type of assistance through this agency.**

| HOUSEHOLD MEMBER | TYPE OF ASSISTANCE | GROSS MONTHLY PAYMENT |
|------------------|--------------------|-----------------------|
|                  |                    | \$                    |
|                  |                    | \$                    |
|                  |                    | \$                    |
|                  |                    | \$                    |

Please indicate any anticipated changes to:

1. The monthly payment(s) \_\_\_\_\_
2. The household size of the applicant/resident \_\_\_\_\_

\_\_\_\_\_  
Representative's Signature

\_\_\_\_\_  
Representative's Printed Name/ Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Agency's Name and Address

\_\_\_\_\_  
Phone #

\_\_\_\_\_  
Fax #

\_\_\_\_\_  
E-mail

**NOTE:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

## SELF-CERTIFICATION OF UNBORN CHILD/ADOPTION/CUSTODY

Applicant's Name: \_\_\_\_\_ Social Security No. \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_

Zip Code: \_\_\_\_\_

For purposes of determining the income limit and/or number of bedrooms applicable for my household size, I hereby certify that I am:

- ☐ Expecting a child (or children). The due date is: \_\_\_\_\_
- ☐ In the process of adopting a child (or children).
- ☐ In the process of obtaining custody of child (or children).

Explanation: \_\_\_\_\_

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Under penalties of perjury, I certify that the information presented in this Self-Certification is true and accurate to the best of my knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in termination of the lease agreement.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print your name: \_\_\_\_\_

Telephone #: \_\_\_\_\_

Current Address: \_\_\_\_\_

SS #: \_\_\_\_\_

**Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.**

# SELF-EMPLOYMENT AFFIDAVIT

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_

Name of Business: \_\_\_\_\_ Business Address: \_\_\_\_\_  
Type of Business: \_\_\_\_\_ City, State, and Zip: \_\_\_\_\_  
Position Held: \_\_\_\_\_ Start Date: \_\_\_\_\_

## PART A: (ESTABLISHED BUSINESS WITH FILED TAX RETURNS)

Number of Self-Employment Federal Tax Returns filed in the last two years: \_\_\_\_\_  
Average net business income of the last two tax returns: \$ \_\_\_\_\_  
Anticipated annual net business income: \$ \_\_\_\_\_

### NOTE:

- **Support documentation (IRS Tax Returns including all applicable schedules) MUST be attached.**
- If anticipated annual income is greater than the average of the tax returns, include the anticipated annual income.
- If anticipated annual income is less than the average of the tax returns, provide explanation; otherwise, include average of the tax returns.

## PART B: (NEWLY FORMED BUSINESS WITH NO TAX RETURN)

A. ANTICIPATED GROSS ANNUAL INCOME \$ \_\_\_\_\_

B. ANTICIPATED EXPENSES

|     |                                                  |          |
|-----|--------------------------------------------------|----------|
| 1.  | Interest on Loan(s)                              | \$ _____ |
| 2.  | Cost of Goods/Materials                          | \$ _____ |
| 3.  | Business Rent                                    | \$ _____ |
| 4.  | Utilities                                        | \$ _____ |
| 5.  | Employees' salaries (other than self and family) | \$ _____ |
|     | Owner's salaries (self and family)               | \$ _____ |
| 6.  | Employee Withholding Tax                         | \$ _____ |
| 7.  | Federal Withholding Tax                          | \$ _____ |
| 8.  | State Withholding Tax                            | \$ _____ |
| 9.  | FICA                                             | \$ _____ |
| 10. | Sales Tax                                        | \$ _____ |
| 11. | Straight Line Depreciation                       | \$ _____ |
| 12. | Other:                                           | \$ _____ |
|     | <b>TOTAL EXPENSES</b>                            | \$ _____ |

C. ANTICIPATED NET ANNUAL INCOME \$ \_\_\_\_\_

Under penalty of perjury, I certify that the information presented in this affidavit is true and accurate to the best of my knowledge. I further understand that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of my lease agreement.

\_\_\_\_\_  
Signature of Applicant/Resident

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

In witness whereof, this \_\_\_\_\_ day of \_\_\_\_\_.

My commission expires: \_\_\_\_\_ (Notary Public): \_\_\_\_\_

## STUDENT AND RENT DECLARATION

To be used in place of annual recertification process once a household has completed the initial certification process as required.

Development Name: \_\_\_\_\_ Unit #: \_\_\_\_\_

Household Name: \_\_\_\_\_ # of Persons in Household: \_\_\_\_\_

### PART I: STUDENT STATUS

Is everyone in your household currently or anticipate on becoming a full-time student during the next 12 months? ☐ Yes ☐ No

If yes, please indicate student qualifying exception and attach documentation:

- |                                                         |                                               |
|---------------------------------------------------------|-----------------------------------------------|
| <input type="checkbox"/> TANF Assistance                | <input type="checkbox"/> Job Training Program |
| <input type="checkbox"/> Single parent/dependent child  | <input type="checkbox"/> Married/joint return |
| <input type="checkbox"/> Former Foster Care participant | <input type="checkbox"/> None of the above    |

I agree to notify management immediately if our household student status changes. I understand that changes in my household's student status may affect my household's eligibility to participate in this program.

### PART II: RENT

|                                                                                                 |          |                                                                                                                                                                   |          |
|-------------------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Tenant Paid Rent                                                                                | \$ _____ | Rent Assistance:                                                                                                                                                  | \$ _____ |
| Utility Allowance                                                                               | \$ _____ | Other non-optional charges:                                                                                                                                       | \$ _____ |
| GROSS RENT FOR UNIT:<br>(Tenant paid rent plus Utility Allowance, & other non-optional charges) |          | Owner based rental assistance:                                                                                                                                    | \$ _____ |
|                                                                                                 |          | Unit Meets Rent Restriction at:                                                                                                                                   |          |
|                                                                                                 |          | <input type="checkbox"/> 60% <input type="checkbox"/> 50%                                                                                                         |          |
| *Maximum Gross Rent <b>LIMIT</b> for this unit:                                                 | \$ _____ | *Note: Maximum gross rent is the rental amount listed on the applicable Income & Rent Limits Chart issued by the MHC and effective for this certification period. |          |

I hereby acknowledge that my tenant paid portion of the rent has been reduced by the amount of the owner-based rental assistance. \_\_\_\_\_ (Please initial if applicable)

I certify under penalties of perjury that the above information is true and complete to the best of my knowledge and belief. I understand that false or incomplete income information is a violation of the terms of my lease and can be grounds for eviction.

Tenant's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Tenant's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Manager's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## STUDENT FINANCIAL AID VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: \_\_\_\_\_  
Name & Address of Financial Aid Provider  
\_\_\_\_\_  
\_\_\_\_\_  
Phone Number  
\_\_\_\_\_  
Fax Number  
\_\_\_\_\_  
RE: \_\_\_\_\_  
Applicant/Tenant Name  
\_\_\_\_\_  
Social Security Number  
\_\_\_\_\_  
Unit # (if assigned)

- ☐ If you are over the age of 23 with dependent child(ren), please check here.  
☐ If you are a student residing with your parent(s), please check here.

I hereby authorize release of my financial aid information.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential and will be used solely for the purpose of determining eligibility for occupancy. Your prompt response is crucial and greatly appreciated.

\_\_\_\_\_  
Signature of Owner's Representative

**Return Form To:**

THIS SECTION TO BE COMPLETED BY FINANCIAL AID PROVIDER AND/OR EDUCATIONAL INSTITUTION

The above-named individual has applied for residency or is currently residing in housing that requires verification of student status. Please provide the information requested below.

| Student currently attends school:                                                                | (please circle one) | Full Time | Part Time      |             |
|--------------------------------------------------------------------------------------------------|---------------------|-----------|----------------|-------------|
| Total scholarships, grants, gifts etc. (public or private, excluding student loans) received is: |                     |           |                |             |
|                                                                                                  | Source              | Amount    | Beginning Date | Ending Date |
| Scholarships                                                                                     | _____               | \$ _____  | _____          | _____       |
| Grants                                                                                           | _____               | \$ _____  | _____          | _____       |
| Other Contributions                                                                              | _____               | \$ _____  | _____          | _____       |
| Cost of Tuition                                                                                  | _____               | \$ _____  | _____          | _____       |

Expected Date of Graduation: \_\_\_\_\_

I hereby certify that the information supplied in this section is true and complete to the best of my knowledge.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Printed Name: \_\_\_\_\_ Tel. #: \_\_\_\_\_  
Title: \_\_\_\_\_ Fax #: \_\_\_\_\_  
Educational Institution: \_\_\_\_\_ E-mail: \_\_\_\_\_

**NOTE:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.  
(Updated 11/06)



**Mississippi Home Corporation**  
**TENANT INCOME CERTIFICATION**

☐ Initial Certification

☐ Recertification

☐ Other

Effective Date: \_\_\_\_\_  
 Move-in Date: \_\_\_\_\_  
 (MM/DD/YYYY)

**PART I - DEVELOPMENT DATA**

Development Name: \_\_\_\_\_ County: \_\_\_\_\_ BIN #: \_\_\_\_\_  
 Address: \_\_\_\_\_ Unit Number: \_\_\_\_\_ # Bedrooms: \_\_\_\_\_

**PART II. HOUSEHOLD COMPOSITION**

| HH Mbr #             | Last Name | First Name & Middle Initial | Relationship to Head of Household | Date of Birth (MM/DD/YY) | Age | F/T Student* (Y or N) | Social Security or Alien Reg. No. |
|----------------------|-----------|-----------------------------|-----------------------------------|--------------------------|-----|-----------------------|-----------------------------------|
| 1                    |           |                             | <b>HEAD</b>                       |                          |     |                       |                                   |
| 2                    |           |                             |                                   |                          |     |                       |                                   |
| 3                    |           |                             |                                   |                          |     |                       |                                   |
| 4                    |           |                             |                                   |                          |     |                       |                                   |
| 5                    |           |                             |                                   |                          |     |                       |                                   |
| 6                    |           |                             |                                   |                          |     |                       |                                   |
| Total # of HH Mbrs = |           |                             |                                   |                          |     |                       |                                   |

**PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)**

| HH Mbr #      | (A)<br>Employment or Wages | (B)<br>Soc. Security/Pensions | (C)<br>Public Assistance | (D)<br>Other Income (Child support, Contribution, etc.,) |
|---------------|----------------------------|-------------------------------|--------------------------|----------------------------------------------------------|
|               |                            |                               |                          |                                                          |
|               |                            |                               |                          |                                                          |
|               |                            |                               |                          |                                                          |
|               |                            |                               |                          |                                                          |
| <b>TOTALS</b> | \$                         | \$                            | \$                       | \$                                                       |

Add totals from (A) through (D), above

**TOTAL INCOME (E):**

\$

**PART IV. INCOME FROM ASSETS**

| Hshld Mbr #                                                        | (F)<br>Type of Asset | (G)<br>C/I | (H)<br>Cash Value of Asset | (I)<br>Annual Income from Asset |
|--------------------------------------------------------------------|----------------------|------------|----------------------------|---------------------------------|
|                                                                    |                      |            |                            |                                 |
|                                                                    |                      |            |                            |                                 |
|                                                                    |                      |            |                            |                                 |
| <b>TOTALS:</b>                                                     |                      |            | \$                         | \$                              |
| Enter Column (H) Total                                             |                      |            |                            |                                 |
| If over \$5000 \$ _____ X Passbook Rate 2.00% = (J) Imputed Income |                      |            |                            | \$                              |
| Enter the greater of the total of column I or J: imputed income    |                      |            |                            |                                 |
| <b>TOTAL INCOME FROM ASSETS (K)</b>                                |                      |            |                            | \$                              |

**(L) Total Annual Household Income from all Sources [Add (E) + (K)]**

\$

**HOUSEHOLD CERTIFICATION & SIGNATURES**

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. \*I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

Signature

(Date)

Signature

(Date)

**PART V. DETERMINATION OF INCOME ELIGIBILITY**

**RECERTIFICATION ONLY:**

TOTAL ANNUAL HOUSEHOLD INCOME  
FROM ALL SOURCES:  
From item (L) on page 1

\$

Household Meets  
Income Restriction  
at:

☐ 60% ☐ 50%

Current Income Limit per Family Size: \$

Household Income at Move-in: \$

Household Size at Move-in: \_\_\_\_\_

**Current Income Limit x 140%:**

\$ \_\_\_\_\_

**Household Income exceeds 140% at  
recertification:**

☐ Yes ☐ No

**PART VI. RENT**

Tenant Paid Rent \$  
Utility Allowance \$

Rent Assistance: \$  
Other non-optional charges: \$  
Owner-based rental assistance: \$

GROSS RENT FOR UNIT:  
(Tenant paid rent plus Utility Allowance, &  
other non-optional charges)

\$

Unit Meets Rent Restriction at:

☐ 60% ☐ 50%

\*Maximum Gross Rent **LIMIT** for this unit: \$

\*Note: Maximum gross rent is the rental amount listed on the  
applicable Income & Rent Limits Chart issued by the MHC and  
effective for this certification period.

**PART VII. STUDENT STATUS**

ARE **ALL** OCCUPANTS FULL TIME STUDENTS?

☐ Yes ☐ No

If yes, Enter student explanation\*  
(also attach documentation)

**\*Student Explanation:**

- ☐ TANF assistance
- ☐ Job Training Program
- ☐ Single parent/dependent child
- ☐ Married/joint return
- ☐ Former Foster Care participant

**PART VIII. CERTIFICATION NOTES/COMMENTS**

**SIGNATURE OF OWNER/REPRESENTATIVE**

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Development.

\_\_\_\_\_  
SIGNATURE OF OWNER/REPRESENTATIVE

\_\_\_\_\_  
DATE

## INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

*This form is to be completed by the owner or an authorized representative.*

### Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date Enter the date the tenant has or will take occupancy of the unit.

Effective Date Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.

Development Name Enter the name of the development.

County Enter the county (or equivalent) in which the building is located.

BIN # Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).

Address Enter the address of the building.

Unit Number Enter the unit number.

# Bedrooms Enter the number of bedrooms in the unit.

### Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

|   |   |                   |   |   |                            |
|---|---|-------------------|---|---|----------------------------|
| H | - | Head of Household | S | - | Spouse                     |
| A | - | Adult co-tenant   | O | - | Other family member        |
| C | - | Child             | F | - | Foster child(ren)/adult(s) |
| L | - | Live-in caretaker | N | - | None of the above          |

Enter the date of birth, age, student status, and social security number or alien registration number for each occupant.

Total No. of Household members: Total up the number of household members listed above. This is the total number of occupants in the unit. This number should also match the applicable lease agreement.

*If there are more than 6 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.*

### Part III - Annual Income

**See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.**

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

|            |                                                                                                                                    |
|------------|------------------------------------------------------------------------------------------------------------------------------------|
| Column (B) | Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.                      |
| Column (C) | Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).              |
| Column (D) | Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household. |
| Row (E)    | Add the totals from columns (A) through (D), above. Enter this amount.                                                             |

#### Part IV - Income from Assets

**See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.**

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

|            |                                                                                                                                                                                                                                  |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Column (F) | List the type of asset (i.e., checking account, savings account, etc.)                                                                                                                                                           |
| Column (G) | Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification). |
| Column (H) | Enter the cash value of the respective asset.                                                                                                                                                                                    |
| Column (I) | Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).                                                                                                       |
| TOTALS     | Add the total of Column (H) and Column (I), respectively.                                                                                                                                                                        |

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

|         |                                                                                       |
|---------|---------------------------------------------------------------------------------------|
| Row (K) | Enter the greater of the total in Column (I) or (J)                                   |
| Row (L) | Total Annual Household Income From all Sources    Add (E) and (K) and enter the total |

#### HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification, and NO LATER than the effective date of the TIC.

#### Part V – Determination of Income Eligibility

|                                                          |                                                                                                                                                                                    |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Total Annual Household Income from all Sources           | Enter the number from item (L).                                                                                                                                                    |
| Current Income Limit per Family Size                     | Enter the Current Move-in Income Limit for the household size.                                                                                                                     |
| Household income at move-in<br>Household size at move-in | For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification. |

|                                    |                                                                                                                                                                                                                                                                                                                           |
|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Household Meets Income Restriction | Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.                                                                                                                                                                          |
| Current Income Limit x 140%        | For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed. |

### Part VI – Rent

|                                  |                                                                                                                                                         |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tenant Paid Rent                 | Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8 and FmHA).                                       |
| Rent Assistance                  | Enter the amount of rent assistance, if any. If no rental assistance is given, insert “0”.                                                              |
| Utility Allowance                | Enter the utility allowance. If the owner pays all utilities, enter zero.                                                                               |
| Other non-optional charges       | Enter the amount of <u>non-optional</u> charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc. |
| Owner-based rental assistance    | Enter the amount of rent assistance that is provided by the owner, if any. If owner-based rental assistance is given, insert “0”.                       |
| Gross Rent for Unit              | Enter the total of Tenant Paid Rent plus Utility Allowance, and other non-optional charges.                                                             |
| Maximum Rent Limit for this unit | Enter the maximum allowable gross rent for the unit.                                                                                                    |
| Unit Meets Rent Restriction at   | Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.                           |

### Part VII - Student Status

If all household members are full time\* students, check “yes”. If at least one household member is not a full time student, check “no”.

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

*\*Full time is determined by the school the student attends.*

### Part VIII – Certification Notes and Comments

Insert any notes and/or comments that are pertinent to the household’s eligibility.

### SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner’s representative to sign and date this document immediately following execution by the resident(s). At move-in, it is recommended that the TIC be signed by the owner/manager no earlier than 5 days prior to the effective date of the certification. No signatures should be acquired after the effective date of the certification.

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

*These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.*

## TENANT RELEASE AND CONSENT FORM

I/We \_\_\_\_\_, the undersigned hereby authorize all persons or companies in the categories listed below to release without liability, information regarding employment, income, and/or assets to \_\_\_\_\_

(Owner or agent)

for purposes of verifying information on my/our apartment rental application.

### INFORMATION COVERED

I/We understand that previous or current information regarding me/us may be needed. Verifications and inquiries that may be requested include, but are limited to: personal identity; employment, income, and assets; medical or child care allowances. I/We understand that this authorization cannot be used to obtain any information about me/us that is not pertinent to my eligibility for and continued participation as a Qualified Tenant.

### GROUPS OR INDIVIDUALS THAT MAY BE ASKED

The groups or individuals that may be asked to release the above information include, but are not limited to:

Past and Present Employers  
Previous Landlords (including  
Public Housing Agencies)  
Support and Alimony Providers

Welfare Agencies  
State Unemployment Agencies  
Social Security Administration  
Medical and Child Care Providers

Veterans Administration  
Retirement Systems  
Banks and other  
Financial Institutions

### CONDITIONS

I/We agree that a photocopy of this authorization may be used for the purposes stated above. The original of this authorization is on file and will stay in effect for twelve months from the date signed. I/We understand I/We have a right to review this file and correct any information that is incorrect.

### SIGNATURES

\_\_\_\_\_  
Applicant/Resident

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Co-Applicant/Resident

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Adult Household Member

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Adult Household Member

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Date

**NOTE: THIS GENERAL CONSENT MAY NOT BE USED TO REQUEST A COPY OF A TAX RETURN. IF A COPY OF A TAX RETURN IS NEEDED, IRS FORM 4506, AREQUEST FOR COPY OF TAX FORM@ MUST BE PREPARED AND SIGNED SEPARATELY.**

## UNDER \$5,000 ASSET CERTIFICATION

For households whose combined net assets do not exceed \$5,000.  
Complete only one form per household; include assets of children.

Household Name: \_\_\_\_\_ Unit No. \_\_\_\_\_

Development Name: \_\_\_\_\_ City: \_\_\_\_\_

### Complete all that apply for 1 through 4:

#### 1. My/our assets include:

| (A)<br>Fair<br>Market<br>Value | (B)<br>Int.<br>Rate | (A*B)<br>Annual<br>Income | Source                                          | (A)<br>Fair<br>Market<br>Value | (B)<br>Int.<br>Rate | (A*B)<br>Annual<br>Income | Source              |
|--------------------------------|---------------------|---------------------------|-------------------------------------------------|--------------------------------|---------------------|---------------------------|---------------------|
| a. \$                          |                     | \$                        | Savings Account                                 | m. \$                          |                     | \$                        | Checking Account    |
| b. \$                          |                     | \$                        | Cash on Hand                                    | n. \$                          |                     | \$                        | Safety Deposit Box  |
| c. \$                          |                     | \$                        | Certificates of Deposit                         | o. \$                          |                     | \$                        | Money market funds  |
| d. \$                          |                     | \$                        | Stocks                                          | p. \$                          |                     | \$                        | Bonds               |
| e. \$                          |                     | \$                        | IRA Accounts                                    | q. \$                          |                     | \$                        | 401K Accounts       |
| f. \$                          |                     | \$                        | Keogh Accounts                                  | r. \$                          |                     | \$                        | Trust Funds         |
| g. \$                          |                     | \$                        | Equity in real estate                           | s. \$                          |                     | \$                        | Land Contracts      |
| h. \$                          |                     | \$                        | Lump Sum Receipts                               | t. \$                          |                     | \$                        | Capital investments |
| i. \$                          |                     | \$                        | Life Insurance Policies (excluding Term)        |                                |                     |                           |                     |
| j. \$                          |                     | \$                        | Other Retirement/Pension Funds not named above: |                                |                     |                           |                     |
| k. \$                          |                     | \$                        | Personal property held as an investment*:       |                                |                     |                           |                     |
| l. \$                          |                     | \$                        | Other (list):                                   |                                |                     |                           |                     |
| <b>TOTAL Add [(a) + (t)]</b>   |                     |                           |                                                 | Fair Market Value              |                     | Annual Income             |                     |

PLEASE NOTE: Certain funds (e.g., Retirement, Pension, Trust) may or may not be (fully) accessible to you. Include only those amounts that are.

\*Personal property held as an investment may include, but is not limited to, gem or coin collections, art, antique cars, etc. Do not include necessary personal property such as, but not necessarily limited to, household furniture, daily-use autos, clothing, assets of an active business, or special equipment for use by the disabled.

2. ☐ Within the past two (2) years, I/we have sold or given away assets (including cash, real estate, etc.) for more than \$1,000 below their fair market value (FMV). Those amounts\* are included above and are equal to a total of: \$ \_\_\_\_\_ (\*the difference between FMV and the amount received, for each asset on which this occurred); or
- ☐ I/we have not sold or given away assets (including cash, real estate, etc.) for less than fair market value during the past two (2) years.
3. ☐ I/we do not have any assets at this time.

**The net family assets (as defined in 24 CFR 813.102) above do not exceed \$5,000 and the annual income from the net family assets is \$ \_\_\_\_\_. This amount is included in total gross annual household income listed on the Tenant Income Certification (TIC) effective \_\_\_\_\_.**

Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a lease agreement.

Applicant/Tenant \_\_\_\_\_ Date \_\_\_\_\_ Applicant/Tenant \_\_\_\_\_ Date \_\_\_\_\_

## VERIFICATION OF CHILD SUPPORT

### THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of Agency)

Date: \_\_\_\_\_

---

---

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RE:

Applicant/Tenant Name

Social Security Number

Unit # (if assigned)

By signing below I authorize the release of this information.

Participant's Signature

Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that purpose only. Your prompt response is crucial and greatly appreciated.

Project Owner/Management Agent

Return Form To:

### THIS SECTION TO BE COMPLETED BY AGENCY

This is a request for a record of child support payments made through the Child Support Division in the case referenced below:

Custodian: \_\_\_\_\_

Non-Custodial Parent: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

Case #: \_\_\_\_\_

Account #: \_\_\_\_\_

Check One

- ☐ Currently there is no court order directing payments through this office.
- ☐ There is a court order. However, there have been no records of payments received, or disbursed through this office to date.
- ☐ There is a court order. Payments are directed to this office and disbursed.

*(If checked, please attach a copy of payment record for past 12 months.)*

Date of court order \_\_\_\_\_ Amount of court ordered payment \_\_\_\_\_ per \_\_\_\_\_.

Has there been any effort, by Custodian, to pursue enforcement of payments? ☐ Yes ☐ No

If Yes, date of most recent effort: \_\_\_\_\_

I certify that this information is accurate.

Signature

Name (print)

Title

Date

Agency

Telephone Number

Address

City

State

Zip

**WARNING:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful, false statements of misrepresentation to any department or agency of the U.S. or to any matter within its jurisdiction.



## VERIFICATION OF REGULAR CONTRIBUTION

### THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of contributor)

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Mode of Delivery:**

☐ Mailed Date: \_\_\_\_\_  
☐ Faxed Date: \_\_\_\_\_  
☐ Hand Delivered\* Date: \_\_\_\_\_

RE: \_\_\_\_\_  
Applicant/Tenant Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Unit # (if assigned)

I hereby authorize release of my income information.

\_\_\_\_\_  
Signature of Applicant/Tenant

\_\_\_\_\_  
Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

\_\_\_\_\_  
Project Owner/Management Agent

**Return Form To:**

\_\_\_\_\_

### THIS SECTION TO BE COMPLETED BY PERSON PROVIDING REGULAR CONTRIBUTIONS

I hereby certify that effective \_\_\_\_\_ (mm/dd/yy), I will contribute \$\_\_\_\_\_ per (month/ week/ bi-monthly)  
to the support of \_\_\_\_\_ (resident's name) who resides at \_\_\_\_\_ (Address)  
City \_\_\_\_\_ State \_\_\_\_\_ as of \_\_\_\_\_ (mm/dd/yy).

Additional remarks: \_\_\_\_\_

\_\_\_\_\_  
Contributor's Signature

\_\_\_\_\_  
Contributor's Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Contributor's Name and Address

\_\_\_\_\_  
Phone #

\_\_\_\_\_  
Fax #

\_\_\_\_\_  
E-mail

**NOTARY**

State of \_\_\_\_\_

County of \_\_\_\_\_

Sworn to before me and subscribed in my presence this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

\_\_\_\_\_  
DATE

**NOTE:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

## *APPENDIX D*

*HUD OCCUPANCY HANDBOOK 4350.3, REV. 1,  
Change 2 (Excerpts) and  
Sources of Acceptable Income Verifications*



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## CHAPTER 5. DETERMINING INCOME AND CALCULATING RENT

### 5-1 Introduction

- A. Owners must determine the amount of a family's income before the family is allowed to move into assisted housing and at least annually thereafter. The amount of assistance paid on behalf of the family is calculated using the family's annual income less allowable deductions. HUD program regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income.
- B. Although the definitions of annual and adjusted income used for the programs covered in this handbook have some similarities with rules used by the U.S. Internal Revenue Service (IRS), the tax rules are different from the HUD program rules.
- C. The most frequent errors encountered in reviews of annual and adjusted income determinations in tenant files fall in three categories:
  - 1. Applicants and tenants failing to fully disclose income information;
  - 2. Errors in identifying required income exclusions; and
  - 3. Incorrect calculations of deductions often resulting from failure to obtain third-party verification.

Careful interviewing and thorough verification can minimize the occurrence of these errors.

- D. Chapter 5 is organized as follows:
  - **Section 1: Determining Annual Income** discusses the requirements regarding annual income and the procedure for calculating a family's annual income when determining eligibility. This section also includes guidance on determining income from assets.
  - **Section 2: Determining Adjusted Income** describes the procedures and requirements for determining adjusted income based on allowable deductions.
  - **Section 3: Verification** presents the requirements for verifying information provided by applicants and tenants related to their eligibility.
  - **Section 4: Calculating Tenant Rent** discusses the methods for calculating the tenant's portion of rent under the different programs covered by this handbook.

## 5-2 Key Terms

- A. There are a number of technical terms used in this chapter that have very specific definitions established by federal statute or regulations, or by HUD. These terms are listed in Figure 5-1 and their definitions can be found in the Glossary to this handbook. It is important to be familiar with these definitions when reading this chapter.
- B. The terms “disability” and “persons with disabilities” are used in two contexts – for civil rights protections, and for program eligibility purposes. Each use has specific definitions.
1. When used in context of protection from discrimination or improving the accessibility of housing, the civil rights-related definitions apply.
  2. When used in the context of eligibility under multifamily subsidized housing programs, the program eligibility definitions apply.

**NOTE:** See the Glossary for specific definitions and paragraph 2-23 for an explanation of this difference.

**Figure 5-1: Key Terms**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Adjusted income</li> <li>• Annual income</li> <li>• Assets</li> <li>• Assistance payment</li> <li>• Assisted rent</li> <li>• Assisted tenant</li> <li>• Basic rent</li> <li>• Co-head of household</li> <li>• Contract rent</li> <li>• Dependent</li> <li>• Extremely low-income family</li> <li>• Foster adult</li> <li>• Foster children</li> <li>• Full-time student</li> <li>• Gross rent</li> <li>• Hardship exemption</li> <li>• Head of household</li> <li>• Housing assistance payment (HAP)</li> <li>• Income limit</li> </ul> | <ul style="list-style-type: none"> <li>• Live-in aide</li> <li>• Low-income family</li> <li>• Market rent</li> <li>• Minimum rent</li> <li>• Operating rent</li> <li>• Project Assistance Contract (PAC)</li> <li>• PRAC Operating Rent</li> <li>• Project Rental Assistance Contract (PRAC)</li> <li>• Project assistance payment</li> <li>• Project rental assistance payment</li> <li>• Tenant rent</li> <li>• Total tenant payment</li> <li>• Unearned income</li> <li>• Utility allowance</li> <li>• Utility reimbursement</li> <li>• Very low-income family</li> <li>• Welfare assistance</li> <li>• Welfare rent</li> </ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## Section 1: Determining Annual Income

### 5-3 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 1: Determining Annual Income. The citation and its title are listed below.

- 24 CFR 5.609 Annual Income

### 5-4 Key Requirements

- A. Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:
  1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
  2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.
- B. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and *Federal Register* notices.
- C. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

### 5-5 Methods for Projecting and Calculating Annual Income

- A. The requirements for determining whether a family is eligible for assistance, and the amount of rent the family will pay, require the owner to project or estimate the annual income that the family expects to receive. There are several ways to make this projection. The following are two acceptable methods for calculating the annual income anticipated for the coming year:
  1. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing *current* income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to change the family's rent.
  2. If information is available on changes expected to occur during the year, use that information to determine the total *anticipated* income from all known sources during the year\*\*. For example, if a verification source reports that a union contract calls for a 2% pay increase midway through

the year, the owner may add the total income for the months before, and the total for the months after the increase\*\*.

### Example – Calculating Anticipated Annual Income

A teacher's assistant works nine months annually and receives \$1,300 per month. During the summer recess, the teacher's assistant works for the Parks and Recreation Department for \$600 per month. The owner may calculate the family's income using either of the following two methods:

1. Calculate annual income based on current income: \$15,600 (\$1,300 x 12 months).

The owner would then conduct an interim recertification at the end of the school year to recalculate the family's income during the summer months at reduced annualized amount of \$7,200 (\$600 x 12 months). The owner would conduct another interim recertification when the tenant returns to the nine-month job.

2. Calculate annual income based on anticipated changes through the year:

\$11,700 (\$1,300 x 9 months)

+ 1,800 (\$ 600 x 3 months)

\$13,500

Using the second method, the owner would not conduct an interim re-examination at the end of the school year. In order to use this method effectively, history of income from all sources in prior years should be available.

- B. Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:

1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
2. Weekly wages by 52;
3. Bi-weekly wages (paid every other week) by 26;
4. Semi-monthly wages (paid twice each month) by 24; and
5. Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

### Example – Anticipated Increase in Hourly Rate

February 1 Certification effective date  
 \$7.50/hour Current hourly rate  
 \$8.00/hour New rate to be effective March 15

(40 hours per week x 52 weeks = 2,080 hours per year)

|                               |             |
|-------------------------------|-------------|
| February 1 through March 15 = | 6 weeks     |
| 6 weeks x 40 hours =          | 240 hours   |
| 2,080 hours minus 240 hours = | 1,840 hours |

(check: 240 hours + 1,840 hours = 2,080 hours)

Annual Income is calculated as follows:

|                          |          |
|--------------------------|----------|
| 240 hours x \$7.50 =     | \$1,800  |
| \$1,840 hours x \$8.00 = | \$14,720 |
| Annual Income            | \$16,520 |

(See **Appendix 8** for an explanation of the correct approach to rounding numbers.)

- C. Some circumstances present more than the usual challenges to estimating anticipated income. Examples of challenging situations include a family that has sporadic work or seasonal income or a tenant who is self-employed. In all instances, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the tenant will receive during the year. In many of these challenging situations, midyear or interim recertifications may be required to reflect changing circumstances. Some examples of approaches to more complex situations are provided below.

### Examples – Irregular Employment Income

**Seasonal work.** Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past three years. To calculate Clyde's anticipated income, use the average number of regular hours over the past three years times his current regular pay rate, and the average overtime hours times his current overtime rate.

**Sporadic work.** Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an interim recertification when she resumes work.



### Examples – Irregular Employment Income

Sporadic work. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the owner any regular work or steady jobs he takes.

Self-employment income. Mary James sells beauty products door-to-door on consignment. She makes most of her money in the months prior to Christmas but has some income throughout the year. She has no formal records of her income other than a copy of the IRS Form 1040 she files each year. With no other information available, the owner will use the income reflected on Mary's copy of her form 1040 as her annual income.

## 5-6 Calculating Income—Elements of Annual Income

### A. Income of Adults and Dependents

1. Figure 5-2 summarizes whose income is counted.
2. Adults. Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

**NOTE:** If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

3. Dependents. A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student. The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.
  - a. *Earned* income of minors (family members under 18) is not counted.
  - b. Benefits or other *unearned* income of minors is counted.

**Figure 5-2: Whose Income is Counted?**

| <b>Members</b>            | <b>Employment<br/>Income</b> | <b>Other Income<br/>(including income<br/>from assets)</b> |
|---------------------------|------------------------------|------------------------------------------------------------|
| Head                      | Yes                          | Yes                                                        |
| Spouse                    | Yes                          | Yes                                                        |
| Co-head                   | Yes                          | Yes                                                        |
| Other adult               | Yes                          | Yes                                                        |
| Dependents                |                              |                                                            |
| -Child under 18           | No                           | Yes                                                        |
| Full-time student over 18 | See Note                     | Yes                                                        |
| <b>Nonmembers</b>         |                              |                                                            |
| Foster child              | No                           | No                                                         |
| Foster adult              | No                           | No                                                         |
| Live-in aide              | No                           | No                                                         |

**NOTE:** The earned income of a full-time student 18 years old or older \*\*who is a dependent\*\* is excluded to the extent that it exceeds \$480.

- c. When more than one family shares custody of a child and both families live in assisted housing, only one family at a time can claim the dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.
- d. \*\*When\*\* full-time students who are 18 years of age or older \*\*are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family or spouse or co-head. If the income is less than \$480 annually, count all the income. If the annual income exceeds \$480, count \$480 and exclude the amount that exceeds \$480.
- e. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.
- f. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.
- g. Payments received by the family for the care of foster children or foster adults are *not* counted. This rule applies only to payments

made through the official foster care relationships with local welfare agencies.

- h. Adoption assistance payments in excess of \$480 are not counted.

#### **B. Income of Temporarily Absent Family Members**

1. Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.
2. If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and the \*\*HUD-50059\*\*.
3. A temporarily absent individual on active military duty must be removed from the family, and his or her income must not be counted unless that person is the head of the family, spouse, or co-head.
  - a. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family.
  - b. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

#### **Examples – Income of Temporarily Absent Family Members**

- John Chouse works as an accountant. However, he suffers from a disability that periodically requires lengthy stays at a rehabilitation center. When he is confined to the rehabilitation center, he receives disability payments equaling 80% of his usual income.  
  
During the time he is not in the unit, he will continue to be considered a family member. The owner will conduct an interim recertification. Even though he is not currently in the unit, his total disability income will be counted as part of the family's annual income.
- Mirna Martinez accepts temporary employment in another location and needs a portion of her income to cover living expenses in the new location. The full amount of the income must be included in annual income.
- Charlotte Paul is on active military duty. Her permanent residence is her parents' assisted unit where her husband and children live. Charlotte is not currently exposed to hostile fire. Therefore, because her spouse and children are in the assisted unit, her military pay must be included in annual income. (If her dependents or spouse were not in the unit, she would not be considered a family member and her income would not be included in annual income.)

#### **C. Income of Permanently Confined Family Members**

1. An individual permanently confined to a nursing home or hospital may not be named as family head, spouse, or co-head but may continue as a family member at the family's discretion. The family's \*\*decision on

whether or not to include the permanently confined family member as a family member determines if that person's income will\*\* be counted.

- a. *Include* the individual \*\*as a family member and the\*\* income and allowable deductions related to the medical care of the permanently confined individual \*\*are counted\*\*; or
  - b. *Exclude* the individual \*\*as a family member and the\*\* income and allowances based on the medical care of the permanently confined individual \*\*are not counted\*\*.
2. \*\*If the family elects to include the\*\* permanently confined member, \*\*the individual\*\* is listed on the \*\*HUD-50059\*\* as an adult who is not the head, spouse, or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family. \*\* The owner should consider extenuating circumstances that may prevent the confined member from being able to sign the HUD-50059. If the owner determines the confined member is unable to sign the HUD-50059, the owner must document the file why the signature was not obtained. If the family elects not to include the permanently confined member, the individual would not be listed on the HUD-50059.\*\*

#### **D. Educational Scholarships or Grants**

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income \*\*except for students receiving Section 8 assistance.\*\* This is true whether the assistance is paid to the student or directly to the educational institution

\*\*For students receiving Section 8 assistance, all financial assistance a student receives (1) under the Higher Education Act of 1965, (2) from private sources, or (3) from an institution of higher education that is in excess of amounts received for tuition is included in annual income except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance. See Paragraph 3-13 for further information on eligibility of students to receive Section 8 assistance and the Glossary for the definition of Student Financial Assistance.\*\*

#### **E. Alimony or Child Support**

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made *and* that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

1. The owner may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.

2. Child support paid to the custodial parent through a state child support enforcement or welfare agency may be included in the family's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.
3. When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the owner may require the family to sign a certification stating the amount of child support received.

**F. Regular Cash Contributions and Gifts**

1. Owners must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or noncash contributions provided on a regular basis.

**Examples – Regular Cash Contributions**

- The father of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income.
- The daughter of an elderly tenant pays her mother's \$175 share of rent each month. The \$175 value must be included in the tenant's annual income.

2. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.
3. Temporary, nonrecurring, or sporadic income (including gifts) is not counted.

**G. Income from a Business**

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

1. In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.

2. When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.
3. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other family income.

**H. \*\*Periodic Social Security Payments**

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support.\*\*

**I. Adjustments for Prior Overpayment of Benefits**

If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g., social security, SSI, TANF, or unemployment benefits), count the amount that is actually provided after the adjustment.

**Example – Adjustment for Prior Overpayment of Benefits**

Lee Park's social security payment of \$250 per month is being reduced by \$25 per month for a period of six months to make up for a prior overpayment. Count his social security income as \$225 per month for the next six months and as \$250 per month for the remaining six months.

**J. Public Assistance Income in As-Paid Localities**

1. Special calculations of public assistance income are required for “as-paid” state, county, or local public assistance programs. An “as-paid” system is one:
  - a. In which the family receives an amount from a public agency specifically for shelter and utilities; and
  - b. In which the amount is adjusted based upon the actual amount the family pays for shelter and utilities.
2. The public assistance amount specifically designated for rent and utilities is called the “welfare rent.”
3. To determine annual income for public assistance recipients in “as-paid” localities, include the following:

- a. The amount of the family's grant for other than shelter and utilities; and
  - b. The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.
4. Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Owners should discuss how the rules are applied with the HUD Field Office.

#### **Example – Welfare Income in “As Paid” Localities**

At application, a family's welfare grant is \$300, which includes \$125 for basic needs and \$175 for shelter and utilities (based upon where the family is now living). However, the maximum the welfare agency could allow for shelter and utilities for this size family is \$190.

Count the following as income:

|              |                                        |
|--------------|----------------------------------------|
| \$125        | Amount family receives for basic needs |
| <u>\$190</u> | Maximum for shelter and utilities      |
| \$315        | Monthly public assistance income       |

#### **K. Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits**

1. The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. (See subparagraph **\*\*O\*\*** below for information on the withdrawal of cash or assets from an investment.) Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments.
2. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income (see paragraph 5.7 G.4).

**Example – Withdrawals from IRAs or 401K Accounts**

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn \$2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

3. If the tenant is receiving long-term care insurance payments, any payments in excess of \$180 per day must be counted toward the gross annual income. (**NOTE:** Payment of long-term care insurance premiums are an eligible medical expense – \*\*see paragraph 5-10 D.8.k.\*\*)
4. \*\*Federal Government Pension Funds Paid to a Former Spouse

Federal government pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income. The state court has, in the settlement of the parties' marital assets, determined the extent to which each party shares in the ownership of the pension. That portion of the pension that is ordered by the court (and authorized by the Office of Personnel Management (OPM), to be paid to the applicant's/tenant's former spouse is no longer an asset of the applicant/tenant and therefore is not counted as income. However, any pension funds authorized by OPM, pursuant to a court order, to be paid to the former spouse of a Federal government employee is counted as income for a tenant/applicant receiving such funds.

**Example:** Joan Carson is a retired Federal government employee receiving a retirement pension. She is also the recipient of Section 8 housing assistance and involved in a divorce proceeding. In settling the assets of the marriage between Mrs. Carson and her former husband, the court ordered that one half of her pension be paid directly to her former husband in the amount of \$20,000. The court provided OPM with clear, specific and express instructions acceptable for OPM to process the payment to Mrs. Carson's former husband. OPM authorized the payment of pension benefits to Mrs. Carson's former husband in the amount of \$20,000. The \$20,000 represents an asset disposed of as a result of a court decree. At the interim reexamination of her income, Mrs. Carson indicated a change in her income due to the court ordered payment of pension benefits to her former husband. The PHA requested that Mrs. Carson provide a copy of her statement from OPM evidencing the payment of pension benefits to her (her statement reflected the line item payment to her former husband due to the court order). That portion of the pension paid to her former husband no longer belongs to Mrs. Carson and is not counted as income.

The OPM is responsible for handling court orders (any judgments or property settlements issued by or approved by any court of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, The



Northern Mariana Islands, or the Virgin Islands in connection with the divorce, annulment of marriage, or legal separation of a Federal government employee or retiree) affecting current and retired Federal government employees. See 5 C.F.R. § 838.103. OPM must comply with court orders, decrees, or court-approved property settlement agreements in connection with divorces, annulments of marriage, or legal separations of employees that award a portion of the former Federal government employee's retirement benefits. Id. at § 838.101(a)(1). State courts ordering a judgment or property settlement in connection with divorce, annulment of marriage, or legal separation have the responsibility of issuing clear, specific, and express instructions to OPM with regards to providing benefits to former spouses. Id. at § 838.122. In response to instructions from state courts, OPM will authorize payments to the former spouses. Id. at § 838.121. Once the payments have been authorized by OPM, the reduced pension amount paid to the retired Federal employee (the tenant/applicant) will be reflected in the tenant's/applicant's statement from OPM. Former spouses of Federal government employees receiving court ordered pension benefits are provided a Form-1099 reflecting pension benefits received from the retired Federal government employee. In verifying the income of tenants/applicants, owners should require that tenants/applicants provide any copies of statements from OPM verifying pension benefits (including any reductions pursuant to a court order, decree or court-approved property settlement agreement), and any evidence of survivor benefits, pensions or annuities received from retired Federal government employees including, but not limited to, a Form-1099. (See Paragraph 5-7.G.5 for more information on the treatment of income from Federal government pensions.)\*\*

#### **L. Income from Training Programs**

1. Amounts received under HUD-funded training programs are excluded from annual income.
2. Incremental earnings and benefits received by any family member due to participation in qualifying state or local employment training programs are excluded. Income from training programs not affiliated with a local government, and income from the training of a family member resident to serve on the management staff, is also excluded.
  - a. Excluded income must be received under employment training programs with clearly defined goals and objectives and for a specific, limited time period. The initial enrollment must not exceed one year, although income earned during extensions for additional specific time periods may also be eligible for exclusion.
  - b. Training income may be excluded only for the period during which the family member participates in the employment training program.

- c. Exclusions include stipends, wages, transportation or child care payments, or reimbursements.
  - d. Income received as compensation for employment is excluded only if the employment is a component of a job training program. Once training is completed, the employment income becomes income that is counted.
  - e. Amounts received during the training period from sources that are unrelated to the job training program, such as welfare benefits, social security payments, or other employment, are not excluded.
- 3. Owners may ask to use project funds or funds from the Residual Receipts account to underwrite all or a portion of the cost of developing, maintaining, and managing a job training program for project residents if funds are available.
  - a. The Field Office will make the determination if the job training program may be approved, and if project funds are sufficient to fund the job training program and maintain the physical and financial integrity of the project. Job training programs may be either on-site at the project or off-site. For example, job training programs that have partnerships with local colleges, community based organizations, or local business, may have in-house job training programs designed for project residents.
  - b. Funds that an owner may choose to use to underwrite a job training program may include Section 8 funds, Community Development Block Grant funds, or housing authority funds. These funds may be used to cover the costs of various components of a job training program, including course materials, computer software, computer hardware, or personnel costs. Also, contractors and subcontractors, in connection with work performed under a Flexible Subsidy contract, may elect to hire project residents to perform certain skills required under the contract. If the employment of the project residents was pursuant to an apprenticeship program, this could constitute a training program using HUD funds, and income received by the tenants in the apprenticeship program will qualify as an exclusion from income.

#### **M. Resident Services Stipends**

Resident services stipends are generally modest amounts of money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management.

- 1. If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income.

2. If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income.

**N. Income Received by a Resident of an Intermediate Care Facility for the Mentally Retarded or for the Developmentally Disabled (ICF/MR or ICF/DD) and Assisted Living Units in Elderly Projects**

1. An intermediate care facility is a group home for mentally retarded or developmentally disabled individuals (ICF/MR or ICF/DD). The term "intermediate care facility" is one used by state mental health departments for group homes serving these residents.
2. Assisted living units are units in projects developed for elderly residents with project-based assistance that have been converted to assisted living units.
3. The local agency responsible for Medicaid provides funds directly to group home operators and assisted living providers for services.
4. Annual income at an ICF/MR, ICF/DD, or assisted living unit must include:
  - a. The SSI payment a tenant receives or the facility receives on behalf of the tenant; plus
  - b. All other income the tenant receives from sources other than SSI that are not excluded from income by HUD regulations (see Exhibit 5-1). Examples of other sources of income include wages, pensions, income from sheltered workshops, income from a trust, or other interest income.
  - c. The personal allowance of an individual residing in an ICF/MR or ICF/DD is not included in annual income. If the owner is unable to determine the actual amount of the personal allowance, use \$30.
5. Annual income does not include the enhanced benefit portion of the SSI that is provided to pay for services.
6. In some instances, a resident's SSI income may be reduced between annual recertifications if the resident's earnings exceed a specified amount. If this happens, the resident may request an interim recertification.

**O. Withdrawal of Cash or Assets from an Investment**

The withdrawal of cash or assets from an investment received as periodic payments should be counted as income. \*\*Lump sum receipts from pension and retirement funds are counted as assets. If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset. See Paragraph 5-7 G.2 for guidance on calculating income from an asset.\*\*

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**P. Lump Sum Payments Counted as Income**

1. Generally, lump sum amounts received by a family, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.
2. When social security or SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is *excluded* from annual income.
3. Settlement payments from claim disputes over welfare, unemployment, or similar benefits may be counted as assets, but lump sum payments caused by *delays in processing* periodic payments for unemployment or welfare assistance are included as income.

How lump sum payments for delayed start of benefits are counted depends upon the following:

- a. When the family reports the change;
- b. When an interim re-examination is conducted; and
- c. Whether the family's income increases or decreases as a result.

A lump sum payment resulting from delayed benefit income may be treated in either of the two ways illustrated in the example shown in Figure 5-3.

4. Lottery winnings paid in one payment are treated as assets. Lottery winnings *paid in periodic payments* must be counted as income.

**Figure 5-3: Treatment of Delayed Benefit Payments Received in a Lump Sum**

Family member loses his/her job on October 19 and applies for unemployment benefits. The family receives a lump sum payment of \$700 in December to cover the period from 10/20 to 12/5 and begins to receive \$100 a week effective 12/6.

**Option A:** The owner processes one interim re-examination immediately effective 11/1 and a second interim after unemployment benefits are known.

|                                                     | <u>10/1</u> | <u>11/1</u> | <u>12/1</u> | <u>1/1</u> | <u>2/1</u> |
|-----------------------------------------------------|-------------|-------------|-------------|------------|------------|
| Monthly gross income                                | 800         | *0          | *0          | 492**      | 492**      |
| Monthly allowances (three minors x 480 / 12 months) | 120         | -           | -           | 120        | 120        |
| Monthly adjusted income                             | 680         | 0           | 0           | 372        | 372        |
| Total tenant payment (TTP)                          | 204         | 25          | 25          | 25***      | 112***     |

\* The family's income is calculated at \$0/month beginning November 1, continuing until benefits actually begin and new income is calculated. TTP is set at the minimum rent.

\*\* Family's actual income for 1/1 is \$100/week x 52 weeks = \$5,200 / 12 = \$433.

However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the \$700 lump sum payment), the annual income to be used in calculating monthly gross income should be as follows:

\$100/week benefit x 52 weeks = \$5,200 + \$700 lump sum payment = \$5,900 annual gross income / 12 = \$492.

\*\*\* Increased rent does not start until 2/1 in order to give the family notice of rent increase.

**Option B:** The owner processes one interim re-examination after unemployment benefits are known.

|                                                     | <u>10/1</u> | <u>11/1</u> | <u>12/1</u> | <u>1/1</u> | <u>2/1</u> |
|-----------------------------------------------------|-------------|-------------|-------------|------------|------------|
| Monthly gross income                                | 800         | 0/800*      | 0/800*      | 433*       | 433*       |
| Monthly allowances (three minors x 480 / 12 Months) | 120         | 120         | 120         | 120        | 120        |
| Monthly adjusted income                             | 680         | 0/680       | 0/680       | 313        | 313        |
| Total tenant payment                                | 204         | 204*        | 204*        | 94         | 94         |
| Recalculated TTP                                    | -           | 94***       | 94*         | 94         | 94         |
| Rent credit (204 – 94=)                             | -           | 110         | 110         | -          | -          |

\* Family's actual income for 11/1 and 12/1 is zero, but because the owner does not process an interim re-examination, the family's TTP continues to be calculated using \$800 as monthly gross income. Beginning 1/1, monthly gross income is known to be \$100/week, or \$433/month.

\*\* The lump sum payment is taken into account by making the recertification retroactive to 11/1. Annual income is calculated as \$5,200 / 12 = \$433 monthly gross income.

\*\*\* TTP for November and December recalculated as \$433 monthly gross income and \$313 monthly adjusted income x .30 = 94 with credit or refund to family of \$110/month for each of these two months for difference between TTP paid of \$204 and recalculated TTP of \$94.

**Q. Exclusions from Income**

1. Regulations for the multifamily subsidized housing programs covered by this handbook specifically exclude certain types of income from annual income. However, many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income. Therefore, it is important for owners to focus specifically on the HUD program requirements regarding annual income.
2. Among the items that are excluded from annual income are the value of food provided through:
  - a. The Meals on Wheels program, food stamps, or other programs that provide food for the needy;
  - b. Groceries provided by persons not living in the household; and
  - c. Amounts received under the School Lunch Act and the Child Nutrition Act of 1966, including reduced lunches and food under the Special Supplemental Food Program for Women, Infants and Children (WIC).

**Examples – Income Exclusions**

- The Value of Food Provided through the Meals on Wheels Program or Other Programs Providing Food for the Needy. Jack Love receives a hot lunch each day during the week in the community room and an evening meal in his apartment. One meal is provided through the Meals on Wheels program. A local church provides the other. The value of the meals he receives is not counted as income.
- Groceries provided by persons not living in the household. Carrie Sue Colby's mother purchases and delivers groceries each week for Carrie Sue and her two year old. The value of these groceries is not counted as income despite the fact that these are a regular contribution or gift.
- Amounts Received Under WIC or the School Lunch Act. Lydia Jeffries' two children receive a free breakfast and reduced priced lunches at school every day through the Special Supplemental Food Program for Women, Infants and Children (WIC). The value of this food is not counted as income.

\*\*

3. Some additional examples of income that is excluded from the calculation of annual income follow.

**Examples – Income Exclusions**

- Resident service stipends. Rich Fuller receives \$50 a month for distributing flyers for management. This amount is excluded from annual income.
- Deferred periodic payments of social security benefits. Germain Johnson received \$32,000 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income.
- Income from training programs. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The \$250 a week she receives as a part-time typist is included in annual income. The \$150 a week she receives for participation in the training program is excluded in annual income.
- Earned Income Tax Credit refund payments. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

\*\*

**5-7 Calculating Income from Assets**

Annual income includes amounts derived from assets to which family members have access.

**A. What is Considered to Be an Asset?**

1. Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the *income* from that asset.
2. Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
3. Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

**B. Determining Income from Assets**

**Note:** For families receiving only BMIR assistance, it is not necessary to determine whether family assets exceed \$5,000. The rule for imputing income from assets does not apply to the BMIR program.

1. The calculation to determine the amount of income from assets to include in annual income considers both of the following:
  - a. The total cash value of the family's assets; and
  - b. The amount of income those assets are earning or could earn.
2. The rule for calculating income from assets differs depending on whether the total cash value of family assets is \$5,000 or less, or is more than \$5,000.

**C. Determining the Total Cash Value of Family Assets**

1. To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of family assets exceeds \$5,000.
  - a. The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:
    - (1) Penalties for premature withdrawal;
    - (2) Broker and legal fees; and
    - (3) Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

**Example – Calculating the Cash Value of an Asset**

A family has a certificate of deposit (CD) in the amount of \$5,000 paying interest at 4%. The penalty for early withdrawal is three months of interest.

$$\$5,000 \times 0.04 = \$200 \text{ in annual income}$$

$$\$200 / 12 \text{ months} = \$16.67 \text{ interest per month}$$

$$\$16.67 \times 3 \text{ months} = \$50.01$$

$$\$5,000 - \$50 = \$4,950 \text{ cash value of CD}$$

- b. It is essential to note that a family is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the owner because it is a required step when determining income from assets under program requirements.



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**D. Assets Owned Jointly**

1. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.
2. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.
3. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

### Example – Determining the Cash Value of an Asset

The “cash value” of an asset is the amount a family would receive if the family turned a noncash asset into cash.

The cash value is the market value—or the amount another person would pay to acquire the asset—less the cost to turn the asset into cash.

If a family owns real estate, it may be necessary to consider the family’s equity in the property as well as the expense to sell the property.

To determine the family’s equity, subtract amounts owed on the property from its market value:

$$\begin{array}{r} \text{Market value} \\ - \text{Mortgage amount owed} \\ \hline \text{Equity in the property} \end{array}$$

Calculate the cash value by subtracting the expense of selling the property:

$$\begin{array}{r} \text{Equity} \\ - \text{Expense of selling} \\ \hline \text{Cash Value} \end{array}$$

Juanita Player owns a rental house. The market value is \$100,000. She owes \$60,000. The cost to dispose of this house would be \$8,000. The owner would determine the cash value as follows:

|                                                                                        |                   |
|----------------------------------------------------------------------------------------|-------------------|
| Market Value                                                                           | \$100,000         |
| Mortgage amount                                                                        | - <u>\$60,000</u> |
|                                                                                        | 40,000            |
| Cost of disposing of the asset<br>(real estate commission, and<br>other costs of sale) | - <u>\$8,000</u>  |
| <b>Cash Value</b>                                                                      | <b>\$32,000</b>   |

- a. In some instances, but not all, knowing whose social security number is connected with the asset may help in identifying ownership. Owners should be aware that there are many situations in which a social security number connected with an asset does not indicate ownership and other situations where there is ownership without connection to a social security number.
- b. Determining who has contributed to an asset or who is paying taxes on the asset may assist in identifying ownership.

**Examples – Jointly Owned Assets**

- Helen Wright is an assisted-housing tenant. She and her daughter, Elsie Duncan, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Helen Wright or Elsie Duncan could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
- Jean Boucher's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

**E. Calculating Income from Assets When Assets Total \$5,000 or Less**

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

**F. Calculating Income from Assets When Assets Exceed \$5,000**

1. When net family assets are more than \$5,000, annual income includes the greater of the following:
  - a. Actual income from assets; or
  - b. A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets. The passbook rate is currently set at 2%.
2. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

**Example – Use Actual Income from Assets When  
Total Net Family Assets are \$5,000 or Less**

| Type of Asset                                                                    | Cash Value | Actual Yearly Income |
|----------------------------------------------------------------------------------|------------|----------------------|
| <i>Certificate of Deposit</i><br>\$1,000<br>withdrawal fee \$50<br>interest @ 4% | \$950      | \$40                 |
| <i>Savings Account</i><br>\$500<br>interest @ 2.5%                               | \$500      | \$13                 |
| <i>Stock</i><br>\$300<br>Not paying dividends                                    | \$300      | \$0                  |
|                                                                                  | <hr/>      | <hr/>                |
| Total                                                                            | \$1,750    | \$53                 |

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

**Example – Imputed Income from Assets**

“Imputed” means “attributed” or “assigned.” Imputing income from assets is “assigning” an amount of income solely for the sake of the annual income calculation. The imputed income is not real income.

For example, money under a mattress is not earning income. If the money were put in a savings account it would earn interest. Imputed income from such an asset is the interest the money would earn if it were put in a savings account.

A family with cash under a mattress is not required to put the cash in a savings account; but when the owner is calculating income for a family with more than \$5,000 in assets, the owner must assign an amount that cash would earn if it were in a savings account.

**Example – Determining Income from Assets  
When Net Family Assets Exceed \$5,000**

| Type of Asset                                  | Cash Value     | Actual Yearly Income |
|------------------------------------------------|----------------|----------------------|
| <i>Checking Account</i> (non-interest bearing) | \$455          | \$0                  |
| <i>Savings Account</i> (interest at 2.5%)      | \$6,000        | \$150                |
| <i>Stocks</i> (not paying dividends this year) | \$3,000        | \$0                  |
| <b>Total</b>                                   | <b>\$9,455</b> | <b>\$150</b>         |

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets (\$9,455) is multiplied by 2% to determine the imputed income from assets.

$$.02 \times \$9,455 = \$189$$

\$189 is greater than the actual income from assets (\$150).

In this case, therefore, the owner will add \$189 to the annual income calculation as income from assets.

**G. Calculating Income from Assets - Specific Types of Assets**

**1. Trusts.**

**a. Explanation of trusts.**

- (1) A trust is a legal arrangement generally regulated by state law in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Generally, the assets are invested for the benefit of the beneficiaries.
- (2) Trusts may be revocable or nonrevocable. A revocable trust is a trust that the creator of the trust may amend or end (revoke). When there is a revocable trust, the creator has access to the funds in the trust account. When the creator sets up a nonrevocable trust, the creator has no access to the funds in the account.
- (3) The beneficiary frequently will be unable to touch any of the trust funds until a specified date or event (e.g., the

beneficiary's 21<sup>st</sup> birthday or the grantor's death). In some instances, the beneficiary may receive the regular investment income from the trust but not be able to withdraw any of the principal.

- (4) The beneficiary and the grantor may be members of the same family. A parent or grandparent may have placed funds in trust to a child. If the trust is revocable, the funds may be accessible to the parent or grandparent but not to the child.

b. How to treat trusts.

- (1) The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.
- (2) Revocable trusts. If any member of the tenant family has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the family member would receive if he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

**Example – A Trust Accessible to Family Members**

Assez Charaf lives alone. He has placed \$20,000 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating Assez's income, the owner will add the \$20,000 to Assez's net family assets and the actual income received on the trust to actual income from assets.

- (3) Nonrevocable trusts. If no family member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

If only the income (and none of the principal) from the trust is currently available to a family member, the income is counted in annual income, but the trust is not included in the calculation of income from assets.

- (4) Nonrevocable trust as an asset disposed of for less than fair market value. If a tenant sets up a nonrevocable trust for the benefit of another person while residing in assisted

housing, the trust is considered an asset disposed of for less than fair market value (see subparagraph G.6 below).

- If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

**Example – Nonrevocable Trust As an Asset Disposed of for Less Than Fair Market Value**

Sarah Gordy placed \$100,000 in a nonrevocable trust for her grandson. Last year, the trust produced \$8,000, which was reinvested into the trust.

The trust is treated as an asset disposed of for less than fair market value for two years. (See paragraph 5.7 G.6.) No actual income from the trust is included in Sarah's annual income, but the value of the asset when it was given away, \$100,000, is included in net family assets for two years from the date the trust was established.

- Nonrevocable trust distributing income. When a tenant places an asset in a nonrevocable trust but continues to receive income from the trust, the income is added to annual income *and* the trust is counted as an asset disposed of for less than market value for two years. Following the two-year period, the owner will count only the actual income distributed from the trust to the tenant.

**Example – Nonrevocable Trust Distributing Income to the Creator/Tenant**

Reggie Bouchard has established a nonrevocable trust in the amount of \$35,000 that no one in the tenant family controls. Income from the trust is paid to Reggie. Last year, he received \$3,500.

The owner will count Reggie's actual anticipated income from the trust in next year's annual income.

Because the asset was disposed of for less than fair market value (see paragraph 5.7 G.6), the value of the asset given away, \$35,000, is counted as an asset disposed of for less than fair market value for two years.

- (5) Payment of principal from a trust. The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset. A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

**Example – Payment of Principal Amounts from a Trust**

Jared Leland receives funds from a nonrevocable trust established by his parents for his support. Last year he received \$18,000 from the trust. The attorney managing the trust reported that \$3,500 of the funds distributed was interest income and \$14,500 was from principal. Jared receives a payment of \$1,500 each month (an amount that includes both principal and interest from the trust).

The owner will count the entire \$18,000 Jared received as annual income.

c. Special needs trusts.

A special needs trust is a trust that may be created under some state laws, often by family members for disabled persons who are not able to make financial decisions for themselves. Generally, the assets within the trust are not accessible to the beneficiary.

- (1) If the beneficiary does not have access to income from the trust, then it is not counted as part of income.
- (2) If income from the trust is paid to the beneficiary regularly, those payments are counted as income.

**Example – Special Needs Trust**

Daryl Rockland is a 55-year-old person with disabilities, living with his elderly parents. The parents have established a special-needs trust to provide income for their son after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the Rocklands, the owner will disregard the trust.



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## 2. Annuities.

### a. Annuity facts and terms.

- (1) An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.
  - A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
  - A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
  - A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.
- (2) Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- (3) Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.
- (4) Depending on the type of annuity and the current status of the annuity, the owner will need to ask different questions of the verification source, which will normally be the applicant or tenant's insurance broker.

### b. Income after the holder begins receiving payments.

- (1) When verifying an annuity, owners should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.

- (2) Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made. \*\*

c. Calculations when an annuity is considered an asset.

- (1) When an applicant or tenant has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. \*\*It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.
- (2) In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.
- (3) The owner will need to verify with the insurance agent or other appropriate source:
  - The right of the holder to withdraw the balance (even if penalties are involved).
  - The basis on which the annuity may be expected to grow during the coming year.
  - The surrender or early withdrawal penalty fee.
  - The tax rate and the tax penalty that would apply if the family withdrew the annuity.
- (4) The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.
- (5) The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)
- (6) The imputed income from the asset is calculated only after the cash value of all family assets has been determined.

Imputed income from assets is calculated on the total cash value of all family assets.

3. Lump sum receipts counted as assets.

- a. Commonly, when a family receives a large amount of money, a lump sum payment, the family will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Owners must count lump sum payments received by a tenant as assets. Examples of lump sum payments include the following:
- (1) Inheritances;
  - (2) Capital gains;
  - (3) Lottery winnings paid in one payment;
  - (4) Cash from the sale of assets;
  - (5) Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
  - (6) Any other amounts that are received in one-time lump sum payments.

**Example – Calculating the Cash Value of an Annuity**

Rodrigo Ramirez, site manager at Fernwood Forrest, has interviewed Barbara Barstow, an applicant who reports holding an annuity from which she will not receive payments for another 15 years when she turns 65. The applicant could not provide any more detail on the annuity but did report the name, address, and phone number of her insurance agent.

Rodrigo called the insurance agent and faxed a copy of the applicant's approval for release of information. As a result, Rodrigo learned that the annuity is a fixed annuity, with a current value of \$20,400 earning interest at an annual rate of 4.5%. The applicant could withdraw the current balance in the account but would pay a surrender penalty of \$3,000. If the annuity is withdrawn, then the applicant will owe \$1,200 in tax penalties.

In this example, the important information for calculating cash value is the current value, \$20,400; the surrender fee, \$3,000; and the tax penalties, \$1,200. If the applicant withdrew the cash from the annuity, after paying the surrender fee and tax penalty, then the amount of cash received would be \$16,200.

The cash value, \$16,200, is recorded as an asset.

Rodrigo will also calculate the actual anticipated income on this asset:  $\$20,400 \times .045 = \$918$ .

- b. A lump sum payment is counted as an asset only as long as the family continues to possess it. If the family uses the money for something that is not an asset—a car or a vacation or education—the lump sum must not be counted.
- c. It is possible that a lump sum or an asset purchased with a lump sum payment may result in enough income to require the family to report the increased income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset was not measurable by the tenant (e.g., gems, stamp collection).

**Examples – Lump Sum Additions to Family Assets (One-Time Payment)**

- JoAnne Wettig won \$500 in the lottery and received it in one payment. Do not count the \$500 as income. At JoAnne's next annual recertification, she will report all of her assets.
- Mia LaRue, a tenant in a Section 8 property, won \$75,000 in one payment in the lottery. She buys a car with some of the money, and puts the remaining amount of \$24,000 in the bank. Mia receives her first bank statement and notices that the income on this asset is \$205 per month. She must report this increase in income because the family has experienced a cumulative increase in income of more than \$200 per month. (See paragraph 7-10 A.4 on rules for reporting interim increases in income.) The owner must perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net family assets are greater than \$5,000).

- 4. Balances held in retirement accounts.
  - a. Balances held in retirement accounts are counted as assets if the money is accessible to the family member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted.
  - b. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty.
  - c. Include contributions to company retirement/pension funds:
    - (1) While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment.

- (2) After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.
- d. Include in *annual income* any retirement benefits received through periodic payments.

**Examples – Balances Held in an IRA or 401K Retirement Account**

- Jed Dozier's 401K account balance is \$35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer's contribution and would pay a penalty fee. The total cash he could withdraw, \$18,000, is the amount that is counted as an asset.

\*\*

5. \*\*Federal Government Pensions

In instances where the applicant/tenant is a retired Federal government employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court provides OPM with the appropriate instructions to authorize OPM to provide payment of a portion of the retiree's pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the applicant/tenant. However, where the tenant/applicant is the former spouse of a retired Federal government employee, any amounts received pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation are reflected on a Form-1099 and is counted as income for the applicant/tenant. (See Paragraph 5-6.K.4 for more information on Federal pension funds paid to a former spouse.)\*\*

6. Mortgage or deed of trust.

- a. Occasionally, when an individual sells a piece of real estate, the seller may loan money to the purchaser through a mortgage or deed of trust. This may be referred to as a "contract sale."
- b. A mortgage or deed of trust held by a family member is included as an asset. Payments on this type of asset are often received as one combined payment **\*\*that\*\*** includes interest and principal. The value of the asset is the unpaid principal **\*\*as of the effective date of the certification.\*\*** Each year this balance will decline as more principal is paid off. The interest portion of the payment is counted as actual income from an asset.

7. Assets disposed of for less than fair market value. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received. (This provision does not apply to families receiving only BMIR assistance.)
- a. Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.
  - b. However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

**Examples – Assets of More or Less Than \$1,000 Disposed of for Less Than Fair Market Value**

- During the past two years, Alexis Turner donated \$300 to the local food bank, \$150 to a camp program, and \$200 to her church. The total amount she disposed of for less than fair market value is \$650. Since the total is less than \$1,000, the donations are not treated as assets disposed of for less than fair market value.
- Jackson Jones gave each of his three children \$500. Because the total exceeds \$1,000, the gifts are treated as assets disposed of for less than fair market value.

- c. When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, then the tenant may request an interim recertification to remove the disposed asset(s).

**Example – Asset Disposed of for Less Than Fair Market Value**

Margot Lundberg's recertification will be effective January 1. On that date, it will be 18 months since she sold her house to her daughter for \$60,000 less than its value. The owner will count income on the \$60,000 for only six months. (After six months, the two-year limit on assets disposed of for less than fair market value will have expired.)

- d. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation are *not* counted.
- e. Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgements.
- f. Applicants and tenants must sign a self-verification form at their initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or certifying that no assets have been disposed of for less than fair market value.
- g. Owners need to verify the tenant self certification only if the information does not appear to agree with other information reported by the tenant/applicant.

#### **Examples – Asset Disposed of for Less Than Market Value**

- (1) An applicant “sold” her home to her daughter for \$10,000. The home was valued at \$89,000 and had no loans secured against it. Broker fees and settlement costs are estimated at \$1,800.

|                 |                                                   |
|-----------------|---------------------------------------------------|
| \$89,000        | Market value                                      |
| <u>- 1,800</u>  | Fees                                              |
| \$87,200        | Cash value                                        |
| <u>- 10,000</u> | Sales price to daughter                           |
| \$77,200        | Asset disposed of for less than fair market value |

In this example, the asset disposed of for less than fair market value is \$77,200. That amount is counted as the resident’s asset for two years from the date the sale took place.

(The \$10,000 received from the daughter may currently be in a savings account or other asset or may have been spent. The \$10,000 will be counted as an asset if the applicant has not spent the money.)

- (2) A resident contributed \$10,000 to her grandson’s college tuition and gave her two granddaughters \$4,000 each to save for college.

|                |                                                   |
|----------------|---------------------------------------------------|
| \$10,000       | College tuition gift                              |
| <u>+ 8,000</u> | Gift to granddaughters                            |
| \$18,000       | Asset disposed of for less than fair market value |

The \$18,000 disposed of for less than fair market value is counted as the tenant’s asset for two years from the date each asset was given away.

## Exhibit 5-1: Income Inclusions and Exclusions

### 24 CFR 5.609(b) and (c)

Examples included in parentheses have been added to the regulatory language for clarification.

#### INCOME INCLUSIONS

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **\*\*periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action).** See paragraph (13) under Income Exclusions for an exception to this paragraph;**\*\***
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
  - (a) Welfare assistance received by the family.



- (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
  - (c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - (d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage;
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- \*\* (9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income.\*\*

#### INCOME EXCLUSIONS

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution \*\* (see Income Inclusions (9), above, for students receiving Section 8 assistance.)\*\*
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);

- (8) (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
- (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
- (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
- (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident-initiative coordination. No resident may receive more than one such stipend during the same period of time; or
- (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
- (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
- (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
- (12) Adoption assistance payments in excess of \$480 per adopted child;
- (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
- (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
- (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
- (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

- (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
- (b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- (c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]);
- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
- (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);
- (g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L- 94-540, 90 Stat. 2503-04);
- (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
- (i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- (j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;
- (k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent*-product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- (l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- (m) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- (n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);
- (o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
- (p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);
- (q) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina

bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);

- (r) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and
- (s) Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

## Exhibit 5-2: Assets

**NOTE:** There is no asset limitation for participation in HUD assisted-housing programs. However, the definition of annual income includes net income from family assets.

A. Net Family Assets include the following:

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.
2. Revocable trusts. Include the cash value of any revocable trust available to the family. See discussion of trusts in paragraph 5-7 G.1.
3. Equity in rental property or other capital investments. Include the current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).

**NOTE:** If the person's main business is real estate, then count any income as business income under paragraph 5-6 G of the chapter. Do not count it both as an asset and business income.

4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after rent is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received. The tenant may request an interim recertification at any time thereafter that a decrease in stock value may result in a decrease in rent.
5. Individual retirement, 401K, and Keogh accounts. These are included when the holder has access to the funds, even though a penalty may be assessed. If the individual is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

### Example – Withdrawals from a Keogh Account

Ly Pham has a Keogh account valued at \$30,000. When she turns 70 years old, she begins drawing \$2,000 a year. Continue to count the account as an asset. Use the guidance in paragraph 5-7 to determine the cash value and imputed income from the asset. Do not count the \$2,000 she withdraws as income.

6. Retirement and pension funds.

- a. While the person is employed. Include only amounts the family can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs. Follow paragraph 5-7 G.4 of the chapter on determining the value of assets.
- b. At retirement, termination of employment, or withdrawal. Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below.
  - (1) If benefits will be received in a lump sum, include the lump-sum receipt in net family assets.
  - (2) If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.
  - (3) If the individual initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

**NOTE:** This paragraph and the example below assume that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

**Example – Retirement Benefits as Lump-Sum and Periodic Payments**

Upon retirement, Eleanor Reilly received a lump-sum payment of \$15,000. She will also receive periodic pension payments of \$350 a month.

The lump-sum amount of \$15,000 is generally treated as an asset. In this instance, however, Eleanor spent \$5,000 of the lump sum on a trip following her retirement. The remaining \$10,000 she placed in her mutual fund with other savings. The entire mutual fund will be counted as an asset.

The owner has verified that Eleanor is now not able to withdraw the balance from her pension. Therefore, the owner will count the \$350 monthly pension payment as annual income and will not list the pension account as an asset.

7. Cash value of life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy). It would not include a value for term insurance, which has no cash value to the individual before death.
8. Personal property held as an investment. Include gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.
9. Lump-sum receipts or one-time receipts. (See paragraph 5-6 **\*\*P\*\*** for additional information on what is counted as a lump-sum receipt and how to treat lump-sum receipts.) These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.
10. A mortgage or deed of trust held by an applicant.
  - a. Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset.
  - b. This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)
  - c. To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification.
  - d. To count the imputed income for this asset, determine the asset value **\*\*as of the effective date of the certification\*\***. Since this amount will continually be reduced by the principal portion paid during the previous year, the owner will have to determine this amount at each annual recertification. See the following example:

#### **Example – Deed of Trust and Imputed Income**

##### Computation of imputed income:

An elderly tenant sells her home and holds the mortgage for the buyer. The cash value of the mortgage is \$60,000. The combined payment of principal and interest expected to be received for the upcoming year is \$5,000. The amortization schedule breaks that payment into \$2,000 in principal and \$3,000 in interest. In completing the asset income calculation, the cash value of the asset is \$60,000, and the projected annual income from that asset is \$3,000. **\*\*The imputed income would be calculated by multiplying the cash value of \$60,000 by the 2% imputed passbook rate.\*\*** Each subsequent year, the cash value of the asset should be reduced by the principal portion paid. In this example, it would be reduced to \$58,000 in the following year (\$60,000 – \$2,000 principal payment = \$58,000). **\*\*When calculating the imputed income for the following year, the owner would multiply the cash value of \$58,000 by the 2% passbook savings rate.\*\***

### Regulatory References

(These references are current as of the date of publication. Readers should refer to the latest edition of the Code of Federal Regulations.)

24 CFR part 5.603 defines net family assets as follows:

Net cash value after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment, excluding interests in Indian trust land and the equity accounts in HUD homeownership programs. The value of necessary items of personal property such as furniture and automobiles shall be excluded. . . . In determining net family assets, owners shall include the value of any business or family assets disposed of by an applicant or tenant for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the two years preceding the date of application for the program or recertification, as applicable, in excess of the consideration received therefor. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be for less than fair market value if the applicant or tenant receives important consideration not measurable in dollar terms.

B. Net family assets **DO NOT** include the following:

**IMPORTANT:** The owner does not compute income from any assets in this paragraph.

1. Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).
2. Interests in Indian trust land.
3. Term life insurance policies (i.e., where there is no cash value).
4. Equity in the cooperative unit in which the family lives.
5. Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's or tenant's main occupation.

#### Example – Assets that are Part of an Active Business

- Laura and Lester Hines own a copier and courier service. None of the equipment that they use in their business is counted as an asset (e.g., the copiers, the FAX machines, the bicycles).
- Alice Washington rents out the home that she and her husband lived in for 42 years. This home is not an active business asset. Therefore, it is considered an asset and the owner must determine the annual income that Alice receives from it.



6. Assets that are NOT effectively owned by the applicant. Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

**NOTE:** Nonrevocable trusts (i.e., irrevocable trusts) are not covered by this paragraph. See information on nonrevocable trusts in paragraph 5-7 G.1.

**Example – Assets not Effectively Owned by the Applicant**

Net family assets do not include assets held pursuant to a power of attorney because one party is not competent to manage the assets, or assets held in a joint account solely to facilitate access to assets in the event of an emergency.

**Example:** Alexander Cumbow and his daughter, Emily Bornscheuer, have a bank account with both names on the account. Emily's name is on that account for the convenience of her father in case an emergency arises that would result in Emily handling payments for her father. Emily has not contributed to this asset, does not receive interest income from it, nor does she pay taxes on the interest earned. Therefore, Emily does not own this account. If Emily applies for assisted housing, the owner should not count this account as her asset. This asset belongs to Alexander and would be counted entirely as the father's asset should he apply for assisted housing.

7. Assets that are not accessible to the applicant and provide no income to the applicant. Nonrevocable trusts are not covered under this paragraph. See information on nonrevocable trusts in paragraph 5-7 G.1.

**Example**

A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

# SOURCES/METHODS OF ACCEPTABLE INCOME/ASSET VERIFICATION

| SOURCES                                                           | ACCEPTABLE VERIFICATION                                                                                                                                                                                                |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment Income:                                                | <ul style="list-style-type: none"> <li>• Written third-party or</li> <li>• Completed Employment Verification form; or</li> </ul>                                                                                       |
| Wage Earners:                                                     | <ul style="list-style-type: none"> <li>• Print-out from The Work Number or similar company; or</li> <li>• Six consecutive check stubs</li> </ul>                                                                       |
| Self-Employment:                                                  | <ul style="list-style-type: none"> <li>• Signed copy of two most recent tax returns with all applicable schedules; or</li> <li>• Signed and notarized Self-Employment Affidavit form</li> </ul>                        |
| Income Maintenance:                                               |                                                                                                                                                                                                                        |
| Social Security:                                                  | <ul style="list-style-type: none"> <li>• Written third-party verification of income; or</li> </ul>                                                                                                                     |
| Supplemental Security Income:                                     | <ul style="list-style-type: none"> <li>• Award letter; or</li> </ul>                                                                                                                                                   |
| Disability Income                                                 | <ul style="list-style-type: none"> <li>• Benefit Statement</li> </ul>                                                                                                                                                  |
| Retirement Fund:                                                  |                                                                                                                                                                                                                        |
| Pensions:                                                         |                                                                                                                                                                                                                        |
| Military Pay                                                      | <ul style="list-style-type: none"> <li>• A copy of the service member's <i>Leave and Earnings Statement (LES)</i></li> </ul>                                                                                           |
| Unemployment Compensation                                         | <ul style="list-style-type: none"> <li>• Written third-party verification;</li> </ul>                                                                                                                                  |
| Department of Labor:                                              | <ul style="list-style-type: none"> <li>• Print out showing unemployment check dates and amounts;</li> <li>• Print-out from DHS</li> </ul>                                                                              |
| Child Support/Alimony:                                            | <ul style="list-style-type: none"> <li>• Written third-party from DHS or person paying the support;</li> <li>• Copy of divorce decree with the amount and type of support and commencement date</li> </ul>             |
| Public Assistance                                                 | <ul style="list-style-type: none"> <li>• Print-out from DHS; or</li> <li>• Completed Public Assistance Verification form</li> </ul>                                                                                    |
| Regular Gifts/Contributions:                                      | <ul style="list-style-type: none"> <li>• Completed Verification of Regular Contribution form or</li> <li>• Notarized statement/letter from the contributor</li> </ul>                                                  |
| Unemployment benefits                                             | <ul style="list-style-type: none"> <li>• Benefit statement from MESC office showing payment dates and amounts</li> <li>• Completed Zero Income Certification form for each applicable individual</li> </ul>            |
| No Income                                                         | <ul style="list-style-type: none"> <li>• Certification of Daily Needs (applicable for families with a gross household income of \$2,500 or less)</li> </ul>                                                            |
| Education Scholarships, Grants & Veterans Administration Benefits | <ul style="list-style-type: none"> <li>• Written third party from registrar's office; VA printout or statement</li> </ul>                                                                                              |
| Assets:                                                           | <ul style="list-style-type: none"> <li>• Written third-party verification when amounts exceed \$5,000;</li> <li>• A completed Under \$5000 Asset Certification form, when total amount(s) less than \$5,000</li> </ul> |
| Checking Accounts                                                 | <ul style="list-style-type: none"> <li>• Written third-party verification indicating the average balance for the last six months, or</li> <li>• Most recent six months' worth of bank statements</li> </ul>            |



| SOURCES                                                                                                                              | ACCEPTABLE VERIFICATION                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Savings Accounts                                                                                                                     | <ul style="list-style-type: none"> <li>• Written third-party verification or Monthly bank statement showing current balance</li> <li>• Account statements, Certificates of Deposit, verification forms, letters or documents from a financial institution or broker's quarterly statements showing value of stocks or bonds or quotes from a stockbroker</li> <li>• Documentation showing net amount the family or household would receive if they liquidate the funds</li> <li>• Documents should show rates of return where applicable</li> </ul> |
| <b>Stocks, Bonds, T-Bills, ,Money<br/>Market Funds, CDs, 401(K)s, IRAs,<br/>Annuities, or Other forms of capital<br/>investments</b> | <ul style="list-style-type: none"> <li>• Copy of the Trust Agreement</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Trusts (Revocable/Non-Revocable)</b>                                                                                              | <ul style="list-style-type: none"> <li>• Written third-party (e.g., accountants, real estate broker or financial institution); Amortization schedule (with amount of interest over 12-month period); closing statement or promissory note; Income tax return.</li> </ul>                                                                                                                                                                                                                                                                            |
| <b>Interest Income From Sale of<br/>Property:</b>                                                                                    | <ul style="list-style-type: none"> <li>• Real estate tax statements (with current market value and outstanding indebtedness)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Equity in Real Property:</b>                                                                                                      | <ul style="list-style-type: none"> <li>• Written third-party (management/agent); copy of lease and/or rental agreement; copy of Promissory. Note; Income tax return; current or recent checks, leases, utility bills, complete tax statements, insurance premiums, banks statements or amortization schedules showing outstanding indebtedness &amp; monthly principal and interest payments, and other relevant expenses.</li> </ul>                                                                                                               |
| <b>Rental Income From Property<br/>Owned by Applicant:</b>                                                                           | <ul style="list-style-type: none"> <li>• Documented appraisal, or</li> <li>• Applicant/resident certification</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Personal Property counted as<br/>investment</b>                                                                                   | <ul style="list-style-type: none"> <li>• Self-certification of resident, person who purchased or received asset</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Assets Disposed of for less than Fair<br/>Market Value</b>                                                                        | <ul style="list-style-type: none"> <li>• Appraisal</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

## *APPENDIX E*

### *Sample Utility Allowance Schedules*

HOUSING ALLOWANCES FOR  
UTILITIES AND OTHER PUBLIC SERVICES  
EFFECTIVE  
DATE January 1, 2004

NAME OF BORROWER \_\_\_\_\_

LOCATION AND IDENTIFICATION OF PROJECT \_\_\_\_\_

PART 1

Monthly Dollar Allowances

| UTILITY OR SERVICE                              |             | 0-BR | 1-BR | 2-BR | 3-BR | 4-BR |
|-------------------------------------------------|-------------|------|------|------|------|------|
| HEATING                                         |             |      |      |      |      |      |
| a.                                              | Natural Gas |      |      | 28   |      |      |
|                                                 | Bottle Gas  |      |      |      |      |      |
| c.                                              | Electric    |      |      |      |      |      |
|                                                 | Oil         |      |      |      |      |      |
| AIR CONDITIONING                                |             |      |      | 20   |      |      |
| COOKING                                         |             |      |      |      |      |      |
|                                                 | Natural Gas |      |      |      |      |      |
|                                                 | Bottle Gas  |      |      |      |      |      |
|                                                 | Electric    |      |      | 7    |      |      |
| OTHER ELECTRIC LIGHTING,<br>REFRIGERATION, ETC. |             |      |      | 19   |      |      |
| WATER HEATING                                   |             |      |      |      |      |      |
| a.                                              | Natural Gas |      |      | 12   |      |      |
|                                                 | Bottle Gas  |      |      |      |      |      |
|                                                 | Electric    |      |      |      |      |      |
| d.                                              | Oil         |      |      |      |      |      |
| WATER                                           |             |      |      |      |      |      |
| SEWER                                           |             |      |      |      |      |      |
| TRASH COLLECTION                                |             |      |      |      |      |      |
| OTHER (Specify)                                 |             |      |      |      |      |      |
| TOTAL ALLOWANCE                                 |             | 0    |      | 80   |      | 0    |
| (Round to next highest dollar)                  |             |      |      |      |      |      |

PREPARED BY:

Borrower or Agent

Title

Signature

Date

APPROVED BY RURAL DEVELOPMENT:

Name

Title

Signature

Date

## HOUSING ALLOWANCES FOR UTILITIES AND OTHER PUBLIC SERVICES

## PART II

## BLOCK A

## BLOCK B

TO: \_\_\_\_\_

ALLOWANCES FOR UTILITIES  
AND SERVICES BILLEDDIRECTLY TO AND PAID BY      Per  
TENANT      Month

Address of tenant \_\_\_\_\_

No. of Bedrooms      2

You will be billed directly for  
utilities and service charges.  
Block B sets forth the allowances  
credited in your rent for the payment  
of utilities. You may be billed for  
more or less than shown in Block B  
depending on your use of utilities.

|                  |       |
|------------------|-------|
| HEATING          | \$ 28 |
| AIR CONDITIONING | 20    |
| COOKING          | 7     |
| OTHER ELECTRIC   | 13    |
| WATER HEATING    | 12    |
| WATER            |       |
| SEWER            |       |
| TRASH COLLECTION |       |
| OTHER (Specify)  |       |
| _____            |       |
| _____            |       |

Signature of Borrower/or Agent \_\_\_\_\_

Total (Round to next  
highest dollar)      \$ 80

January 1, 2004

(Date)

REC'D JUN 29 2005

| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT<br>SECTION 8 EXISTING HOUSING ALLOWANCES<br>FOR TENANT-FURNISHED UTILITIES AND OTHER SERVICES |      |       |       |                    |                           | DATE<br>10/01/2002 |
|------------------------------------------------------------------------------------------------------------------------------------------------|------|-------|-------|--------------------|---------------------------|--------------------|
| LOCALITY * COUNTIES OF COAHOMA, PANOLA, QUITMAN, UNIT TYPE                                                                                     |      |       |       |                    |                           |                    |
| SUNFLOWER, TALLAHATCHIE & TUNICA                                                                                                               |      |       |       |                    | MONTHLY DOLLAR ALLOWANCES |                    |
| UTILITY OR SERVICE                                                                                                                             | 0-BR | 1-BR  | 2-BR  | 3-BR               | 4-BR                      | 5-BR               |
| HEATING                                                                                                                                        |      |       |       |                    |                           |                    |
| a. Natural Gas                                                                                                                                 |      | 17.00 | 23.00 | 29.00              | 35.00                     | 41.00              |
| b. Bottle Gas                                                                                                                                  |      |       |       |                    |                           |                    |
| c. Oil                                                                                                                                         |      |       |       |                    |                           |                    |
| d. Electric                                                                                                                                    |      | 25.00 | 30.00 | 35.00              | 40.00                     | 45.00              |
| AIR CONDITIONING                                                                                                                               |      | 10.00 | 10.00 | 10.00              | 10.00                     | 10.00              |
| COOKING                                                                                                                                        |      |       |       |                    |                           |                    |
| a. Natural Gas                                                                                                                                 |      | 3.00  | 3.00  | 3.00               | 3.00                      | 3.00               |
| b. Electric                                                                                                                                    |      | 5.00  | 5.00  | 5.00               | 5.00                      | 5.00               |
| c. Bottle Gas                                                                                                                                  |      |       |       |                    |                           |                    |
| OTHER ELECTRIC LIGHTING,<br>REFRIGERATION, ETC.                                                                                                |      | 8.00  | 10.00 | 12.00              | 14.00                     | 16.00              |
| WATER HEATING                                                                                                                                  |      |       |       |                    |                           |                    |
| a. Natural Gas                                                                                                                                 |      | 8.00  | 10.00 | 12.00              | 14.00                     | 16.00              |
| b. Electric                                                                                                                                    |      | 13.00 | 16.00 | 19.00              | 22.00                     | 25.00              |
| c. Bottle Gas                                                                                                                                  |      |       |       |                    |                           |                    |
| d. Oil                                                                                                                                         |      |       |       |                    |                           |                    |
| WATER                                                                                                                                          |      | 6.00  | 6.00  | 6.00               | 6.00                      | 6.00               |
| SEWER                                                                                                                                          |      | 3.00  | 3.00  | 3.00               | 3.00                      | 3.00               |
| TRASH COLLECTION                                                                                                                               |      |       |       |                    |                           |                    |
| RANGE                                                                                                                                          |      | 10.00 | 10.00 | 10.00              | 10.00                     | 10.00              |
| REFRIGERATOR                                                                                                                                   |      | 10.00 | 10.00 | 10.00              | 10.00                     | 10.00              |
| OTHER (Specify)                                                                                                                                |      |       |       |                    |                           |                    |
| ACTUAL FAMILY ALLOWANCES (To be used by family to compute allowance. Complete below for Actual Unit Rented.)                                   |      |       |       | UTILITY OR SERVICE |                           | PER MONTH          |
| NAME OF FAMILY                                                                                                                                 |      |       |       | HEATING            |                           | 29                 |
|                                                                                                                                                |      |       |       | AIR CONDITIONING   |                           | 10                 |
| ADDRESS OF UNIT                                                                                                                                |      |       |       | COOKING            |                           | 3                  |
|                                                                                                                                                |      |       |       | OTHER ELECTRIC     |                           | 12                 |
|                                                                                                                                                |      |       |       | WATER HEATING      |                           | 12                 |
|                                                                                                                                                |      |       |       | WATER              |                           | -                  |
|                                                                                                                                                |      |       |       | SEWER              |                           | -                  |
|                                                                                                                                                |      |       |       | TRASH COLLECTION   |                           | -                  |
|                                                                                                                                                |      |       |       | RANGE              |                           | -                  |
|                                                                                                                                                |      |       |       | REFRIGERATOR       |                           | -                  |
| NUMBER OF BEDROOMS 3                                                                                                                           |      |       |       | OTHER (Specify)    |                           | -                  |
|                                                                                                                                                |      |       |       | TOTAL              |                           | \$ 66              |

North Delta Regional Housing Authority  
P.O. Drawer 1148  
Clarksdale, MS 38614

RECD JUN 7 2005



U. S. Department of Housing & Urban Development  
 Section 8 Allowances for Tenant-Furnished Utilities and Other Services  
 HUD-52667

**MISSISSIPPI REGIONAL HOUSING AUTHORITY II  
 UTILITY ALLOWANCE CALCULATION**

Hof H Name: \_\_\_\_\_ # of Bedrooms: \_\_\_\_\_

Unit Address: \_\_\_\_\_  
 Street Address City St Zip

|                         | 1BR     | 2BR     | 3BR     | 4BR    | 5BR    |
|-------------------------|---------|---------|---------|--------|--------|
| <b>HEATING</b>          |         |         |         |        |        |
| NATURAL GAS             | 14.00   | 17.00   | 20.00   | 22.00  | 25.00  |
| ELECTRIC                | ✓ 16.00 | ✓ 19.00 | ✓ 20.00 | 23.00  | 25.00  |
| BOTTLED GAS             | 6.00    | 6.00    | 6.00    | 6.00   | 6.00   |
| <b>COOKING</b>          |         |         |         |        |        |
| NATURAL GAS             | 3.00    | 4.00    | 5.00    | 5.00   | 5.00   |
| ELECTRIC                | ✓ 3.00  | ✓ 5.00  | ✓ 7.00  | 9.00   | 11.00  |
| BOTTLED GAS             | 6.00    | 6.00    | 6.00    | 6.00   | 6.00   |
| <b>AIR CONDITIONING</b> | ✓ 12.00 | ✓ 12.00 | ✓ 12.00 | 12.00  | 12.00  |
| <b>OTHER ELECTRIC</b>   | ✓ 16.00 | ✓ 17.00 | ✓ 19.00 | 22.00  | 24.00  |
| <b>WATER HEATING</b>    |         |         |         |        |        |
| NATURAL GAS             | 8.00    | 9.00    | 10.00   | 12.00  | 13.00  |
| ELECTRIC                | ✓ 10.00 | ✓ 12.00 | ✓ 14.00 | 16.00  | 17.00  |
| BOTTLED GAS             | 6.00    | 6.00    | 6.00    | 6.00   | 6.00   |
| <b>WATER</b>            |         |         |         |        |        |
| CITY                    | 8.00    | 8.00    | 10.00   | 11.00  | 12.00  |
| COUNTY                  | 10.00   | 10.00   | 12.00   | 13.00  | 14.00  |
| <b>SEWER</b>            |         |         |         |        |        |
| CITY                    | 8.00    | 8.00    | 10.00   | 11.00  | 12.00  |
| COUNTY                  | -0.00-  | -0.00-  | -0.00-  | -0.00- | -0.00- |
| <b>TRASH COLLECTION</b> |         |         |         |        |        |
| CITY                    | 11.00   | 11.00   | 11.00   | 11.00  | 11.00  |
| COUNTY                  | 9.00    | 9.00    | 9.00    | 9.00   | 9.00   |
| <b>RANGE</b>            | 5.00    | 5.00    | 5.00    | 5.00   | 5.00   |
| <b>REFRIGERATOR</b>     | 5.00    | 5.00    | 5.00    | 5.00   | 5.00   |
| <b>57 65 72 TOTAL</b>   |         |         |         |        |        |

Note: In accordance with HUD regulations 24 CFR 982.512, the Utility Allowances for tenant furnished utilities are reviewed annually by the Mississippi Regional Housing Authority II in the month of October. In October, 2004, these allowances were reviewed but not revised. They remain the same as those given to you in October, 2003.

Phyllis S. Johnson  
 Executive Director

Date

## **MISSISSIPPI HOME CORPORATION UTILITY ALLOWANCE GUIDELINES**

**When petitioning a local utility company for a utility average or estimate, the following guideline(s) must be used\*:**

1. Averages or estimates obtained from a local utility company for the geographical area are acceptable.
2. A petition to a local utility company for utility usage averages/estimates may be submitted by any individual (i.e., owner, developer, tenant) that has a direct interest in the development in which the utility allowance estimate is being requested. Any fees associated with the request will be the responsibility of the person(s) requesting the utility averages/estimates.
3. A 12-month period should be used as a base in obtaining a utility average or estimate from a local utility company.
4. Utility allowance estimates or averages should be based on actual rates and average consumption estimates that will be adequate to cover expected average utility costs over a twelve-month period.
5. Information regarding typical utility usage and the cost of utilities and services is generally available through the following local sources:
  - Electric utility suppliers
  - Natural gas utility suppliers
  - Water and sewer suppliers
  - Fuel oil and bottled gas suppliers
6. The cost of each utility must be stated separately. For each utility, the type and size of the unit must be taken into consideration. For example, if there are different types of units among bedroom sizes (i.e., townhouse vs. flat, studio vs. efficiency) data must be collected for each type utilizing the requirements listed above.
7. In order to minimize costs and usage of staff time, a local utility company may randomly sample annual utility costs by bedroom size across the entire population of residential units to be included in the utility average or estimate. See the suggested guidelines at the end of this section.
8. Developments financed by Rural Housing Service (RHS) must use the RHS approved utility allowance.

9. Developments financed by HUD must use the HUD approved utility allowance.
10. The Public Housing Authority (PHA) utility allowance must be used for units occupied by Section 8 Voucher holders. PHA utility allowances can be used for developments not financed by HUD or RHS.
11. All utility allowances must be updated annually and all documentation must be retained. Updates must be implemented within 90 days of the published date of the updated allowance.

*\*Once an owner/developer/tenant petitions a local utility company for estimates, the verified estimates MUST be used (regardless of whether the averages obtained are higher than the previously used estimates). The owner/developer/tenant must also furnish MHC with a copy of the utility allowance estimates that were verified along with any other support documentation. All supporting documentation used in determining both the initial allowances and any revisions should be maintained. Such documentation may include the consumption estimates that the basis of the dollar allowances, letters or rate schedules as well as worksheets used to develop the schedule.*

*Final approval is subject to review of all support documentation by MHC.*

## **OBTAINING UTILITY ALLOWANCES FROM A LOCAL UTILITY COMPANY UTILIZING STATISTICAL SAMPLING (ENERGY COSTS)**

**Scope:** The utility allowance is intended to enable participating families to pay typical costs for utilities paid by energy-conserving households occupying units of similar size and type in the same locality. When establishing a utility allowance schedule, every effort should be made to base the allowances on actual rates and average consumption estimates that will be adequate to cover expected average utility costs over a twelve month period. The allowances should be based on an estimated full year of usage divided equally over twelve months, although the family's actual usage may fluctuate from month to month. Vacant units should not be included in the calculations.

The utility allowance schedule must be reviewed annually and allowances must be revised when there has been a change of 10 percent or more in the utility rates or fuel costs since the last revision of the schedule. To conduct a utility allowance review, new rate schedules or quotes from utility and fuel suppliers must be obtained. These new rates should be compared with the rates previously used to calculate the last revision to the utility allowance schedule to determine whether an adjustment is needed.

**Purpose:** The purpose is to estimate annual energy costs based upon a statistically valid random sample. A statistically valid random sample is a probability sample that includes the following features:

- The sampling methodology employed is such that, at least in principle, each distinct sample chosen by the methodology has a known probability of selection.
- The sampling units match the target population and are randomly selected (typically utilizing appropriate software).
- The size of the sample chosen is sufficient to achieve the desired level of precision with the desired confidence.

The result of the sampling process should be a confidence interval estimate of the annual energy costs for the selected population of interest.

**Approach:** The following steps should serve as guidelines for the process of estimating annual energy costs using a statistically valid random sample.

1. Select the target population. It is usually appropriate to stratify the population of interest into more homogeneous units if possible. For example, it is typically more efficient to stratify the population by number of bedrooms, or total square feet, or some other way that is related to energy consumption.
2. Choose a precision level and a confidence level. Typically, the confidence level should be 90% or 95%. The precision level is the amount of error that is acceptable. A precision amount of \$5.00 implies the sampling process is designed to estimate the annual energy cost by a plus or minus of \$5.00. Sometimes it is useful to think of the percent error (somewhere between 5% and 10% should suffice) that is acceptable and work backwards to a dollar amount.
3. Using an appropriate (statistically valid) calculation method, determine the sample size required to meet both the desired precision and the chosen confidence. This may require obtaining some pilot data to estimate the standard deviation.
4. Randomly choose the sampling units and use the results to estimate the energy costs. That is, enumerate each item and use software to randomly select the units to be analyzed.

References: Chapter 18, "Allowances for Utilities and Other Services", HUD's Housing Choice Voucher Program Guidebook

Mark A. McComb, Ph.D developed sampling guidelines under the "Purpose and Approach" sections

**[Format to use when petitioning local utility company on development with 10 or more units.**

**RETYPE on company Letterhead]**

[Date]

[Name]

[Address]

[City, State, Zip]

**RE: Request for Utility Estimates /Actual at [Property Name,  
Address  
City]**

Dear Sir or Madam:

Please accept this correspondence as an official request for the utility allowance usage pattern for the above captioned development. For your use, **Exhibit A** has been provided that identifies each building in the development and the unit number/size/type associated with each building address.

***In preparing your estimates, we ask that you please provide data based on the [electrical, gas and water] usage pattern of each unit size (i.e., 1 bedroom, 2 bedrooms, 3 bedrooms, etc.) in the development over a 12-month period. In addition, please ensure that estimates/figures provided are based on data acquired from the applicable number of units (per unit size). Note, if any unit variations exist (i.e., townhouse vs. flat, studio vs. efficiency), then please provide estimates for these unit variations separately. {{See Exhibit A}}***

Finally, in accordance with the requirement established by the Mississippi Home Corporation, the state housing finance agency to which these estimates must be submitted, we respectfully ask that you forward a copy of your response directly to the contact person identified at the bottom of this form.

Thank you in advance for your assistance. In order to assist you in preparing a response, please find attached a letter/framework that may be used if needed. Should you have any questions, please do not hesitate to contact [enter contact person] at [enter phone number].

Sincerely,

[Signature and Title of Representative of  
the Ownership Entity, management agent, tenant]

Enclosures: Exhibit A

Cc: Mississippi Home Corporation  
Attn.: Karen C. Georgetown  
P O Box 23369  
Jackson, MS 39229-3369

[OWNER'S NAME]

## EXHIBIT A

[illegible]

**[Framework for utility allowance estimates with 10 or more units.  
RETYPE on company Letterhead]**

[Date]

[Name]

[Address]

[City, State, Zip]

**RE: Request for Utility Estimates /Actual at [Property Name,  
Address  
City]**

Dear Sir or Madam:

Thank you for your request for the utility usage patterns at [enter development name] located in [enter city, Mississippi]. As you requested, a copy of this correspondence has been forwarded to the Mississippi Home Corporation.

We have reviewed the accounts at this location and determined the utility usage based on a 12-month average of the units (per bedroom size and type) provided on Exhibit A to be approximately [enter usage estimates per bedroom size, respectively]. Please be advised that the usage pattern may be different from month to month based upon the individual customer's living habits.

Should you have any questions, please feel free to contact our customer service center at [enter telephone number]. Thank you for allowing us to provide your utility needs. As always, we value YOU as a customer and appreciate this opportunity to serve you.

Sincerely,

[Signature & title of Utility Company agent preparing report]

Cc: Mississippi Home Corporation  
Attn.: Karen C. Georgetown  
P O Box 23369  
Jackson, MS 39229-3369



**[Format to Use when petitioning Local Utility Company on Development w/10 units or less.  
RETYPE on company Letterhead]**

[Date]

[Name]

[Address]

[City, State, Zip]

**RE: Request for Utility Estimates /Actual at [Property Name,  
Address  
City]**

Dear Sir or Madam::

Please accept this correspondence as an official request for the utility allowance usage pattern for the above captioned development. For your use, **Exhibit A** has been provided that identifies each building on the development and the unit number/size/type associated with each building address.

***In preparing your estimates, we ask that you please provide data based on the [electrical, gas and water] usage pattern of each unit size (i.e., 1 bedroom, 2 bedrooms, 3 bedrooms, etc.) in the development over a 12-month period. In addition, please ensure that estimates/figures provided are based on data acquired from a review of the usage pattern of the units in the development. Note, if any unit variations exist (i.e., townhouse vs. flat, studio vs. efficiency), then please provide estimates for these unit variations separately. {{See Exhibit A}}***

Finally, in accordance with the requirement established by the Mississippi Home Corporation, the state housing finance agency to which these estimates must be submitted, we respectfully ask that you forward a copy of your response directly to the contact person identified at the bottom of this form.

Thank you in advance for your assistance. In order to assist you in preparing a response, please find attached a letter/framework that may be used if needed. Should you have any questions, please do not hesitate to contact [enter contact person] at [enter phone number].

Sincerely,

[Signature and Title of Representative of  
the Ownership Entity, management agent, tenant]

Enclosures: Exhibit A

Cc: Mississippi Home Corporation  
Attn.: Karen C. Georgetown  
P O Box 23369  
Jackson, MS 39229-3369

[OWNER'S NAME]

## EXHIBIT A

[illegible]

**[Framework for Utility Allowance estimates w/10 or less units.  
RETYPE on company Letterhead]**

[Date]

[Name]

[Address]

[City, State, Zip]

**RE: Request for Utility Estimates /Actual at [Property Name,  
Address  
City]**

Dear Sir or Madam:

Thank you for your request for the utility usage patterns at [enter development name] located in [enter city, Mississippi]. As you requested, a copy of this correspondence has been forwarded to the Mississippi Home Corporation.

We have reviewed the accounts at this location and determined the utility usage based on a 12-month average of the units (per bedroom size and type) you provided on Exhibit A to be approximately [enter usage estimates per bedroom size, respectively]. Please be advised that the usage pattern may be different from month to month based upon the individual customer's living habits.

Should you have any questions, please feel free to contact our customer service center at [enter telephone number]. Thank you for allowing us to provide your utility needs. As always, we value YOU as a customer and appreciate this opportunity to serve you.

Sincerely,

[Signature & title of Utility Company agent preparing report]

Cc: Mississippi Home Corporation  
Attn.: Karen C. Georgetown  
P O Box 23369  
Jackson, MS 39229-3369

## HUD UTILITY MODEL INSTRUCTIONS

**Note:** Please go to [www.huduser.org/datasets/lihtc.html](http://www.huduser.org/datasets/lihtc.html) to download various components of the HUD Utility Schedule model explained in the instructions below. The preparer who utilizes this model will need access to a computer to download certain components in order to properly calculate utility estimates for the tax credit development.

### I. Introduction

The HUD Utility Schedule Model has been developed to provide a consistent basis for determining utility schedules, using form HUD-52667, throughout the U.S. This spreadsheet model is organized into several tabs and was designed to work with Microsoft Excel 2000 and 2003 although it may also work with other spreadsheets including older versions of Excel.

Each first time user must complete the entries on the “Location” tab and the “Tariffs” tab of the spreadsheet model. Entries are shown as cells with a white background and are surrounded by cells with a grey background. The resulting forms are on tabs with “52667” as part of their name. When you print from the “52667” tabs, the entire page is not printed, only the utility schedule. Four different “52667” forms are included but you can add more or remove any that you don’t want. No changes to the “52667” tabs are needed except for selecting the Unit Type, the type of Electric Tariff, kind of Electric Heating, and Age of Dwelling. Values cannot be entered directly on the form. They are based on the calculations shown to the right and below the form.

The summary tab shows the total allowances for a large number of common cases. It can be used to see the overall impact of a rate change.

Almost all the calculations are performed on the “52667” tabs. The main form is in the upper left hand corner of the worksheet tab but below it and to the right are the calculations. They are shown in a step-by-step fashion to make it clear how the calculations were performed. These calculations cannot be changed, they take the values you have entered on the “Location” and “Tariffs” tabs and simply perform the calculations.

### II. Detailed Instructions

The following sections are related to the sections on each of the tabs of the HUD Utility Schedule Model. Remember, the input is on the “Location” tab, “Tariffs” tab, and just four places at the top of the “52667” tabs. No other inputs or changes are permitted.

#### A. Help on the Location Tab

The first time you use the spreadsheet you will need to enter some values on the “Location” tab, but after that most of the values will not need to change except for the “Form Date.” The “Form Date” is the date that you want shown on the “52667” forms.

**1. General Information on the Location Tab** – The first section of the “Location” tab is for “General Information” and contains items that apply to all HUD-52667 forms in the spreadsheet.

Name of Housing Authority - enter the name that you want to appear on the HUD-52667 forms. This can either signify a Housing Authority, a housing project name, or an area name. This entry will be automatically put on each copy of the form under the work “Locality”. Unless the name changes, it is unlikely that you will need to alter this value.

Form Date – enter the date that you want to appear on the completed forms. This date is often the date the form goes into effect, or the date the form was last changed. This entry is likely to change every time the spreadsheet is updated.

Include Allowance for Air Conditioning – check the box if your housing authority normally includes an allowance for the electricity consumption associated with providing air conditioning. Depending on the location and the climate, this is normally checked.

**2. Climate Data on the Location Tab** – The “Climate Data on the Location tab can be quickly gathered from the companion spreadsheet tool called ZipCodeToDegreeDays. Select the location closest to your housing authority using zipcode information. At times multiple weather monitoring sites will be available; select the site that is closest to the population served by the housing authority or the most well known monitoring location. Data from the ZipCodeToDegreeDays spreadsheet can be copied and pasted directly on to the “Location” tab using the [Edit][Paste Special][Values] menu item in Excel.

If you prefer to enter data directly into the Climate Data area of the “location” tab, you can do that also. You only need to enter data into the fields show as “required” since they are the only ones in the Climate Data Section that are used by the rest of the spreadsheet. If you do enter the monthly degree day data and annual degree day data, the calculated fields at the bottom of the entry area “check of HDD” and “check of CDD” will indicate if the monthly values add up to the annual value by showing a zero difference.

## **B. Help on Tariffs Tab**

A majority of the effort in using this model is to update the rates paid for utilities. This is the purpose of the “Tariffs” tab. The “Tariffs” tab allows you to update the tariffs for electricity, natural gas fuel oil, liquefied petroleum gas (LPG), water, sewer, trash and certain appliance fees. The tab has columns for the Current and Previous values for

almost all of the entries. Only the entries under the Current column are used in the rest of the spreadsheet and get used in calculating the values that appear on the forms. The entries in the Previous column are ignored and are there only for reference and to determine how much the tariff has changed. All energy and non-energy related costs are entered on this tab. Most utilities allow you to download a tariff or rate book from their web site. After you do this, get a bill to use as an example and determine all of the components that make up the bill. At times the tariff is broken into a main tariff and many riders. Some utilities describe taxes in the rate book and some do not, so check the example bill.

In some locations, utilities have become deregulated and multiple companies may be involved in providing this service. This is especially likely for natural gas and electric utilities. While the spreadsheet does not have any specific entries for deregulated utilities, it is easy to use the spreadsheet with them. To enter deregulated utilities, simply add up the charges for each kWh or other unit of measure and enter the combined total. For example, if an electric generating company charges 4 cents per kWh and the electric distribution company charges 3 cents per kWh, simply add the two charges together for 7 cents per kWh. If the companies have multiple block rates, these charges need to be combined for each rate block.

## **1. Standard Electric Utility Tariff –**

**Utility Name and Rate Name** – enter the name or an abbreviation of the name for the utility that provides electricity and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date** – often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**First Month of Summer and Last Month of Summer** – select from the pull down lists the months that are the first and last months of the summer period as defined in the electric tariff. If the tariff does not vary by season, use only the “summer” blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges** – enter the value charged for electric service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the kWh should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter 0.05 in the “Cost of First Block” a 0.04 in the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges** – An extra fee that is charged by the utility for every kWh that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every kWh and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

## **2. Special Electric Heating/All Electric Tariff –**

**Use Electric Heat Tariff** – some utilities have special discounted tariffs for customers that heat with electricity or use only electricity and no other source of energy in their homes. If that is the case, and you want to provide special 52667 forms for those

customers, check this box. You may need to make more copies of the 52667 tabs and specify that some use the special electric heating rate.

**Utility Name and Rate Name** – enter the name or an abbreviation of the name for the utility that provides electricity and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date** – often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**First Month of Summer and Last Month of Summer** – select from the pull down lists the months that are the first and last months of the summer period as defined in the electric tariff. If the tariff does not vary by season, use only the “summer” blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges** – enter the value charged for electric service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the kWh should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter 0.05 in the “Cost of First Block” a 0.04 in



the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges** – An extra fee that is charged by the utility for every kWh that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every kWh and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

### 3. Standard Natural Gas Utility Tariff –

**Utility Name and Rate Name** – enter the name or an abbreviation of the name for the utility that provides natural gas and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date** – often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**Measurement Units** – natural gas utilities provide natural gas on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for therms, 2 for CCF, 3 for MCF, and 4 for MMBtu.

**First Month of Summer and Last Month of Summer** – select from the pull down lists the months that are the first and last months of the summer period as defined in the natural gas tariff. If the tariff does not vary by season, use only the “summer” blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges** – enter the value charged for natural gas service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each therm in the first group of therms, and different charges for greater use. They are often expressed as 80 cents per therm for the first 10 therms and 70 cents per therm for the remaining therms. For this case you would enter “10” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the therms should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each therm in the first group of therms, and different charges for greater use. They are often expressed as 80 cents per therm for the first 10 therms and 70 cents per therm for the remaining therms. For this case you would enter 0.80 in the “Cost of First Block” a 0.70 in the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges** – An extra fee that is charged by the utility for every therm that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every therm and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

#### **4. Fuel Oil Delivery Contract –**

**Supplier Name** – enter the name or an abbreviation of the name for the supplier for fuel oil.

**Effective Date** – entering an effective date here will allow you to understand what version of the contract you are using.

**Monthly Charges** – enter the amount that the fuel oil supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the contract. A stepped contract charges a certain amount for each gallon in the first group of gallons, and different charges for greater use. They are often expressed as 2.50 dollars per gallon for the first 50 gallons and 2.40 dollars per gallon for the remaining gallons. For this case you would enter “50” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the gallons should be charged at that price. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the contract. A stepped contract charges a certain amount for each gallon in the first group of gallons, and different charges for greater use. They are often expressed as 2.50 dollars per gallon for the first 50 gallons and 2.40 dollars per gallon for the remaining gallons. For this case you would enter 2.50 in the “Cost of First Block” and 2.40 in the “Cost of the Second Block”. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges** – An extra fee that is charged by the utility for every gallon that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every gallon and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

## **5. Liquefied Petroleum Gas Delivery Contract –**

**Supplier Name** – enter the name or an abbreviation of the name for the supplier for liquefied petroleum gas (LPG).

**Effective Date** – entering an effective date here will allow you to understand what version of the contract you are using.

**Monthly Charges** – enter the amount that the LPG supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the contract. A stepped contract charges a certain amount for each pound in the first group of pounds, and different charges for greater use. They are often expressed as 20 cents per pound for the first 500 pounds and 18 cents per pound for the remaining pounds. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the gallons should be charged at that price. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the contract. A stepped contract charges a certain amount for each pound in the first group of pounds, and different charges for greater use. They are often expressed as 20 cents per pound for the first 500 pounds and 18 cents per pound for the remaining pounds. For this case you would enter 0.20 in the “Cost of First Block” a 0.18 in the “Cost of the Second Block”. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges** – An extra fee that is charged by the utility for every pound that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of every pound and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

## **6. Water Supply Utility Tariff –**

**Supplier Name** – enter the name or an abbreviation of the name for the water supplier.

**Effective Date** – entering an effective date here will allow you to understand what version of the contract you are using.

**Measurement Units** –utilities provide water on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for cubic feet and 2 for gallons.

**Monthly Charges** – enter the amount that the water supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the tariff. The size of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the water usage should be charged at that price. Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the tariff. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter 0.05 in the “Cost of First Block” a 0.04 in the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges** – An extra fee that is charged by the utility for every cubic foot that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of every cubic foot and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes** – This is expressed as a whole number percent. Don’t format the cell in Excel as a “percent” format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

## 7. Sewer Tariff –

**Sewer Charge Included in Water Tariff** – check the box if the water tariff (described above) already includes the sewer charge. This is the case for many locations. If this box is checked, no other inputs are necessary.

**Supplier Name** – enter the name or an abbreviation of the name for the sewer company.

**Effective Date** – entering an effective date here will allow you to understand what version of the contract you are using.

**Measurement Units** –utilities provide sewer service on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for cubic feet and 2 for gallons.

**Monthly Charges** – enter the amount that the sewer utility charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block** – This entry is repeated for the first, second, third and fourth blocks of the tariff. The size of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the usage should be charged at that price. Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block** – This entry is repeated for the first, second, third, and fourth blocks of the tariff. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter 0.05 in the “Cost of First Block” a 0.04 in the “Cost of the Second Block”. Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges** – An extra fee that is charged by the utility for every cubic foot that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of

every cubic foot and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes** – This is expressed as a whole number percent. Don't format the cell in Excel as a "percent" format. For a 3% tax simply enter 3. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**8. Trash Collection Fees** – enter the average monthly fees for different size dwelling using for trash collection.

**9. Range/Microwave Fees** – enter the average monthly cost for renting or financing the purchase of a range and microwave oven for different size dwelling unit.

**10. Refrigerator Fees** – enter the average monthly cost for renting or financing the purchase of a refrigerator for different size dwelling units.

**11. Other Fees** – enter the average monthly fees for different size dwelling units for any other fees.

### C. 52667 Tabs

Each 52667 tab contains three sections: Case selection, the HUD 52667 form, and the computations to create the form. They are described below. Each 52667 tab has been designed to be independent so they can be copied or deleted without affecting other forms. Since the calculations are located on the same tab as the form, almost no "linking" is needed when more 52667 tabs are added or deleted.

**Unit Type** – select the type of unit that corresponds to the form. The unit types include detached houses, townhouses, apartments and manufactured homes. If you add new 52667 tabs, it is a good idea to name the tab using the unit type as part of the name.

**Electric Tariff** – select "Standard Electric Utility Tariff: for most situations. The only time you would choose the other option, "Special Electric Heating/All Electric Tariff", is when the utility has a special discounted rate for allowances for those units and when you are trying to make a HUD 52667 form for those specific units.

**Electric Heating** – most housing authorities will select "Mixed Electric Resistance and Heat Pump Heating." If your housing authority has a different allowance for homes with heat pumps, select "Heat Pumps Only." The allowances for heating with heat pumps are smaller since heat pumps are more efficient than electric resistance heating.

**Age of Dwelling** – use this input if the housing authority has different allowances for dwellings of different ages, or if not, select “Mixed Ages”. There are three choices for age ranges: “Before 1980”, “1980 to 1996”, or “1996 or Newer”. Each selection modifies the heating and cooling values.

Each 52667 tab should have a unique selection of the Unit Type, Electric Tariff, Electric Heating, and Age of Dwelling.

The HUD 52667 form is shown in the upper left hand corner of the spreadsheet tab in the white background. The grey border is not part of the form. Only the form within the grey border should be printed when printing the tab. If the printout contains the computations, then use [File][Select Print Area] menu after you select only the form part of the spreadsheet tab.

No modifications to the 52667 tab are needed except for the selection for “Unit Type”, “Electric Tariff”, “Electric Heating”, and “Age of Dwelling”. The rest of the spreadsheet, including the form should not be modified. All values that are shown on the form are linked from the calculations part of the tab.

The calculations part of the 52667 tab are below and to the right of the form.

**Computations**– are below and to the right of the form and cannot be modified. They use values entered on the “Location” tab and the “Tariffs” tab and the selections at the top of the 52667 tab and generate all of the values needed for the HUD Form 52667. You may want to review the calculations to understand how values on the form are determined. The calculations start at the “Age of Structure Adjustment” section and proceed downward in a stepwise manner.

The Derived Consumption Equations are based on an analysis performed using primarily data from DOE/EIA Residential Energy Consumption Survey (RECS). Most of the coefficients for the variables in the equations were derived using regression analysis of RECS survey cases. The coefficients were derived for the five basic housing unit types that RECS uses and a table is present to adjust these five housing unit types into the unit types you have selected. These are then combined into groups by utility in the section labeled “Average Consumption Per Month Component Subtotals and Ordering.” In each group, the services are added individually until finally the last group for electricity “Other Electric + Cooking + Water Heating + Heating + Air Conditioning” is shown. The reason for this is that the utility bills are estimated for each group and then the difference between the groups, the incremental cost, for each added service can be independently determined.

Unit conversions are then performed for the energy consumptions that could have different measurement units applied.



The next section labeled “Tariff Summary” has links to the tariffs tab but is shown in more compact summary format. Directly after that is the electric and natural gas tariffs shown on a month-by-month basis depending on the starting and ending month selected for each. The other utilities do not vary by season so they do not need to be represented monthly.

Climate adjustments are made for the heating and air conditioning uses. They are adjusted by the degree days entered on the location tab and are shown on a monthly basis. The incremental consumptions are then also expressed on a monthly basis.

All utilities are then calculated on a monthly basis for each dwelling unit size in terms of number of bedrooms. The utility bill estimates are compiled for each of the consumptions groups and then the incremental difference between the groups are determined to obtain the incremental cost for just that end-use.

The number of consumption units and the cost of each consumption unit per block are separately calculated. The monthly charges and the extra charges are calculated, as are the taxes and the total bill for each consumption group. This is repeated for each consumption group and for each utility. The monthly and annual costs are then calculated. The formulas for each utility bill estimate are very similar.

The average monthly costs are determined from the annual totals and some checks are performed to make sure that all components are included.

Non-energy related expenses are shown in a compact format similar to the utility tariff summary section.

A summary of total utility allowances is shown for a variety of cases. This summary is copied and “past linked” to the summary tab.

#### **D. Summary Tab**

The “Summary” tab contains the only links to the 52667 tabs. If your housing authority doesn’t require a summary to process the 52667 forms, then you can ignore this tab. The summary tab takes the values from the 52667 tabs near the bottom of the calculations (located below and to the right of the form) and links to them. The summary is only for the most common number of bedrooms for each type of unit and does not include certain combinations of fuel uses that are likely to exist. The summary tab includes both the energy and non-energy portion of the allowances. All values shown are in dollars per month.

#### **E. Creating New 52667 Tabs**

For many housing authorities, the four 52667 tabs that come predefined in this spreadsheet may not be appropriate. The four predefined tabs are “Detached 52667”, Townhouse 52667, Apartment 52667”, and “Manu 52667”. These are the four forms that are the most likely to be used by housing authorities. To create a new tab, copy one of the existing 52667 tabs by right clicking on, for example, the “Detached 52667” tab name and select the “Move or copy...” option. Select where the new 52667 tab should go and check the “create a copy” checkbox at the bottom of the menu block and then click OK. If you are using the Summary tab, you will need to use [Edit][Copy] and [Edit][Paste Special ][Paste Link] to connect the summary information from the bottom of the calculation section of the new 52667 tab to the summary table.

#### **F. Removing Some 52667 Tabs**

If you don’t need all of the 52667 tabs shown in the spreadsheet, you can delete the tabs by right clicking on the name of the unwanted tab and selecting Delete. If you are using the Summary tab, you may need to delete the portion of the table linked to that spreadsheet tab.

## *APPENDIX F*

### *Annual Owner Certification Report*

*Due: January 31<sup>st</sup> of each calendar year*

*NOTE: Two components of the AOC Report are due electronically via the Corporation's Certification Online (COL) System.*

Mississippi Home Corporation  
Attachment A  
Annual Owner Certification (AOC) Report Guidelines

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**NOTE:** An AOC Report is required of all active HTC developments excluding developments that have not received IRS form 8609 AND have not acquired 100% initial occupancy as of 12/31 of the reporting period.

**Packaging:**

In an effort to expedite the Annual Owner Certification (AOC) Report review process, each report must be packaged in accordance with the following:

1. A separate AOC Report must be prepared and submitted for each development receiving an allocation of Housing Tax Credits (HTCs).
2. All components of the AOC report must be submitted in the format (form) established and/or generated by the Compliance Division, where applicable.
3. Compliance fees (i.e., late submission), if applicable, must be attached to the top of the AOC Report using the supplied Payment Processing Form.
4. Each AOC Report must be secured/binded with an Acco Fastener.
5. All components of the report must be type-written or completed in blue or black ink. No Pencils!
6. All components of the report, including signatures, must be ORIGINALS executed by the owner and/or owner's registered agent, where applicable. PHOTOCOPIES WILL NOT BE REVIEWED.

**Presentation:**



**ASSEMBLE MATERIALS FROM TOP TO BOTTOM**



All AOC Reports MUST be ORGANIZED AND PRESENTED in the order listed below:

1. Payment Processing form, *if applicable*
2. Annual Owner Certification Report Checklist
3. Owner Certification of Continued Program Compliance (*signed & notarized by owner*)  
**NOTE:** COL submitters must also forward a hard copy of this report to MHC for review.
4. Supplemental Certification of HTC Compliance (*signed & notarized by owner*)
5. Utility Allowance Support Documentation, *if applicable*
6. Occupancy (Rent Roll) Report (*per building*)  
**NOTE:** A hard copy of this report is NOT needed with COL submissions.
7. Development Team Composition **\*\*NEW\*\***
8. Development Location and Tenant File Disclosure **\*\*NEW\*\***
9. Correction or Amendment to Prior AOC Report, *if applicable*
10. IRS 8609 Tax Forms (if applicable)

**Remember to retain a copy for your AOC Report submission for your records!**

**Forward completed report to:**

Mississippi Home Corporation  
Attn.: Compliance Division  
P O Box 23369  
Jackson, MS 39225-3369

Mississippi Home Corporation  
Annual Owner Certification (AOC) Report CHECKLIST  
(For preparing AOC Report packages)

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**NOTE:** An AOC Report is required of all active HTC developments excluding developments that have not received IRS form 8609 AND have not acquired 100% initial occupancy as of 12/31 of the reporting period.

CERTIFICATION PERIOD: 01/01/2008 to 12/31/2008

Development Name: \_\_\_\_\_

Development No.: \_\_\_\_\_

In compliance with Federal Statute 26 CFR 1.42-5 Section (c)(1), the Mississippi Home Corporation requires an owner's submission of the following documents on or before January 31<sup>st</sup> for the previous calendar year.

**REPORT COMPONENTS:**

*Please check the document type attached with this submission and the method of the AOC submission.*

| Document Type (check all attached documents):                                                                                                                                                        | Method of Submission     |                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
|                                                                                                                                                                                                      | COL                      | Manual*                  |
| <input type="checkbox"/> Payment Processing form, <i>if applicable</i>                                                                                                                               |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Annual Owner Certification Report Checklist                                                                                                                                 |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Supplemental Certification of HTC Compliance<br>(signed & notarized by owner)                                                                                               |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Utility Allowance Support Documentation, <i>if applicable</i>                                                                                                               |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Development Team Composition form <b>**NEW**</b>                                                                                                                            |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Development Location and Tenant File Disclosure <b>**NEW**</b>                                                                                                              |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Correction or Amendment to Prior AOC Report, <i>if applicable</i>                                                                                                           |                          | <input type="checkbox"/> |
| <input type="checkbox"/> A copy of IRS form 8609 for each building<br>(completed and signed by owner)<br><b>NOTE:</b> Required only of those who received IRS form 8609 during the reporting period! |                          | <input type="checkbox"/> |
| <input type="checkbox"/> Owner Certification of Continued Program Compliance<br>(signed & notarized by owner)                                                                                        | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>COL Submission Date:</b> _____                                                                                                                                                                    |                          |                          |
| <input type="checkbox"/> Occupancy (Rent Roll) Report ( <i>per building</i> )                                                                                                                        | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>COL Submission Date:</b> _____                                                                                                                                                                    |                          |                          |

*\*Processing fees apply to AOC Reports completed entirely using the manual submission method*

\_\_\_\_\_  
Preparer Signature

\_\_\_\_\_  
Date

**Forward completed report to:**

Mississippi Home Corporation; PO Box 23369, Jackson, MS 39225-3369

**Remember to retain a copy of your AOC Report submission for your records!**



Mississippi Home Corporation

## Compliance Monitoring Payment Processing Form

### COMPLETE THIS FORM AND SUBMIT IT WITH YOUR PAYMENT

*(If you are paying for multiple developments using a single check/money order, complete one form for each development. Show the respective amount being paid per development.)*

#### 1) DEVELOPMENT INFORMATION

Development Name: \_\_\_\_\_

Development Number: \_\_\_\_\_

Submitted by: \_\_\_\_\_

E-mail: \_\_\_\_\_

Phone: \_\_\_\_\_

#### 2) METHOD OF PAYMENT ☐ Check No. \_\_\_\_\_ ☐ Money Order No. \_\_\_\_\_

Invoice No: \_\_\_\_\_

#### 3) FEES

| Fee Type                        | Description                                                             | Fee            | Qty. | Total |
|---------------------------------|-------------------------------------------------------------------------|----------------|------|-------|
| Annual Administrative Fee       | Administrative fee for compliance monitoring during extended use period | \$20/LI Unit*  |      |       |
| Occupancy Report Processing Fee | Fee for processing manually submitted Occupancy Reports                 | \$20/LI Unit   |      |       |
| Late Submission Fee             | Fee for late submission of requested paperwork                          | \$100/day late |      |       |

*\*RHS only \$10/unit*

**Mail Payment(s) to:**  
Mississippi Home Corporation  
Attn: Compliance Monitoring Division  
PO Box 23369  
Jackson MS 39225-3369

Questions? Contact Deborah Heard @ 601. 718. 4622 or [Deborah.Heard@mshc.com](mailto:Deborah.Heard@mshc.com)

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#### For Internal Use Only

Received: \_\_\_\_\_ \$ \_\_\_\_\_ ☐ Check No. \_\_\_\_\_ ☐ Money Order No. \_\_\_\_\_

Housing Tax Credit (HTC)  
OWNER'S CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

*Deadline for submission is on or before 5:00 p.m., February 2nd.*

To: **MISSISSIPPI HOME CORPORATION; 735 Riverside Drive; P O BOX 23369, Jackson, MS 39225-3369**

**NOTE:** An AOC Report is required of all active HTC developments excluding developments that have not received IRS form 8609 AND have not acquired 100% initial occupancy as of 12/31 of the reporting period.

**Part I – Development Data**

|                               |                     |                     |
|-------------------------------|---------------------|---------------------|
| Certification Dates:          | From: January 1, 20 | To: December 31, 20 |
| Development Name:             |                     | Dev. No: MS         |
| Development Address:          |                     | City: Zip:          |
| Tax ID # of Ownership Entity: |                     |                     |

**Part II – Current Development Status**

- ☐ No building (s) have/has been Placed in Service  
☐ At least one building has been placed in service but owner elects to begin credit period in the following year  
**If either of the above applies, please check the appropriate box and proceed to page 2 to sign and date this form.**

The undersigned \_\_\_\_\_ on behalf of

\_\_\_\_\_ the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)  
☐ 20 - 50 test under Section 42(g)(1)(A) of the Code  
☐ 40 - 60 test under Section 42(g)(1)(B) of the Code  
☐ 15 - 40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code
2. There has been **no change in the applicable fraction** (as defined in Section 42(c)(1)(B) of the Code) for any building in the project:  
☐ NO CHANGE ☐ CHANGE (List the applicable fraction to be reported to the IRS on page 3)
3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.  
☐ YES ☐ NO
4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:  
☐ YES ☐ NO
5. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) of the Code):  
☐ YES ☐ NO ☐ HOMELESS
6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court:  
☐ NO FINDING ☐ FINDING
7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:  
☐ YES ☐ NO  
If "No", state nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction.
8. There has been **no change in the eligible basis** (as defined in Section 42(d) of the Code) of any building in the project since last certification submission:  
☐ NO CHANGE ☐ CHANGE (State nature of change on page 3)
9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:  
☐ YES ☐ NO
10. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:  
☐ YES ☐ NO

MHC Annual Owner  
Certification  
rev. 10/2008

Development Name: \_\_\_\_\_  
Development Number: MS

11. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:  
☐ YES ☐ NO
12. An extended low-income housing commitment as described in section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989):  
☐ YES ☐ NO ☐ N/A
13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.  
☐ YES ☐ NO ☐ N/A
14. The owner has complied with Section 42(h)(6)(E)(ii)(I) and not evicted or terminated the tenancy of an existing tenant of any low-income unit other than for good cause:  
☐ YES ☐ NO
15. The owner has complied with Section 42(h)(6)(E)(ii)(II) and has not increased the gross rent above the maximum allowed under Section 42 with respect to any low-income unit:  
☐ YES ☐ NO
16. There has been no change in the ownership or management of the project:  
☐ NO CHANGE ☐ CHANGE (Detail change on page 3)

Note: Failure to complete this form in its entirety will result in noncompliance with program requirements. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.

The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable MS Qualified Allocation Plan, and all other applicable laws, rules and regulations. This Certification and any attachments are made UNDER PENALTY OF PERJURY.

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_  
Signature of Ownership Entity

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that

\_\_\_\_\_, whose names(s) \_\_\_\_\_

signed to the foregoing instrument, and who (is) (are) known to me, acknowledged before me on this date that, being informed of the contents of this document, (he) (she) (they) executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_



Development Name: \_\_\_\_\_  
Development Number: MS

A. PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTIONS 1-16.

[illegible]

B. CHANGES IN OWNERSHIP OR MANAGEMENT  
(to be completed ONLY if "CHANGE" marked for  
question 16 above)

## 1. TRANSFER OF OWNERSHIP

|                                   |  |
|-----------------------------------|--|
| Date of Change:                   |  |
| Taxpayer ID Number:               |  |
| Legal Owner Name:                 |  |
| General Partnership:              |  |
| Status of Partnership (LLC, etc): |  |

## 2. CHANGE IN OWNER CONTACT

|                      |  |
|----------------------|--|
| Date of Change:      |  |
| Owner Contact:       |  |
| Owner Contact Phone: |  |
| Owner Contact Fax:   |  |
| Owner Contact Email: |  |

### 3. CHANGE IN MANAGEMENT CONTACT

|                              |  |
|------------------------------|--|
| Date of Change:              |  |
| Management Co. Name:         |  |
| Management Address:          |  |
| Management city, state, zip: |  |
| Management Contact:          |  |
| Management Contact Phone:    |  |
| Management Contact Fax:      |  |
| Management Contact Email:    |  |

**MISSISSIPPI HOME CORPORATION**  
**Annual Owner Certification**  
**SUPPLEMENTAL CERTIFICATION OF HTC COMPLIANCE**

**Report Period: January 1, 20 \_\_ to December 31, 20 \_\_**

**NOTE:** An AOC Report is required of all active HTC developments excluding developments that have not received IRS form 8609 AND have not acquired 100% initial occupancy as of 12/31 of the reporting period.

Development Name: \_\_\_\_\_ Development Number: MS- \_\_\_\_\_  
Street Address: \_\_\_\_\_  
County: \_\_\_\_\_ City, State, Zip: \_\_\_\_\_

**PART I: Rent Summary**

**1. Rent Structure (to be completed by conventionally-financed developments only):**

Conventionally Financed?

☐ **Not Applicable** (Proceed to question 2)

☐ **Yes**, complete table below regarding maximum rent charged for each unit size at different income levels.

|                               | 1 BR | 2 BR | 3 BR | 4BR | 5 BR |
|-------------------------------|------|------|------|-----|------|
| Rent @ 50%                    |      |      |      |     |      |
| Rent @ 50% with Owner Subsidy |      |      |      |     |      |
| Rent @ 60%                    |      |      |      |     |      |
| Rent @ 60% with Owner Subsidy |      |      |      |     |      |

Were there any variations in rent for the same unit size? ☐ **No** ☐ **Yes**, explain \_\_\_\_\_  
List the effective dates of all rental increases during the reporting period: \_\_\_\_\_

**2. Utility Allowance Estimate:**

An allowance for the cost of any utilities, other than telephone and cable, paid directly by the tenant(s) is/was included in the computation of gross rent under IRC §42(g)(2)(B).

☐ **Not Applicable** (Proceed to Part II)

☐ **No** Explain: \_\_\_\_\_

☐ **Yes**, identify source provider below (attach support documentation)

Source Provider:

- ☐ HUD (HUD regulated buildings)  
☐ RHS (FmHA) (RHS regulated buildings)  
☐ PHA estimate  
☐ Local utility provider

List the date of last utility allowance estimate update and/or update attempt? \_\_\_\_\_ (mm/dd/yy)

List the effective date(s) of the utility allowance estimate(s) used during the certification period: \_\_\_\_\_ (mm/dd/yy)

**PART II: Additional Compliance Obligations**

**3. All deeper income targeted units were leased to qualified households at or below 50% of AMI. Each of these units has been rent restricted in accordance with the same.**

☐ **Not Applicable** (Proceed to Part III)

☐ **No** Explain: \_\_\_\_\_

☐ **Yes** (complete requirement info. below)

Requirements:

\_\_\_\_\_ Required number of deeper targeted units

\_\_\_\_\_ Number of units meeting criteria

**MISSISSIPPI HOME CORPORATION**  
**Annual Owner Certification**  
**SUPPLEMENTAL CERTIFICATION OF HTC COMPLIANCE**

4. Owner Rental Subsidy has been provided to at least 51% of the LI units in the development:

☐ **Not Applicable** (*Proceed to Part III*)

☐ **No** Explain: \_\_\_\_\_

☐ **Yes** (*complete ORA breakdown below*)

*ORA breakdown:*

\_\_\_\_\_ Total Number of units assisted

\_\_\_\_\_ No. of units assisted without any other form of rental assistance

\_\_\_\_\_ No. of units assisted with another form of rental assistance (*i.e., Section 8*)

\_\_\_\_\_ No. of assisted units which were occupied by person 55 & older.

\_\_\_\_\_ No. of assisted units which were occupied by single-parent households.

\_\_\_\_\_ No. of assisted units which were occupied by households at or below 50% of AMI.

**Part III: Community Service Information**

5. The owner and/or management agent has provided tenant community services in at least two (2) areas that are not otherwise required by the financing entity or typically present in low-income rental housing as outlined, stated and agreed upon in the development's final HTC application:

☐ **Not Applicable** (*Proceed to Part IV*)

☐ **No** Explain: \_\_\_\_\_

☐ **Yes**, *Select from list below all community services provided & the total number of people served during the year.*

**Attach attendance roster(s), where applicable.**

☐ **Personal Development:**

- ☐ Computer Literacy Classes \_\_\_\_\_
- ☐ GED Classes \_\_\_\_\_
- ☐ Job Training Skills \_\_\_\_\_
- ☐ Foreign Language Courses \_\_\_\_\_

☐ **Counseling Programs:**

- ☐ Personal Budgeting \_\_\_\_\_
- ☐ Credit Counseling \_\_\_\_\_
- ☐ Mental Health \_\_\_\_\_
- ☐ Home Buyer Education \_\_\_\_\_

☐ **Child Development Services/Programs:**

- ☐ After School \_\_\_\_\_
- ☐ Child Care Services \_\_\_\_\_

☐ **Community Awareness & Safety:**

- ☐ Crime Watch \_\_\_\_\_
- ☐ Health Fair \_\_\_\_\_
- ☐ Drug & Alcohol Prevention \_\_\_\_\_
- ☐ Fire Safety \_\_\_\_\_
- ☐ Senior Meals Program \_\_\_\_\_

☐ **Other\*:**

- ☐ \_\_\_\_\_
- ☐ \_\_\_\_\_

*\*Social/recreational activities (Thanksgiving dinner, pancake breakfast, etc.) are not considered significant community services.*

6. Community Services are being provided by (*check all that apply*):

☐ Owner/Management

☐ Unaffiliated entity

☐ Organization affiliated with the management entity

☐ Organization affiliated with the owner

**MISSISSIPPI HOME CORPORATION**  
**Annual Owner Certification**  
**SUPPLEMENTAL CERTIFICATION OF HTC COMPLIANCE**

**Part IV: Development Physical Condition**

7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections has not issued a report of a violation for any building or low-income unit in the project:  
☐ **Yes** (Proceed to Part V)    ☐ **No** Proceed to next question
8. Damage sustained to development/unit during the certification period?  
☐ **Yes**  
      \_\_\_\_\_ No. of LI BINs affected      List all affected BINs: \_\_\_\_\_  
      \_\_\_\_\_ No. of LI units affected      List all affected units: \_\_\_\_\_  
      \_\_\_\_\_ No. of LI households displaced  
☐ **No** (Proceed to Part V)
9. Damaged sustained caused building(s)/unit(s) to be taken completely out of service?  
☐ **Yes**, Down period: **From:** \_\_\_\_\_ (mm/dd/yy) **to** \_\_\_\_\_ (mm/dd/yy)  
      \_\_\_\_\_ Applicable fraction as of 12/31 of the previous reporting period  
      \_\_\_\_\_ Applicable fraction as of 12/31 of reporting year  
☐ **No**
10. Cause & Extent of Damage:  

|                                           |                                |                                   |                                |
|-------------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| <input type="checkbox"/> Fire             | <input type="checkbox"/> Heavy | <input type="checkbox"/> Moderate | <input type="checkbox"/> Light |
| <input type="checkbox"/> Natural Disaster | <input type="checkbox"/> Heavy | <input type="checkbox"/> Moderate | <input type="checkbox"/> Light |
| <input type="checkbox"/> Other: _____     | <input type="checkbox"/> Heavy | <input type="checkbox"/> Moderate | <input type="checkbox"/> Light |
11. Repairs completed?  
☐ **Yes**, date of completion: \_\_\_\_\_ (mm/dd/yy)    ☐ **No**, Anticipated completion date: \_\_\_\_\_ (mm/dd/yy)
12. Estimated cost of repairs: \$ \_\_\_\_\_ (Attach insurance estimate)

**Part V: Owner Certification**

I, the undersigned, as owner or general partner of the HTC development noted herein, hereby certify under penalty of perjury that the information contained on this certification, including any attachments hereto, is true, correct and complete to the best of my knowledge.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name and Title

**TO BE COMPLETED BY NOTARY**

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

I, the undersigned, a Notary Public in and for said County, in said state, hereby certify that \_\_\_\_\_, whose name(s) signed to the foregoing instrument, and who (is)(are) known to me, acknowledged before me on this date that, being informed of the contents of this document, (he)(she)(they) executed the same voluntarily on the day the same bears date.

Given under my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

(Seal)

\_\_\_\_\_  
Notary Public

Page # OF

**(NOTE: Please read instructions on next page before completing this form. Also attach applicable utility schedule.)**

Units in building:

Telephone Number:

[illegible]

| Student Exception                |
|----------------------------------|
| 1= TANF Assistance               |
| 2= Job Training Program          |
| 3= Single Parent/dependent Child |
| 4= Married/joint return          |

# INSTRUCTIONS FOR COMPLETING THE OCCUPANCY (RENT ROLL) REPORT

*A separate rent roll report should be completed for each building in the development.*

|                                                                           |                                              |                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>H<br/>E<br/>A<br/>D<br/>I<br/>N<br/>G<br/><br/>I<br/>N<br/>F<br/>O</b> | <b>Reporting Period</b>                      | Indicate the period in time in which this report covers (i.e. January 1, 2006 thru December 31, 2006).                                                                                                                                                                                                                                                                                                                 |
|                                                                           | <b>Project Name</b>                          | Indicate the Project name as identified on IRS form 8609, Part 1-A. (Note as 'AKA' the new project name, if applicable.                                                                                                                                                                                                                                                                                                |
|                                                                           | <b>Project Number</b>                        | Indicate the project number assigned by Mississippi Home Corporation (i.e., MS 09-999).                                                                                                                                                                                                                                                                                                                                |
|                                                                           | <b>Building Address</b>                      | Indicate the building address as identified on IRS form 8609, Part 1-A.                                                                                                                                                                                                                                                                                                                                                |
|                                                                           | <b>Building Identification Number (BIN)</b>  | List the building identification number assigned to the project, and identified on IRS form Part 1-E.                                                                                                                                                                                                                                                                                                                  |
|                                                                           | <b>Total # of units in the building</b>      | Identify the total number of rental units in this building.                                                                                                                                                                                                                                                                                                                                                            |
|                                                                           | <b>Prepared by, Title &amp; Phone Number</b> | List the name and title of the person completing the report and their phone number (including area code).                                                                                                                                                                                                                                                                                                              |
| a                                                                         | <b>Unit Number</b>                           | Identify the number assigned to the unit by the owner.                                                                                                                                                                                                                                                                                                                                                                 |
| b                                                                         | <b>Unit Square Footage</b>                   | Identify the low-income status of the qualifying unit at the time of the most recent certification.                                                                                                                                                                                                                                                                                                                    |
| c                                                                         | <b>No. of Bedrooms</b>                       | Identify the total number of separate bedrooms in the unit.                                                                                                                                                                                                                                                                                                                                                            |
| d                                                                         | <b>No. in Household</b>                      | Identify the number of persons residing in the unit, including non-related household members                                                                                                                                                                                                                                                                                                                           |
| e                                                                         | <b>Move-in Date</b>                          | THE DATE IN WHICH THE RESIDENT(S) MOVED INTO THE UNIT (not building). For residents who occupied the unit on the date the building was Placed in Service, the move in date is the date THE UNIT was certified as a HTC unit.                                                                                                                                                                                           |
| f                                                                         | <b>Move – Out Date</b>                       | The date the resident(s) vacated the unit, if applicable.                                                                                                                                                                                                                                                                                                                                                              |
| g                                                                         | <b>Head of Household</b>                     | List the person identified as head of household on the Tenant Certification (TIC) form (Last, First).                                                                                                                                                                                                                                                                                                                  |
| h                                                                         | <b>Date of last certification</b>            | The date on which the income of the household was examined or reexamined for eligibility purposes                                                                                                                                                                                                                                                                                                                      |
| i                                                                         | <b>Initial Certification for household</b>   | Indicate by 'Y' for yes and 'N' for No if this is the initial certification for the household.                                                                                                                                                                                                                                                                                                                         |
| j                                                                         | <b>Current Annual Gross Income</b>           | The <b>GROSS</b> Annual household income anticipated/projected for the 12 months following the date of the Annual Certification/Recertification.                                                                                                                                                                                                                                                                       |
| k                                                                         | <b>Tenant Paid Rent</b>                      | The tenant paid portion of the monthly rent amount identified on the lease as the date the income was recertified. THIS DOES NOT INCLUDE THE AMOUNT OF SUBSIDY PAID by Section 8 or RHS.                                                                                                                                                                                                                               |
| l                                                                         | <b>Mandatory Charges</b>                     | Identify the total amount of mandatory charges (i.e. charges for use of common space areas such as community room, garage, swimming pool, etc.) for the unit.                                                                                                                                                                                                                                                          |
| m                                                                         | <b>Rental Subsidy Amount</b>                 | Identify the total amount of monthly rental subsidy received for the unit. This amount should not include g the tenant paid portion of the rent.                                                                                                                                                                                                                                                                       |
| n                                                                         | <b>Utility Allowance</b>                     | Indicate the monthly amount of utilities for this unit that the owner DOES NOT pay. This is the amount that the resident would be responsible for monthly. Section 8 Utility Allowance Charts must be used for Section 8 Voucher or Certificate Holders, while RHS provided allowances must be used for RHS residents. In addition, ATTACH A COPY OF THE CURRENT UTILITY ALLOWANCE SCHEDULE IN EFFECT FOR THESE UNITS. |
| o                                                                         | <b>F/T Student household</b>                 | Identify whether or not the household has certified under the full-time student designation. If the entire household is comprised of full-time students, insert "yes". If the ENTIRE household is not comprised of full-time students, then mark "no".                                                                                                                                                                 |
| p                                                                         | <b>Qualifying Student Exception</b>          | Identify the IRS exception in which the household qualifies. 1=TANF Assistance; 2= Job Training Program; 3= Single Parent/ dependent child; 4= Married filing a joint tax return; 5= None of the above                                                                                                                                                                                                                 |
| q                                                                         | <b>Unit Transfer (Y/N)</b>                   | Identify whether or not this household (during this quarter) is transferring to another unit. This information should reflect the unit in which the household is leaving.                                                                                                                                                                                                                                              |
| r                                                                         | <b>Unit Transfer Number</b>                  | Identify the unit number in which the listed household is transferring to. This number does not have to be in this building.                                                                                                                                                                                                                                                                                           |

Development's Original Name: \_\_\_\_\_  
 Development's Current Name: \_\_\_\_\_  
 Development Number: \_\_\_\_\_  
 Effective Date: \_\_\_\_\_

| Ownership Entity Information |                                                                                                                                                                                                                                                                                                                            |                   |                |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|
| Company Tax ID Number        |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Company Name                 |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Contact Person               |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Address                      |                                                                                                                                                                                                                                                                                                                            |                   |                |
| City, State, Zip             |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Phone Number                 |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Type of Entity               | <div><input type="checkbox"/> Non-Profit Org.<input type="checkbox"/> Partnership<input type="checkbox"/> Individual Person</div> <div><input type="checkbox"/> Corporation<input type="checkbox"/> Limited Partnership</div> <div><input type="checkbox"/> Limited Liability Company<input type="checkbox"/> Other:</div> |                   |                |
| Profit Status                | <div><input type="checkbox"/> Profit<input type="checkbox"/> Non-Profit</div> <div><input type="checkbox"/> 501(c)(3) Organization</div>                                                                                                                                                                                   |                   |                |
| Minority Type<br>(Optional)  | <div><input type="checkbox"/> Black<input type="checkbox"/> Disadvantaged/DBE<input type="checkbox"/> MBE/HUB</div> <div><input type="checkbox"/> Woman/MWBE<input type="checkbox"/> Hispanic<input type="checkbox"/> Other:</div>                                                                                         |                   |                |
| Key Principals               |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Name                         | Tax ID Number                                                                                                                                                                                                                                                                                                              | Type of Ownership | % of Ownership |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
| General Partner              |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Company Tax ID Number        |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Company Name                 |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Contact Person               |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Address                      |                                                                                                                                                                                                                                                                                                                            |                   |                |
| City, State, Zip             |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Phone Number                 |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Type of Entity               | <div><input type="checkbox"/> Non-Profit Org.<input type="checkbox"/> Partnership<input type="checkbox"/> Individual Person</div> <div><input type="checkbox"/> Corporation<input type="checkbox"/> Limited Partnership</div> <div><input type="checkbox"/> Limited Liability Company<input type="checkbox"/> Other:</div> |                   |                |
| Profit Status                | <div><input type="checkbox"/> Profit<input type="checkbox"/> Non-Profit</div> <div><input type="checkbox"/> 501(c)(3) Organization</div>                                                                                                                                                                                   |                   |                |
| Minority Type<br>(Optional)  | <div><input type="checkbox"/> Black<input type="checkbox"/> Disadvantaged/DBE<input type="checkbox"/> MBE/HUB</div> <div><input type="checkbox"/> Woman/MWBE<input type="checkbox"/> Hispanic<input type="checkbox"/> Other:</div>                                                                                         |                   |                |
| Key Principals               |                                                                                                                                                                                                                                                                                                                            |                   |                |
| Name                         | Tax ID Number                                                                                                                                                                                                                                                                                                              | Type of Ownership | % of Ownership |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |
|                              |                                                                                                                                                                                                                                                                                                                            |                   |                |

|                             |                                                                                                                                                                                                                                 |                   |                |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|
| Developer                   |                                                                                                                                                                                                                                 |                   |                |
| Company Tax ID Number       |                                                                                                                                                                                                                                 |                   |                |
| Company Name                |                                                                                                                                                                                                                                 |                   |                |
| Contact Person              |                                                                                                                                                                                                                                 |                   |                |
| Address                     |                                                                                                                                                                                                                                 |                   |                |
| City, State, Zip            |                                                                                                                                                                                                                                 |                   |                |
| Phone Number                |                                                                                                                                                                                                                                 |                   |                |
| Type of Entity              | <input type="checkbox"/> Non-Profit Org.<br><input type="checkbox"/> Corporation<br><input type="checkbox"/> Limited Liability Company                                                                                          |                   |                |
|                             | <input type="checkbox"/> Partnership<br><input type="checkbox"/> Limited Partnership<br><input type="checkbox"/> Other:                                                                                                         |                   |                |
|                             | <input type="checkbox"/> Individual Person                                                                                                                                                                                      |                   |                |
| Profit Status               | <input type="checkbox"/> Profit<br><input type="checkbox"/> Non-Profit<br><input type="checkbox"/> 501(c)(3) Organization                                                                                                       |                   |                |
| Minority Type<br>(Optional) | <input type="checkbox"/> Black<br><input type="checkbox"/> Woman/MWBE<br><input type="checkbox"/> Disadvantaged/DBE<br><input type="checkbox"/> Hispanic<br><input type="checkbox"/> MBE/HUB<br><input type="checkbox"/> Other: |                   |                |
| Key Principals              |                                                                                                                                                                                                                                 |                   |                |
| Name                        | Tax ID Number                                                                                                                                                                                                                   | Type of Ownership | % of Ownership |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
| Non-Profit Participant      |                                                                                                                                                                                                                                 |                   |                |
| Company Tax ID Number       |                                                                                                                                                                                                                                 |                   |                |
| Company Name                |                                                                                                                                                                                                                                 |                   |                |
| Address                     |                                                                                                                                                                                                                                 |                   |                |
| Contact Person              |                                                                                                                                                                                                                                 |                   |                |
| City, State, Zip            |                                                                                                                                                                                                                                 |                   |                |
| Phone Number                |                                                                                                                                                                                                                                 |                   |                |
| Identity of Non-Profit      | <input type="checkbox"/> Non-Profit Org.<br><input type="checkbox"/> Corporation<br><input type="checkbox"/> Limited Liability Company                                                                                          |                   |                |
|                             | <input type="checkbox"/> Partnership<br><input type="checkbox"/> Limited Partnership<br><input type="checkbox"/> Other:                                                                                                         |                   |                |
|                             | <input type="checkbox"/> Individual Person                                                                                                                                                                                      |                   |                |
| Non-Profit Status           | <input type="checkbox"/> 501(a) Exemption<br><input type="checkbox"/> 501(c)(3) Organization<br><input type="checkbox"/> 501(c)(4) Organization                                                                                 |                   |                |
| Minority Type<br>(Optional) | <input type="checkbox"/> Black<br><input type="checkbox"/> Woman/MWBE<br><input type="checkbox"/> Disadvantaged/DBE<br><input type="checkbox"/> Hispanic<br><input type="checkbox"/> MBE/HUB<br><input type="checkbox"/> Other: |                   |                |
| Key Principals              |                                                                                                                                                                                                                                 |                   |                |
| Name                        | Tax ID Number                                                                                                                                                                                                                   | Type of Ownership | % of Ownership |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
|                             |                                                                                                                                                                                                                                 |                   |                |
| On-Site Management          |                                                                                                                                                                                                                                 |                   |                |
| Onsite Manager Name         |                                                                                                                                                                                                                                 |                   |                |
| Address                     |                                                                                                                                                                                                                                 |                   |                |
| Phone Number                |                                                                                                                                                                                                                                 |                   |                |
| Fax Number                  |                                                                                                                                                                                                                                 |                   |                |



**Mississippi Home Corporation**  
**Development Location and Tenant File Disclosure**

---

**Effective Date:** \_\_\_\_\_

**Development Location:**

Development Number: MS- \_\_\_\_\_

Name of Development: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone Number: (    ) \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ County: \_\_\_\_\_

Please provide turn-by-turn directions from 735 Riverside Drive, Jackson, MS to the above development:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please attach a simple map to the development according to the directions given above. **\*NOTE:** The use of map quest or Yahoo maps is acceptable; however, please ensure the directions are correct.

**Tenant File Location Disclosure:**

**\*\*Complete only if tenant files are at a location other than the development\*\***

Location of tenant files\*: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Phone No.: (    ) \_\_\_\_\_

Location of the tenant files (*please provide turn-by-turn directions from 735 Riverside Drive, Jackson, MS to the location of the tenant files*):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
*Owner Signature*

\_\_\_\_\_  
*Date*

*\*Mississippi Home Corporation monitoring staff will make every attempt to perform its monitoring visit at this location, however, this form must be updated each time the tenant file location changes.*

*--Attach a separate sheet if needed--*

# Mississippi Home Corporation

## Development and Building Information

|                 |                  |                                      |
|-----------------|------------------|--------------------------------------|
| Development No. | Development Name | City                                 |
| Building Number | Address          | Building Identification Number (BIN) |
| Submitted by    | Title            | Phone #                              |
|                 |                  | Date                                 |

**Unit Events** – Please list only the events which were either missed or incorrect from a previous Occupancy (Rent Roll) Report.

[illegible]

**Event Type**  
V= Vacancy (Tenant Move-Out)  
T= Tenant Move-In  
R= Recertification

# *APPENDIX G*

## *Quarterly Occupancy Report*

# Mississippi Home Corporation

Period: \_\_\_\_\_, 20\_\_\_\_ to \_\_\_\_\_, 20\_\_\_\_

MS-

☐ 20/50 ☐ 40/60

**Under Construction \***

□ Initial Lease-Up

Phone:

**NOTE:** Please attach additional sheets as needed.

| Building Identification<br>Number (BIN) | Placed-In-<br>Service (PIS)<br>Date | First Year<br>Credits Claimed<br>(YYYY) | # of LI Units<br>Occupied | # of LI Units<br>Vacant * | # of LI Units<br>Empty* | # of<br>Common<br>Space Units | # of Market<br>Units | Total # of<br>Units |
|-----------------------------------------|-------------------------------------|-----------------------------------------|---------------------------|---------------------------|-------------------------|-------------------------------|----------------------|---------------------|
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| MS-                                     |                                     |                                         |                           |                           |                         |                               |                      |                     |
| Development Total                       |                                     |                                         |                           |                           |                         |                               |                      |                     |

\*Vacant units are units once occupied by a low-income (LI) household. Empty units are units that have never been occupied by a LI household.

I/we (owner) relied in good faith upon information supplied by the occupants and verified the information provided. I/We certify that data presented in this report is accurate to the best of our knowledge.

Signature (Preparer)

Signature (Managing Owner)

Date \_\_\_\_\_

Page #

Prepared by : \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Telephone No.: \_\_\_\_\_

[illegible]

**\*Unit Occupancy Status Codes**

V= Vacant HTC unit  
E= Empty never rented unit  
UR= Unrestricted unit/Market  
OI= Over Income @ recertification  
LI= Qualified low income unit

# *APPENDIX H*

## *Development Financial Analysis Report*

**Mississippi Home Corporation  
Development Financial Analysis  
Part A - Operating Statement Summary Report  
for the year ending December 31**

*Deadline for submission is on or before June 30th.*

**To: Mississippi Home Corporation; P O Box 23369, Jackson, MS 39225-3369**

|                                |                                    |  |
|--------------------------------|------------------------------------|--|
| <b>Certification Period:</b>   |                                    |  |
| <b>Development Information</b> | Project Number▶                    |  |
|                                | Project Name▶                      |  |
|                                | Project County▶                    |  |
|                                | Address, City, State and Zip Code▶ |  |
|                                | Tax ID # of Ownership Entity▶      |  |

**Operating Financial Statement**

|                      |                                                                                                             |
|----------------------|-------------------------------------------------------------------------------------------------------------|
|                      | Gross Actual Rental Income (GARI)<br>Other Rental Income (ORI)<br>Interest Income (II)<br>Other Income (OI) |
| <b>Gross Income▶</b> |                                                                                                             |
|                      | <b>Effective Gross Income (EGI) = (GARI+ORI+II+OI)</b>                                                      |

|                                               |                                      |  |
|-----------------------------------------------|--------------------------------------|--|
| <b>Operating Expenses▶</b>                    | <b>General Administration:</b>       |  |
|                                               |                                      |  |
|                                               | Office                               |  |
|                                               | Manager Salaries                     |  |
|                                               | Dues, Fees, and Licenses             |  |
|                                               | Employee Training/Recruitment        |  |
|                                               | Maintenance                          |  |
|                                               | Travel                               |  |
|                                               | Miscellaneous                        |  |
|                                               | Other: _____                         |  |
|                                               | <b>General Administration TOTAL:</b> |  |
|                                               | <b>Utilities:</b>                    |  |
|                                               |                                      |  |
|                                               | Electricity                          |  |
|                                               | Water and Sewer                      |  |
| Garbage & Trash Removal                       |                                      |  |
| Miscellaneous                                 |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Utilities TOTAL:</b>                       |                                      |  |
| <b>Taxes:</b>                                 |                                      |  |
|                                               |                                      |  |
| Real Estate Taxes                             |                                      |  |
| Payroll Taxes                                 |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Taxes TOTAL:</b>                           |                                      |  |
| <b>Insurance:</b>                             |                                      |  |
|                                               |                                      |  |
| Workers' compensation                         |                                      |  |
| Group Insurance                               |                                      |  |
| Property Insurance                            |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Insurance TOTAL:</b>                       |                                      |  |
| <b>Marketing and Advertising:</b>             |                                      |  |
|                                               |                                      |  |
| Signage                                       |                                      |  |
| Marketing                                     |                                      |  |
| Lease-up                                      |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Marketing and Advertising TOTAL:</b>       |                                      |  |
| <b>Reserve Account(s):</b>                    |                                      |  |
|                                               |                                      |  |
| Replacement Reserve                           |                                      |  |
| Operating Reserve                             |                                      |  |
| Owner Rental Assistance Reserve               |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Reserve Account TOTAL:</b>                 |                                      |  |
| <b>Other:</b>                                 |                                      |  |
|                                               |                                      |  |
| Renting                                       |                                      |  |
| Interest                                      |                                      |  |
| Other: _____                                  |                                      |  |
| <b>Other TOTAL:</b>                           |                                      |  |
| <b>Total Operating Expenses (TOE)</b>         |                                      |  |
|                                               |                                      |  |
| <b>Net Operating Income (NOI) = (EGI-TOE)</b> |                                      |  |
| <b>Annual Debt Service Payment (ADSP)</b>     |                                      |  |
| <b>Debt Service Ratio*</b>                    |                                      |  |
| <b>Net Income (EGI-TOE-ADSP)</b>              |                                      |  |

\*Developments with a Debt Service Ratio equal to or less than 1.00 or above 1.30 must attach a written plan of action to address the situation.

**Mississippi Home Corporation  
Development Financial Analysis  
Part B- Report of Replacement Reserve Account  
for the year ending December 31**

*Deadline for submission is on or before June 30th.*

**To: Mississippi Home Corporation; P O Box 23369, Jackson, MS 39225-3369**

|                                           |                                           |                                                                                                                           |  |
|-------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--|
| <b>Certification Period:</b>              |                                           |                                                                                                                           |  |
| <b>Development Information</b>            | Project Number ▶                          |                                                                                                                           |  |
|                                           | Project Name ▶                            |                                                                                                                           |  |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |  |
|                                           | Tax ID # of Ownership Entity ▶            |                                                                                                                           |  |
| <b>Funding</b>                            | Funding Source for Certification Period ▶ | <input type="checkbox"/> Equity Payments<br><input type="checkbox"/> Operating Account<br><input type="checkbox"/> Other: |  |
| <b>FDIC Insured Financial Institution</b> | Name of Financial Institution ▶           |                                                                                                                           |  |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |  |

Table B(1)

**Replacement Reserve Account**

| Beginning Balance (refer to 12/31 balance of prior year) |      |                                                        |                 |             |                 |
|----------------------------------------------------------|------|--------------------------------------------------------|-----------------|-------------|-----------------|
| Replacement Reserve Account Activity                     | Date | Activity Type/Description of Withdrawal, if applicable | Deposits        | Withdrawals | Reserve Balance |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
|                                                          |      |                                                        |                 |             |                 |
| Totals                                                   |      |                                                        |                 |             |                 |
|                                                          |      |                                                        | Ending balance: |             |                 |

**Reserve Withdrawal Explanation:** *Please provide a description of the expenditures for with the withdrawals were used.*

| Date | Explanation |
|------|-------------|
|      |             |
|      |             |
|      |             |
|      |             |



**Mississippi Home Corporation  
Development Financial Analysis  
Part C- Report of Operating Reserve Account  
for the year ending December 31**

*Deadline for submission is on or before June 30th.*

**To: Mississippi Home Corporation; P O Box 23369, Jackson, MS 39225-3369**

|                                           |                                           |                                                                                                                           |
|-------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>Certification Period:</b>              |                                           |                                                                                                                           |
| <b>Development Information</b>            | Project Number ▶                          |                                                                                                                           |
|                                           | Project Name ▶                            |                                                                                                                           |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |
|                                           | Tax ID # of Ownership Entity ▶            |                                                                                                                           |
| <b>Funding</b>                            | Funding Source for Certification Period ▶ | <input type="checkbox"/> Equity Payments<br><input type="checkbox"/> Operating Account<br><input type="checkbox"/> Other: |
| <b>FDIC Insured Financial Institution</b> | Name of Financial Institution ▶           |                                                                                                                           |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |

Table C(1)

**Operating Reserve Account\***

| Beginning Balance (refer to 12/31 balance of prior year) |      |                                                        |          |             |                 |
|----------------------------------------------------------|------|--------------------------------------------------------|----------|-------------|-----------------|
| Operating Reserve Account Activity                       | Date | Activity Type/Description of Withdrawal, if applicable | Deposits | Withdrawals | Reserve Balance |
|                                                          |      | Replacement Reserve Balance                            |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
|                                                          |      |                                                        |          |             |                 |
| Totals                                                   |      |                                                        |          |             |                 |
| Ending balance:                                          |      |                                                        |          |             |                 |

*\*Amount to include security deposits, taxes and insurance reserves for RD developments.*

**Mississippi Home Corporation  
Development Financial Analysis  
Part D - Report of Owner Rental Subsidy Account  
for the year ending December 31**

*Deadline for submission is on or before June 30th.*

**To: Mississippi Home Corporation; P O Box 23369, Jackson, MS 39225-3369**

|                                           |                                           |                                                                                                                           |
|-------------------------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>Certification Period:</b>              |                                           |                                                                                                                           |
| <b>Development Information</b>            | Project Number ▶                          |                                                                                                                           |
|                                           | Project Name ▶                            |                                                                                                                           |
|                                           | Project County ▶                          |                                                                                                                           |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |
|                                           | Tax ID # of Ownership Entity ▶            |                                                                                                                           |
| <b>Subsidy Information</b>                | Date FIRST Bldg Placed in Service ▶       |                                                                                                                           |
|                                           | Date of FIRST Subsidy Payment ▶           |                                                                                                                           |
| <b>Funding</b>                            | Funding Source for Certification Period ▶ | <input type="checkbox"/> Equity Payments<br><input type="checkbox"/> Operating Account<br><input type="checkbox"/> Other: |
| <b>FDIC Insured Financial Institution</b> | Name of Financial Institution ▶           |                                                                                                                           |
|                                           | Address, City, State and Zip Code ▶       |                                                                                                                           |

Table D(1)

**Owner Rental Subsidy Reserve Account**

| Owner Rental Subsidy Account Activity | Beginning Balance (refer to 12/31 balance as of prior year) : |                       |                                                        |          |             |                 |
|---------------------------------------|---------------------------------------------------------------|-----------------------|--------------------------------------------------------|----------|-------------|-----------------|
|                                       | Month                                                         | No. of Assisted Units | Activity Type/Description of Withdrawal, if applicable | Deposits | Withdrawals | Reserve Balance |
|                                       | Jan.                                                          |                       |                                                        |          |             |                 |
|                                       | Feb.                                                          |                       |                                                        |          |             |                 |
|                                       | March                                                         |                       |                                                        |          |             |                 |
|                                       | April                                                         |                       |                                                        |          |             |                 |
|                                       | May                                                           |                       |                                                        |          |             |                 |
|                                       | June                                                          |                       |                                                        |          |             |                 |
|                                       | July                                                          |                       |                                                        |          |             |                 |
|                                       | August                                                        |                       |                                                        |          |             |                 |
|                                       | Sept.                                                         |                       |                                                        |          |             |                 |
|                                       | Oct.                                                          |                       |                                                        |          |             |                 |
|                                       | Nov.                                                          |                       |                                                        |          |             |                 |
|                                       | Dec.                                                          |                       |                                                        |          |             |                 |
| Totals                                |                                                               |                       |                                                        |          |             |                 |
| Ending balance:                       |                                                               |                       |                                                        |          |             |                 |

**Mississippi Home Corporation  
Development Financial Analysis  
Part E - Statement of Certification  
for the year ending December 31**

*Deadline for submission is on or before June 30th.*

**To: Mississippi Home Corporation; P O Box 23369, Jackson, MS 39225-3369**

| <b>Certification Period:</b>                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------|--|----------|-----|---------------------------------------------|--------------------------|--------------------------|------------------------------------------------|--------------------------|--------------------------|-----------------------------------------------|--------------------------|--------------------------|--------------------------------------------------|--------------------------|--------------------------|
| <b>Development Information</b>                                                                                                                      | Project Number▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Project Name▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Project County▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Address, City, State and Zip Code▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Tax ID # of Ownership Entity▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>Primary Lender</b>                                                                                                                               | Name of Primary Lender▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Date of Loan Closing▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Term of Loan▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>RD-Financed Developments Only</b>                                                                                                                | Please indicate below based on status during reporting period:<br>Is the referenced development currently participating in an approved workout plan by Rural Development (RD)?<br><div style="display: flex; align-items: center; margin-top: 5px;"> <input type="checkbox"/> Yes    Plan Year: _____ to _____         </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <input type="checkbox"/> No         </div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>Checklist</b>                                                                                                                                    | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Attached</th> <th style="width: 20%; text-align: center;">N/A</th> </tr> </thead> <tbody> <tr> <td>Part A - Operating Statement Summary Report</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Part B- Report of Replacement Reserve Account*</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Part C- Report of Operating Reserve Account *</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td>Part D - Report of Owner Rental Subsidy Account*</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </tbody> </table> |                          |                      |  | Attached | N/A | Part A - Operating Statement Summary Report | <input type="checkbox"/> | <input type="checkbox"/> | Part B- Report of Replacement Reserve Account* | <input type="checkbox"/> | <input type="checkbox"/> | Part C- Report of Operating Reserve Account * | <input type="checkbox"/> | <input type="checkbox"/> | Part D - Report of Owner Rental Subsidy Account* | <input type="checkbox"/> | <input type="checkbox"/> |
|                                                                                                                                                     | Attached                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | N/A                      |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| Part A - Operating Statement Summary Report                                                                                                         | <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| Part B- Report of Replacement Reserve Account*                                                                                                      | <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| Part C- Report of Operating Reserve Account *                                                                                                       | <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| Part D - Report of Owner Rental Subsidy Account*                                                                                                    | <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>Report Preparer</b><br><small>(individual who prepared the financial report from which information for this report has been pulled from)</small> | <input type="checkbox"/> <b>Owner / Owner Representative Prepared</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Preparer's Name ▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                          | Daytime Phone Number |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Address, City, State and Zip Code▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | <input type="checkbox"/> <b>Independent Auditor (CPA)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Preparer's Name▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          | Daytime Phone Number |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Address, City, State and Zip Code▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | <b>Financial Report prepared based on:</b><br>A. <input type="checkbox"/> Cash <input type="checkbox"/> Accrual    B. <input type="checkbox"/> Calendar Year <input type="checkbox"/> Other: _____                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>Owner Statement</b><br><small>Keep a copy for your records</small>                                                                               | Under penalties of perjury, I, the owner of the aforementioned development, hereby certify that the information provided thereof, and to the best of my knowledge and belief, is true, accurate and complete. Declaration of preparer (other than taxpayer) is based on all information which preparer has any knowledge. I hereby swear or affirm to the best of my knowledge, information and belief.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Owner/ GP Printed Name                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Daytime Phone Number     |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Owner/ GP Signature                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Date                     |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
| <b>Notary</b>                                                                                                                                       | Given under my hand and official seal this ____ day of _____, 20 ____ .<br><br><div style="text-align: center;">(Seal)</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |
|                                                                                                                                                     | Notary's Signature▶                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                          |                      |  |          |     |                                             |                          |                          |                                                |                          |                          |                                               |                          |                          |                                                  |                          |                          |

\* Applies to developments allocated credits 1999 and beyond. Please do not submit Part D if the commitment for ORA has expired.

# *APPENDIX I*

## *Qualified Contract Resources & Forms*

*(Date)*

Mississippi Home Corporation  
P O Box 23369  
Jackson, MS 39225-3369

RE:   Development Name:  
          Project No.  
          Project Address:

Dear Housing Finance Agency:

I hereby request that the Corporation present a “qualified contract” for the purchase of (Development Name). This request is made pursuant to Section 42(h)(6)(E)(i)(II) of the Internal Revenue Code. We understand the Corporation will have one year from its receipt of this letter and all of the accompanying information described below, to present a “qualified contract” for the purchase of the referenced development.

We have enclosed with this request the following documents and information required by the Corporation:

1.     A fully completed “Calculation of Qualified Contract” Price, including Worksheets A-E. This form was completed, or reviewed and approved by the accountant’s for the development, (Accountant’s Name).
2.     A thorough narrative description of the development, including all amenities, suitable for familiarizing prospective purchasers with the development (# of units, unit mix, rent amount per unit, utility allowance, # of buildings, a complete description of all improvements, services, and current staff).
3.     A description of all income, rental and other restrictions, if any, applicable to the operation of the development.
4.     A detailed set of photographs of the development, including the interior and exterior of representative apartment units and buildings, and the development grounds.
5.     Area maps, site plans, as built survey, if applicable.
6.     A copy of the most recent 12 months of operating statements for the development which will fairly apprise a potential purchaser of the development’s operating expenses, debt service, gross receipts, net cash flow and debt service coverage ratio.
7.     Prior year audited operating statement, current operating budget, year-to-date comparison of actual expenses to operating budget.
8.     Description of utilities provided by owner, insurance company, Insurance provider and existing coverage and cost, special assessments, real estate tax assessment, valuation, tax rate and current taxes.
9.     A current rent roll reflecting the unit #, tenant name, lease expiration, current rent amount.
10.    If any portion of the land or improvements are leased, copies of the leases.

11. Title policy (most recent).
12. Copy of the most recent physical needs assessment. If none is available, description by owner/manager of the development's physical needs (deferred maintenance).

We understand that the above information may be shared with prospective purchasers, real estate brokers and agents of the Corporation, and summary data may be posted on the Corporation's website.

We will reasonably cooperate with the Corporation and its agents with respect to the Corporation's efforts to present a qualified contract for the purchase of the development. In this regard, we understand that prior to the presentation of a qualified contract, we may need to share "due diligence" with the Corporation and with prospective purchasers, including but not limited to, additional rent rolls, project tax returns, income certifications, and other Section 42 compliance records, records with respect to repair and maintenance of the development, operating expenses and debt service. Provided, before information is shared with a prospective purchaser, we may require that it enter into a commercially reasonable form of nondisclosure agreement. We will also share with the Corporation, at its request, the documents and other information that were used to prepare the enclosed Calculation of Qualified Contract Price, including Worksheets A-E. We also agree to allow the Corporation, its agents, and prospective purchasers, upon reasonable written prior notice, to visit and inspect the development, including representative apartment units.

We further understand that if the Corporation finds a prospective purchaser willing to present an offer to purchase the development for an amount equal to or greater than the "qualified contract" price, we agree to enter into a commercially reasonable form of earnest money agreement or other contract of sale of the development which will allow prospective purchaser a reasonable period of time to undertake additional, customary due diligence prior to closing the purchase.

We further state our willingness (non-willingness) to amend the sales price to \$\_\_\_\_\_ based on current market conditions and other pertinent considerations.

Very truly yours,

Owner

**MISSISSIPPI HOME CORPORATION**

**HOUSING TAX CREDIT PROGRAM**

Calculation of Qualified Contract Price  
IRC Section 42(h)(6)(F)

**A. Calculation of Low Income Portion of Payment:**

- (i) Outstanding Indebtedness secured by or with respect to the Buildings (from *Worksheet A*) \_\_\_\_\_
- (ii) Adjusted Investor Equity (from *Worksheet B*) \_\_\_\_\_
- (iii) Other Capital Contributions not reflected in (i) or (ii) (from *Worksheet C*) \_\_\_\_\_
- (iv) Total of (i), (ii) and (iii) \_\_\_\_\_
- (v) Cash Distributions from or available from the Project (from *Worksheet D*) \_\_\_\_\_
- (vi) Line (iv) reduced by Line (v) \_\_\_\_\_
- (vii) Applicable fraction \_\_\_\_\_
- (viii) Low-Income Portion of Qualified Contract Price (Line (vi) multiplied by Line (vii)) \_\_\_\_\_

**B. Fair Market Value of Non Low Income Portion of Building(s)** \_\_\_\_\_

**C. Qualified Contract Price** (Sum of Line A (viii) and Line B) \_\_\_\_\_

MISSISSIPPI HOME CORPORATION  
Low Income Housing Tax Credit Program

**WORKSHEET A**

Outstanding Indebtedness With Respect to Low-Income Buildings(s)  
Code Section 42(h)(6)(F)(i)(I)

**Instructions**

The Qualified Contract Price includes the unpaid balance of all secured and unsecured indebtedness (as of 12/31 of Year 15) with respect to the low income buildings. Worksheet A requires you to set forth certain information with respect to each mortgage loan and other project indebtedness, such as the name of the lender, the unpaid principal balance, the accrued interest, the maturity date, and other relevant information.

In the box marked "Other Information," please set forth any information with respect to that particular loan that may be relevant to OHFA's efforts to assist in locating a purchaser for the project. Examples of relevant information include whether the loan has a "due on sale" clause or if any portion of the loan is payable from net cash flow (i.e., is "soft" debt).

In addition to mortgage indebtedness, list any unsecured, long term debt the proceeds of which were used directly in the construction, rehabilitation, or operations of the project.

The unpaid principal balance and accrued interest for each loan set forth on this Worksheet A should be totaled and that total will be transferred to Section A(i) of the Calculation Form.

**First Mortgage Loan:**

|                   |          |       |
|-------------------|----------|-------|
| Lender:           | _____    | _____ |
| Principal Balance | _____    | _____ |
| Accrued Interest  | _____    | _____ |
| Maturity Date     | _____    | _____ |
| Other Information | _____    | _____ |
|                   | _____    | _____ |
|                   | _____    | _____ |
|                   | Subtotal | _____ |

**Second Mortgage Loan:**

|                   |          |       |
|-------------------|----------|-------|
| Lender:           | _____    | _____ |
| Principal Balance | _____    | _____ |
| Accrued Interest  | _____    | _____ |
| Maturity Date     | _____    | _____ |
| Other Information | _____    | _____ |
|                   | _____    | _____ |
|                   | _____    | _____ |
|                   | Subtotal | _____ |

**Third Mortgage Loan:**

|                   |          |       |
|-------------------|----------|-------|
| Lender:           | _____    | _____ |
| Principal Balance | _____    | _____ |
| Accrued Interest  | _____    | _____ |
| Maturity Date     | _____    | _____ |
| Other Information | _____    | _____ |
|                   | _____    | _____ |
|                   | _____    | _____ |
|                   | Subtotal | _____ |

**Fourth Mortgage Loan:**

|                   |          |       |
|-------------------|----------|-------|
| Lender:           | _____    | _____ |
| Principal Balance | _____    | _____ |
| Accrued Interest  | _____    | _____ |
| Maturity Date     | _____    | _____ |
| Other Information | _____    | _____ |
|                   | _____    | _____ |
|                   | _____    | _____ |
|                   | Subtotal | _____ |

**Other Indebtedness:**

|                   |          |       |
|-------------------|----------|-------|
| Lender:           | _____    | _____ |
| Principal Balance | _____    | _____ |
| Accrued Interest  | _____    | _____ |
| Maturity Date     | _____    | _____ |
| Other Information | _____    | _____ |
|                   | _____    | _____ |
|                   | _____    | _____ |
|                   | Subtotal | _____ |

|                                                                                 |           |       |
|---------------------------------------------------------------------------------|-----------|-------|
| <b>Total Indebtedness with Respect to Low-Income Portion of the Building(s)</b> | <b>\$</b> | _____ |
|---------------------------------------------------------------------------------|-----------|-------|



## MISSISSIPPI HOME CORPORATION

## HOUSING TAX CREDIT PROGRAM

## Worksheet B

## Calculation of Adjusted Investor Equity In the Low-Income Building(s)

Code Section 42 (h)(6)(F)(i)(II)

"Adjusted Investor Equity" means, with respect to each calendar year, the aggregate amount of cash that taxpayers invested with respect to the low income buildings, increased by the applicable cost of living adjustment, if any. An amount may be taken into account as an investment in a low income building only to the extent there was an obligation to invest such amount as of the beginning of the credit period and to the extent such amount is reflected in the adjusted basis of the building. Amounts should be included in this Worksheet B only if they satisfy the requirements of IRS Code Section 42.

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

Year \_\_\_\_\_ **Adjusted Investor Equity**  
Investor: \_\_\_\_\_  
Investment Amount \_\_\_\_\_  
Cost of Living Adjustment % \_\_\_\_\_  
Cost of Living Increase \_\_\_\_\_ \$ \_\_\_\_\_  
Subtotal \$ \_\_\_\_\_

**Total Adjusted Investor Equity** \$ \_\_\_\_\_

\_\_\_\_\_

MISSISSIPPI HOME CORPORATION

HOUSING TAX CREDIT PROGRAM

**WORKSHEET C**

Other Capital Contributions

Code Section 42(h)(6)(F)(i)(III)

Please set forth below the amount of any other capital contributions by an investor with respect to the low income portion of the buildings that are not included in the "Outstanding Indebtedness" identified in Worksheet A or the "Adjusted Investor Equity" identified in Worksheet B.

Investment Amount

Name of Investor: \_\_\_\_\_

Date of Investment \_\_\_\_\_

Use of Contributions/Proceeds: \_\_\_\_\_

Other Information: \_\_\_\_\_

Investment Amount

Name of Investor: \_\_\_\_\_

Date of Investment \_\_\_\_\_

Use of Contributions/Proceeds: \_\_\_\_\_

Other Information: \_\_\_\_\_

Investment Amount

Name of Investor: \_\_\_\_\_

Date of Investment \_\_\_\_\_

Use of Contributions/Proceeds: \_\_\_\_\_

Other Information: \_\_\_\_\_

Total of Other Contributions      \$ \_\_\_\_\_

MISSISSIPPI HOME CORPORATION

HOUSING TAX CREDIT PROGRAM

WORKSHEET D

Cash Distributions From, or available from, the Project  
Code Section 42(h)(6)(F)(ii)

The "qualified contract price" is reduced by the total of all cash distributions from, or available from, the project. Accordingly, in Section A below, please set forth all cash distributions by the project owner for each of the calendar years of the first 14 years of the compliance period. For this purpose, please include all cash distributed or paid to a partner (or member, in the case of a limited liability company) or any related party affiliated thereof, whether characterized as a return of capital fee, a distribution, or otherwise. Further, if you believe that any portion of the cash distribution is not properly included in this calculation, please set forth the amount you believe should be excluded with an explanation of why you believe that it should be excluded.

In Section B, please set forth the amount of cash currently held in the described accounts and the amounts thereof you believe are, or will be available for distribution.

In Section C, please set forth and describe any non-cash distributions that have been made by the project owner. Absent unusual circumstances, the amount of non-cash distributions will not be applied to reduce the "qualified contract price".

Section A. Cash Distributed

|      |                                   |       |
|------|-----------------------------------|-------|
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |

|      |                                   |       |
|------|-----------------------------------|-------|
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
| Year | _____ Distributions               |       |
|      | Total Distributions               | _____ |
|      | Recipient:                        | _____ |
|      | Characterization of Distribution: | _____ |
|      |                                   | _____ |
|      |                                   | _____ |
|      |                                   | _____ |

Total Distributions in First 14 Years of Compliance Period \$ \_\_\_\_\_

## Worksheet D (continued)

**Section B. Cash Available for Distribution**

Amounts Held in Replacement Reserve Account(s) \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

Amounts Held in Operating Reserve Account(s) \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

Amounts Held in Other Reserve Accounts

Account \_\_\_\_\_

Amount Held \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

Account \_\_\_\_\_

Amount Held \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

Account \_\_\_\_\_

Amount Held \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

Amounts Held in Partnership Accounts Other than Reserves \_\_\_\_\_

Amount available for Distribution \_\_\_\_\_

**Total Amount Available for Distribution** \$ \_\_\_\_\_**Total Cash Distributed and Available for Distribution** \$ \_\_\_\_\_**Section C. All Non-Cash Distributions**

Asset Distributed \_\_\_\_\_

Recipient \_\_\_\_\_

Date of Distribution \_\_\_\_\_

Estimated Value of Asset at the time of  
Distribution \_\_\_\_\_

Reason for /or Characterization of Distribution \_\_\_\_\_

Asset Distributed \_\_\_\_\_

Recipient \_\_\_\_\_

Date of Distribution \_\_\_\_\_

Estimated Value of Asset at the time of  
Distribution \_\_\_\_\_

Reason for /or Characterization of Distribution \_\_\_\_\_

Asset Distributed \_\_\_\_\_

Recipient \_\_\_\_\_

Date of Distribution \_\_\_\_\_

Estimated Value of Asset at the time of  
Distribution \_\_\_\_\_

Reason for /or Characterization of Distribution \_\_\_\_\_

MISSISSIPPI HOME CORPORATION

HOUSING TAX CREDIT PROGRAM

**WORKSHEET E**

**Fair Market Value of Low and Non Low Income Portion of Building(s) and Land**

Set forth or attach to this worksheet the appraisal, study, methodology proof or other support for the fair market value of the non-low income portion of the building(s).

# *APPENDIX J*

*HTC Program “Tax” Forms*

# Low-Income Housing Credit Allocation and Certification

OMB No. 1545-0988

## Part I Allocation of Credit

Check if: ☐ Addition to Qualified Basis ☐ Amended Form

|                                                                               |                                                           |
|-------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>A</b> Address of <b>building</b> (do not use P.O. box) (see instructions)  | <b>B</b> Name and address of <b>housing credit agency</b> |
| <b>C</b> Name, address, and TIN of <b>building owner</b> receiving allocation | <b>D</b> Employer identification number of agency         |
| TIN ▶ .....                                                                   | <b>E</b> Building identification number (BIN)             |

|                                                                                                                                                                                                           |                                                                                                          |                                                     |         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------|---------|
| <b>1a</b> Date of allocation ▶ .....                                                                                                                                                                      | <b>b</b> Maximum housing credit dollar amount allowable                                                  | <b>1b</b>                                           |         |
| <b>2</b> Maximum applicable credit percentage allowable . . . . .                                                                                                                                         |                                                                                                          | <b>2</b>                                            | %       |
| <b>3a</b> Maximum qualified basis . . . . .                                                                                                                                                               |                                                                                                          | <b>3a</b>                                           |         |
| <b>b</b> If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible basis was increased (see instructions) . . . . . |                                                                                                          | <b>3b</b>                                           | 1 _ _ % |
| <input type="checkbox"/> Building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone                                                                                               |                                                                                                          |                                                     |         |
| <input type="checkbox"/> Section 42(d)(5)(C) high cost area provisions                                                                                                                                    |                                                                                                          |                                                     |         |
| <b>4</b> Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-.) . . . . .                                                                                                  |                                                                                                          | <b>4</b>                                            | %       |
| <b>5</b> Date building placed in service . . . . . ▶ .....                                                                                                                                                |                                                                                                          |                                                     |         |
| <b>6</b> Check the boxes that describe the allocation for the building (check those that apply):                                                                                                          |                                                                                                          |                                                     |         |
| <b>a</b> <input type="checkbox"/> Newly constructed and federally subsidized                                                                                                                              | <b>b</b> <input type="checkbox"/> Newly constructed and <b>not</b> federally subsidized                  | <b>c</b> <input type="checkbox"/> Existing building |         |
| <b>d</b> <input type="checkbox"/> Sec. 42(e) rehabilitation expenditures federally subsidized                                                                                                             | <b>e</b> <input type="checkbox"/> Sec. 42(e) rehabilitation expenditures <b>not</b> federally subsidized |                                                     |         |
| <b>f</b> <input type="checkbox"/> Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E)                                                                                                 | <b>g</b> <input type="checkbox"/> Allocation subject to nonprofit set-aside under sec. 42(h)(5)          |                                                     |         |

## Signature of Authorized Housing Credit Agency Official—Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct, and complete.

Signature of authorized official      Name (please type or print)      Date

## Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

|                                                                                                                                                                                                                                        |                                              |                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|-----------------------------|
| <b>7</b> Eligible basis of building (see instructions) . . . . .                                                                                                                                                                       | <b>7</b>                                     |                             |
| <b>8a</b> Original qualified basis of the building at close of first year of credit period . . . . .                                                                                                                                   | <b>8a</b>                                    |                             |
| <b>b</b> Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)? . . . . .                                                                                                | <input type="checkbox"/> Yes                 | <input type="checkbox"/> No |
| <b>9a</b> If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)? . . . . .                                                                                                                   | <input type="checkbox"/> Yes                 | <input type="checkbox"/> No |
| <b>b</b> For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)? . . . . . ▶ | <input type="checkbox"/> Yes                 | <input type="checkbox"/> No |
| <b>10</b> Check the appropriate box for each election:                                                                                                                                                                                 |                                              |                             |
| <b>Caution:</b> Once made, the following elections are irrevocable.                                                                                                                                                                    |                                              |                             |
| <b>a</b> Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ▶                                                                                                                      | <input type="checkbox"/> Yes                 | <input type="checkbox"/> No |
| <b>b</b> Elect <b>not</b> to treat large partnership as taxpayer (section 42(j)(5)) . . . . . ▶                                                                                                                                        | <input type="checkbox"/> Yes                 |                             |
| <b>c</b> Elect minimum set-aside requirement (section 42(g)) (see instructions) <input type="checkbox"/> 20-50 <input type="checkbox"/> 40-60                                                                                          | <input type="checkbox"/> 25-60 (N.Y.C. only) |                             |
| <b>d</b> Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions) . . . . .                                                                                                                                            | <input type="checkbox"/> 15-40               |                             |

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature      Taxpayer identification number      Date  
Name (please type or print)      Tax year

## What's New

Buildings located in the Gulf Opportunity (GO) Zone, Rita GO Zone, and Wilma GO Zone that receive allocations in 2006, 2007, or 2008 and are placed in service during the period beginning on January 1, 2006, and ending on December 31, 2010, may have an increased eligible basis. Also, credit allocations made to buildings in these specific zones may take place in a year other than the year the building is put in service (see *Allocation of Credit*, later). See Pub. 4492, *Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma*, for a list of the counties and parishes in these specific zones.

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Owners of residential low-income rental buildings are allowed a low-income housing credit for each qualified building over a 10-year credit period. Form 8609 can be used to obtain a housing credit allocation from the housing credit agency. A separate Form 8609 must be issued for each building in a multiple building project. Form 8609 is also used to certify certain information.

**Housing credit agency.** This is any state or local agency authorized to make low-income housing credit allocations within its jurisdiction.

**Building identification number (BIN).** This number is assigned by the housing credit agency. The BIN initially assigned to a building must be used for any allocation of credit to the building that requires a separate Form 8609 (see *Multiple Forms 8609* on this page). For example, rehabilitation expenditures treated as a separate new building should not have a separate BIN if the building already has one. Use the number first assigned to the building.

**Allocation of credit.** For an owner to claim a low-income housing credit on a building (except as explained under *Tax-exempt bonds* later), the housing credit agency must make an allocation of the credit by the close of the calendar year in which the building is placed in service, unless:

1. The allocation is the result of an advance binding commitment by the credit agency made not later than the close of the calendar year in which the building is placed in service (see section 42(h)(1)(C));
2. The allocation relates to an increase in qualified basis (see section 42(h)(1)(D));
3. The allocation is made to a building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone, if the allocation is made in 2006, 2007, or 2008 and the building is placed in service during the period beginning on January 1, 2006, and ending on December 31, 2010;
4. The allocation is made for a building placed in service no later than the second calendar year following the calendar year in which the allocation is made if the building is part of a project in which the taxpayer's basis is more than 10% of the project's reasonably expected basis as of the end of that second calendar year; or
5. The allocation is made for a project that includes more than one building if:

- a. The allocation is made during the project period,
- b. The allocation applies only to buildings placed in service during or after the calendar year in which the allocation is made, and
- c. The part of the allocation that applies to any building is specified by the end of the calendar year in which the building is placed in service.

See sections 42(h)(1)(E) and 42(h)(1)(F) and Regulations section 1.42-6 for more details.

The agency can only make an allocation to a building located within its geographical jurisdiction. Once an allocation is made, the credit is allowable for all years during the 10-year credit period. A separate Form 8609 must be completed for each building to which an allocation of credit is made.

**Multiple Forms 8609.** Allocations of credit in separate calendar years require separate Forms 8609. Also, when a building receives separate allocations for acquisition of an existing building and for rehabilitation expenditures, a separate Form 8609 must be completed for each credit allocation.

**Tax-exempt bonds.** No housing credit allocation is required for any portion of the eligible basis of a qualified low-income building that is financed with tax-exempt bonds taken into account for purposes of the volume cap under section 146. An allocation is not needed when 50% or more of the aggregate basis of the building and the land on which the building is located (defined below) is financed with certain tax-exempt bonds. However, the owner still must get a Form 8609 from the appropriate housing credit agency (with the applicable items completed, including an assigned BIN).

**Land on which the building is located.** This includes only land that is functionally related and subordinate to the qualified low-income building (see Regulations sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) for the meaning of "functionally related and subordinate").

### Filing Requirement

**Housing credit agency.** Complete and sign Part I of Form 8609 and make copies of the form. Submit a copy with Form 8610, Annual Low-Income Housing Credit Agencies Report, and keep a copy for the records. The agency must send the original, signed Form 8609 (including instructions) to the building owner.

**Building owner.** You must make a one-time submission of Form 8609 to the Low-Income Housing Credit (LIHC) Unit at the IRS Philadelphia campus. After making a copy of the completed original Form 8609, file the original of the form with the unit no later than the due date (including extensions) of your first tax return with which you are filing Form 8609-A, Annual Statement for Low-Income Housing Credit.

**Where to file Form 8609.** Send the properly completed and signed form(s) to:

Internal Revenue Service  
P.O. Box 331  
Attn: LIHC Unit, DP 607 South  
Philadelphia Campus  
Bensalem, PA 19020

**Note.** The housing credit agency may require you to submit a copy of Form 8609 with a completed Part II to the agency. You should contact the agency to obtain agency filing requirements.

Also, file Form 8609-A for each year of the 15-year compliance period. The credit is claimed on Form 8586, Low-Income Housing Credit. See the forms for filing instructions.

### Building Owner's Recordkeeping

Keep the following items in your records for three years after the due date (including extensions) of the owner's tax return for the tax year that includes the end of the 15-year compliance period.

- A copy of the original Form 8609 received from the housing agency and all related Forms 8609-A (or predecessor Schedules A (Form 8609)), Forms 8586, and any Forms 8611, Recapture of Low-Income Housing Credit.
- If the maximum applicable credit percentage allocated to the building on line 2 reflects an election under section 42(b)(2)(A)(ii), a copy of the election statement.
- If the binding agreement specifying the housing credit dollar amount is contained in a separate document, a copy of the binding agreement.
- If the housing credit dollar amount allocated on line 1b reflects an allocation made under section 42(h)(1)(E) or section 42(h)(1)(F), a copy of the allocation document.

## Specific Instructions

### Part I—Allocation of Credit

#### Completed by Housing Credit Agency Only

**Addition to qualified basis.** Check this box if an allocation relates to an increase in qualified basis under section 42(f)(3). Enter only the housing credit dollar amount for the increase. Do not include any portion of the original qualified basis when determining this amount.

**Amended form.** Check this box if this form amends a previously issued form. Complete all entries and explain the reason for the amended form. For example, if there is a change in the amount of initial allocation before the close of the calendar year, file an amended Form 8609 instead of the original form.

**Item A.** Identify the building for which this Form 8609 is issued when there are multiple buildings with the same address (e.g., BLDG. 6 of 8).

**Line 1a.** Generally, where Form 8609 is the allocating document, the date of the allocation is the date the Form 8609 is completed, signed, and dated by an authorized official of the housing credit agency during the year the building is placed in service.

However, if an allocation is made under section 42(h)(1)(E) or 42(h)(1)(F), the date of allocation is the date the authorized official of the housing credit agency completes, signs, and dates the section 42(h)(1)(E) or 42(h)(1)(F)



document used to make the allocation. If no allocation is required (i.e., 50% or greater tax-exempt bond financed building), leave line 1a blank.

**Line 1b.** Enter the housing credit dollar amount allocated to the building for each year of the 10-year credit period. The amount should equal the percentage on line 2 multiplied by the amount on line 3a. As the housing credit agency is required to allocate an amount that is only necessary to assure project feasibility, the percentage on line 2 and the amount on line 3a can be lowered by the housing agency. For tax-exempt bond projects for which no allocation is required, enter the housing credit dollar amount allowable under section 42(h)(4).

**Line 2.** Enter the maximum applicable credit percentage allowable to the building for the month the building was placed in service or, if applicable, for the month determined under section 42(b)(2)(A)(ii). This percentage may be less than the applicable percentage published by the IRS.

If an election is made under section 42(b)(2)(A)(ii) to use the applicable percentage for a month other than the month in which a building is placed in service, the requirements of Regulations section 1.42-8 must be met. The agency must keep a copy of the binding agreement. The applicable percentage is published monthly in the Internal Revenue Bulletin. For new buildings that are not federally subsidized under section 42(i)(2)(A), use the applicable percentage for the 70% present value credit. For new buildings that are federally subsidized, or existing buildings, use the applicable percentage for the 30% present value credit. See the instructions for line 6 for the definition of "federally subsidized." A taxpayer may elect under section 42(i)(2)(B) to reduce eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation in order to obtain the higher credit percentage.

For allocations to buildings for additions to qualified basis under section 42(f)(3), do not reduce the applicable percentage even though the building owner may only claim a credit based on two-thirds of the credit percentage allocated to the building.

**Line 3a.** Enter the maximum qualified basis of the building. In computing qualified basis, the housing credit agency should use only the amount of eligible basis necessary to result in a qualified basis which, multiplied by the percentage on line 2, equals the credit amount on line 1b. However, the housing credit agency is not required to reduce maximum qualified basis and can lower the maximum applicable percentage on line 2. To figure this, multiply the eligible basis of the qualified low-income building by the smaller of:

- The fractional amount of low-income units to all residential rental units (the "unit fraction") or
- The fractional amount of floor space of the low-income units to the floor space of all residential rental units (the "floor space fraction").

Generally, a unit is not treated as a low-income unit unless it is suitable for occupancy, used other than on a transient basis, and occupied by qualifying tenants. Section 42(i)(3) provides for certain exceptions (e.g., units that provide for transitional housing for the homeless may qualify as low-income units). See sections 42(i)(3) and 42(c)(1)(E) for more information.

Except as explained in the instructions for line 3b below, the eligible basis for a new building is its adjusted basis as of the close of the first tax year of the credit period. For an existing building, the eligible basis is its acquisition cost plus capital improvements through the close of the first tax year of the credit period. See the instructions for line 3b and section 42(d) for other exceptions and details.

**Line 3b. Special rule to increase basis for buildings in certain high-cost areas.** If the building is located in a high-cost area (i.e., "qualified census tract," "difficult development area," Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone), the eligible basis may be increased as follows.

- For new buildings, the eligible basis may be up to 130% of such basis determined without this provision.
- For existing buildings, the rehabilitation expenditures under section 42(e) may be up to 130% of the expenditures determined without regard to this provision.

Enter the percentage to which eligible basis was increased. For example, if the eligible basis was increased to 120%, enter "120." See section 42(d)(5)(C) for definitions of a qualified census tract and a difficult development area, and for other details.

**Gulf Opportunity (GO) Zone, Rita GO Zone, and Wilma GO Zone.** The housing credit agency may increase the eligible basis of buildings in these specific zones if the buildings were placed in service during the period beginning on January 1, 2006, and ending on December 31, 2010. For more information, see section 1400N(c)(3).

**Note.** Before increasing eligible basis, the eligible basis must be reduced by any federal subsidy which the taxpayer elects to exclude from eligible basis and any federal grant received.

**Line 4.** Enter the percentage of the aggregate basis of the building and land on which the building is located that is financed by certain tax-exempt bonds. If this amount is zero, enter -0- (do not leave this line blank).

**Line 5.** The placed-in-service date for a residential rental building is the date the first unit in the building is ready and available for occupancy under state or local law. Rehabilitation expenditures treated as a separate new building under section 42(e) are placed in service at the close of any 24-month period over which the expenditures are aggregated, whether or not the building is occupied during the rehabilitation period.

**Note.** The placed-in-service date for an existing building is determined separately from the placed-in-service date of rehabilitation expenditures treated as a separate new building.

**Line 6.** Generally, a building is treated as federally subsidized if at any time during the tax year or any prior tax year there is outstanding any tax-exempt bond financing or any below-market federal loan, the proceeds of which are used (directly or indirectly) for the building or its operation. If a building is federally subsidized, then box 6a or 6d must be checked regardless of whether the taxpayer has informed the housing credit agency that the taxpayer intends to make the election under section 42(i)(2)(B) to reduce eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation.

However, under section 42(i)(2)(E), buildings receiving assistance under the HOME Investment

Partnerships Act (as in effect on August 10, 1993) or the Native American Housing Assistance and Self-Determination Act of 1996 (as in effect on October 1, 1997) are not treated as federally subsidized if 40% or more of the residential units in the building are occupied by individuals whose income is 50% or less of the area median gross income (or national nonmetropolitan median gross income, when applicable). Buildings located in New York City receiving this assistance are not treated as federally subsidized if 25% or more of the residential units in the building are occupied by individuals whose income is 50% or less of the area median gross income.

Not more than 90% of the state housing credit ceiling for any calendar year can be allocated to projects other than projects involving qualified nonprofit organizations. A qualified nonprofit organization must own an interest in the project (directly or through a partnership) and materially participate (within the meaning of section 469(h)) in the development and operation of the project throughout the compliance period. See section 42(h)(5) for more details.

Generally, no credit is allowable for acquisition of an existing building unless substantial rehabilitation is done. See sections 42(d)(2)(B)(iv) and 42(f)(5). Do not issue Form 8609 for acquisition of an existing building unless substantial rehabilitation under section 42(e) is placed in service.

## Part II—First-Year Certification

**Completed by Building Owner with respect to the First Year of the Credit Period**



*By completing Part II, you are certifying the date the building is placed in service corresponds to the date on line 5. If the*

*Form 8609 issued to you contains the wrong date or no date, obtain a new or amended Form 8609 from the housing credit agency.*

**Line 7.** Enter the eligible basis (in dollars) of the building. Eligible basis does not include the cost of land. Determine eligible basis at the close of the first year of the credit period (see sections 42(f)(1), 42(f)(5), and 42(g)(3)(B)(iii) for determining the start of the credit period).

For new buildings, the eligible basis is generally the cost of construction or rehabilitation expenditures incurred under section 42(e).

For existing buildings, the eligible basis is the cost of acquisition plus rehabilitation expenditures not treated as a separate new building under section 42(e) incurred by the close of the first year of the credit period.

If the housing credit agency has entered an increased percentage in Part I, line 3b, multiply the eligible basis by the increased percentage and enter the result.

Residential rental property may qualify for the credit even though part of the building in which the residential rental units are located is used for commercial use. Do not include the cost of the nonresidential rental property. However, you may generally include the basis of common areas or tenant facilities, such as swimming pools or parking areas, provided there is no separate fee for the use of these facilities and they are made available on a comparable basis to all tenants in the project.

**Annual Statement for Low-Income Housing Credit**

OMB No. 1545-0988

Attachment  
Sequence No. **36**► **File with owner's federal income tax return.**

Name(s) shown on return

Identifying number

**Part I Compliance Information**

|                                                                                                                                                                                                                                                                                            | Yes | No |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|
| <b>A</b> Building identification number (BIN) ► .....                                                                                                                                                                                                                                      |     |    |
| <b>B</b> This Form 8609-A is for (check the box) ► a newly constructed or existing building <input type="checkbox"/><br>section 42(e) rehabilitation expenditures <input type="checkbox"/>                                                                                                 |     |    |
| <b>C</b> Do you have in your records the original Form 8609 (or a copy thereof) signed and issued by the housing credit agency for the building in <b>A</b> ? . . . . .<br>If "No," see the instructions and stop here—do not go to Part II.                                               |     |    |
| <b>D</b> Did the building in <b>A</b> qualify as a part of a qualified low-income housing project and meet the requirements of section 42 as of the end of the tax year for which this form is being filed? . . . . .<br>If "No," see the instructions and stop here—do not go to Part II. |     |    |
| <b>E</b> Was there a decrease in the qualified basis of the building in <b>A</b> for the tax year for which this form is being filed? . . . . .<br>If "Yes," see the instructions. If "No," and the entire credit has been claimed in prior tax years, stop here—do not go to Part II.     |     |    |

**Part II Computation of Credit**

|                                                                                                                                                                        |           |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| <b>1</b> Eligible basis of building . . . . .                                                                                                                          | <b>1</b>  |  |
| <b>2</b> Low-income portion (smaller of unit fraction or floor space fraction) (if first year of the credit period, see instructions) . . . . .                        | <b>2</b>  |  |
| <b>3</b> Qualified basis of low-income building. Multiply line 1 by line 2 (see instructions for exceptions)                                                           | <b>3</b>  |  |
| <b>4</b> Part-year adjustment for disposition or acquisition during the tax year . . . . .                                                                             | <b>4</b>  |  |
| <b>5</b> Credit percentage . . . . .                                                                                                                                   | <b>5</b>  |  |
| <b>6</b> Multiply line 3 or line 4 by the percentage on line 5 . . . . .                                                                                               | <b>6</b>  |  |
| <b>7</b> Additions to qualified basis, if any . . . . .                                                                                                                | <b>7</b>  |  |
| <b>8</b> Part-year adjustment for disposition or acquisition during the tax year . . . . .                                                                             | <b>8</b>  |  |
| <b>9</b> Credit percentage. Enter one-third of the percentage on line 5 . . . . .                                                                                      | <b>9</b>  |  |
| <b>10</b> Multiply line 7 or line 8 by the percentage on line 9 . . . . .                                                                                              | <b>10</b> |  |
| <b>11</b> Section 42(f)(3)(B) modification . . . . .                                                                                                                   | <b>11</b> |  |
| <b>12</b> Add lines 10 and 11 . . . . .                                                                                                                                | <b>12</b> |  |
| <b>13</b> Credit for building before line 14 reduction. Subtract line 12 from line 6 . . . . .                                                                         | <b>13</b> |  |
| <b>14</b> Disallowed credit due to federal grants (see instructions). . . . .                                                                                          | <b>14</b> |  |
| <b>15</b> Credit allowed for building for tax year. Subtract line 14 from line 13, but do not enter more than the amount shown on Form 8609, Part I, line 1b . . . . . | <b>15</b> |  |
| <b>16</b> Taxpayer's proportionate share of credit for the year (see instructions) . . . . .                                                                           | <b>16</b> |  |
| <b>17</b> Adjustments for deferred first-year credit (see instructions) . . . . .                                                                                      | <b>17</b> |  |
| <b>18</b> Taxpayer's credit. Combine lines 16 and 17. Enter here and on Form 8586 . . . . .                                                                            | <b>18</b> |  |

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Note.** Some of the line numbers on the December 1988, March 1991, and November 2003 revisions of Form 8609, Low-Income Housing Credit Allocation Certification, and December 2005, December 2006, and December 2007 revisions of Form 8609, Low-Income Housing Credit Allocation and Certification, differ from other revisions. In these cases, the line references are shown in parentheses in these instructions.

**Purpose of Form**

Form 8609-A is filed by a building owner to report compliance with the low-income housing provisions and calculate the

low-income housing credit. After 2004, Form 8609-A must be filed by the building owner for each year of the 15-year compliance period. File one Form 8609-A for the allocation(s) for the acquisition of an existing building and a separate Form 8609-A for the allocation(s) for rehabilitation expenditures.

If the building owner is a partnership, S corporation, estate, or trust (pass-through entity), the entity will complete Form 8609 and Form 8609-A. The entity will attach Form 8609-A to its tax return. If you are a partner, shareholder, or beneficiary in the pass-through entity that owns the building, file only Form 8586, Low-Income Housing Credit, to claim the credit using the information that the entity furnishes you on Schedule K-1.

**Recapture of Credit**

If the qualified basis of the building has decreased from the qualified basis at the close of the previous tax year, you may have to recapture parts of the credits allowed in previous years. See Form 8611, Recapture of Low-Income Housing Credit.

**Sale of Building**

Upon a change of ownership, the seller should give the new owner a copy of the Form 8609 (Parts I and II complete). This form allows the new owner to substantiate the credit.

## Specific Instructions

### Part I—Compliance Information

**Item A.** Enter the building identification number (BIN) from Part I, item E of Form 8609.

**Item B.** You need to file one Form 8609-A for a newly constructed or existing building. You need to file a separate Form 8609-A for section 42(e) rehabilitation expenditures because such expenditures are treated as creating a new building.

**Item C.** In order to claim the credit, you must have an original, signed Form 8609 (or copy thereof) issued by a housing credit agency assigning a BIN for the building. This applies even if no allocation is required (as in the case of a building financed with tax-exempt bonds). Check "Yes" to certify that you have the required Form 8609 in your records.

**Caution.** Any building owner claiming a credit without receiving a completed Form 8609 that is signed and dated by an authorized official of the housing credit agency and submitting the completed Form 8609 (Part I and Part II) to the IRS is subject to having the credit disallowed.

**Item D.** If "No," stop here and see Form 8611 to find out if you have to recapture part of the credit allowed in prior years.

**Item E.** If "Yes," see the instructions for line 2 to figure the reduced qualified basis. Also, see Form 8611 to find out if you have to recapture part of the credit allowed in prior years.

If "No," and the entire credit has been claimed in prior tax years (generally this can occur after the 11th year for which the credit has been claimed for the building), do not complete Part II.

### Part II—Computation of Credit

**Line 1.** Generally, the eligible basis of a building for its entire 15-year compliance period is the amount of eligible basis entered on Form 8609, line 7b (Part II, line 1b, on the 1988 and 1991 revisions; line 7 on the 2003, 2005, 2006, and 2007 revisions).

**Basis increases for buildings in certain high-cost areas.** In order to increase the credit for buildings in certain high-cost areas, the housing credit agency may increase the eligible basis of buildings located in these areas (after adjustments, if any, for federal subsidies and grants). The agency may make this increase under the high cost area provisions of section 42(d)(5)(C).

**Gulf Opportunity (GO) Zone, Rita GO Zone, and Wilma GO Zone.** The housing credit agency may increase the eligible basis of buildings in these specific zones if the buildings receive allocations in 2006, 2007, or 2008 and the buildings are placed in service during the period beginning on January 1, 2006, and ending on December 31, 2010. See section 1400N(c)(3) for more information. See Pub. 4492, *Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma*, for a list of the counties and parishes in these specific zones.

For revisions of Form 8609 beginning in 1991, the agency shows the increased percentage of the eligible basis in Part I, line 3b. The eligible basis entered on Form 8609 should reflect the percentage increase.

**Note.** This increase cannot cause the credit on line 15 to exceed the credit amount allocated on line 1b, Part I, of Form 8609.

**Basis reductions.** The amount of eligible basis entered on Form 8609 does not include

the cost of land, the amount of any federal grant received for the building during the first year of the credit period, or any portion of a building's adjusted basis for which an election was made prior to November 5, 1990, under section 167(k). Do not reduce the eligible basis on line 1 by the amounts of any federal grants received after the first year of the credit period. The calculation for line 14 will reduce the credit by the amount of any federal grants received during the compliance period that did not reduce the eligible basis during the first year of the credit period.

For more details on determining eligible basis, see the instructions for Form 8609, line 7b (Part II, line 1b, on the 1988 and 1991 revisions; line 7 on the 2003, 2005, 2006, and 2007 revisions).

**Line 2.** Only the portion of the basis on line 1 attributable to the low-income rental units in the building at the close of the tax year qualifies for the credit. This is the smaller of the fractional amount of low-income units to all residential rental units (the "unit fraction") or the fractional amount of floor space of the low-income units to the floor space of all residential rental units (the "floor space fraction"). This fraction must be shown on line 2 as a decimal carried out to at least four places (for example,  $\frac{50}{100} = .5000$ ). Low-income units are units occupied by qualifying tenants, while residential rental units are all units, whether or not occupied.

Generally, a unit is not treated as a low-income unit unless it is suitable for occupancy, used other than on a transient basis, and occupied by qualifying tenants. Section 42(i)(3) provides for certain exceptions (for example, units that provide transitional housing for the homeless may qualify as low-income units). See section 42(i)(3) for more details. Also see section 42(g)(2)(D) regarding the available unit rule and Regulations section 1.42-5(c)(1)(ix) regarding the vacant unit rule.

If you dispose of the building, or your entire interest in the building, before the close of the tax year, the low-income portion must be determined on the date you disposed of the building. If you dispose of less than your entire interest in the building, the low-income portion must be determined at the close of the tax year.

**First-year modified percentage.** For the first year of the credit period, you must use a modified percentage on line 2 to reflect the average portion of a 12-month period that the units in a building were occupied by low-income individuals. Figure the low-income portion as of the end of each full month that the building was in service during the year. Add these percentages together and divide by 12. Enter the result on line 2. For example, if a building was in service for the last 3 full months of your tax year, and was half occupied by low-income tenants as of the end of each of those 3 months, then assuming the smaller fractional amount was the unit fraction, you would enter  $.1250$  on line 2  $(.5 + .5 + .5) \div 12 = .1250$ .

This first year adjustment does not affect the amount of qualified basis on which the credit is claimed in the next 9 tax years. In general, the credit is claimed in those years by reference to the qualified basis at the close of each tax year.

Because the first year credit is not determined solely by reference to the qualified basis at the close of the year, any

reduction in credit resulting from the application of the first year adjustment may be claimed in the 11th year. See the instructions for line 17.

**Line 3.** Generally, multiply line 1 by line 2 to figure the portion of the eligible basis of the building attributable to the low-income residential rental units.

**Imputed qualified basis of zero.** However, the qualified basis of the building (line 3) is zero if any of the following conditions apply.

- The minimum set-aside requirement elected for the project on Form 8609, line 10c (Part II, line 5c, on the 1991 and earlier revisions), is not met, or the entire building is out of compliance with the requirements under section 42.

- The deep rent skewed test (15-40 test) elected for the project on Form 8609, line 10d (Part II, line 5c, on the 1988 revision; Part II, line 5d, on the 1991 revision), is violated. The 15-40 test is not an additional test for satisfying the minimum set-aside requirements of section 42(g)(1). The 15-40 test is an election that relates to the determination of a low-income tenant's income. If this test is elected, at least 15% of all low-income units in the project must be occupied at all times during the compliance period by tenants whose income is 40% or less of the area median gross income (or national nonmetropolitan median gross income, when applicable).

- You disposed of the building or your entire interest therein during the tax year. If you did not post a bond or pledge securities under section 42(j)(6), in addition to using an imputed basis of zero on line 3, you may have to recapture a portion of credits previously taken. File Form 8611 to figure and report the recaptured amount. This paragraph affects only those taxpayers who dispose of the building or their entire interest therein. Those acquiring the building (or any interest therein) are not affected and, if the minimum set-aside requirements are otherwise satisfied, they may take a credit for the fraction of the year the building is owned by them, regardless of whether or not the seller posted a bond or pledged securities.

**Note.** If the qualified basis of the building is zero, or if the building has an imputed qualified basis of zero, you may not claim a credit for the building for the tax year. You must enter zero on lines 3 and 16, and skip lines 4 through 15, 17, and 18.

**At-risk limitation for individuals and closely held corporations.** The basis of property may be limited if you borrowed against the property and are protected against loss, or if you borrowed money from a person who has other than a creditor interest in the property. See section 42(k).

**Line 4.** If you owned the building (or an interest therein) for the entire year, enter zero on line 4 and go to line 5.

**Disposal of building or interest therein.** If you disposed of a building or your entire interest therein during the tax year and you posted a bond or pledged securities under section 42(j)(6), you may claim a credit based only on the number of days during the tax year for which you owned the building or an interest therein.



Similarly, if you previously had no interest in the building, but you acquired the building or an interest therein during the tax year, you may claim a credit based only on the number of days during the tax year for which you owned the building or an interest therein.

The owner who has owned the building for the longest period during the month in which the change in ownership occurs is deemed to have owned the building for that month. If the seller and new owner have owned the building for the same amount of time during the month of disposition, the seller is deemed to have owned the building for that month.

**Example.** Both the buyer and the seller are calendar-year taxpayers. The sale takes place on May 25 of a 365-day calendar year. The qualified basis of the low-income building is \$20,000. The seller and buyer will each complete a separate Form 8609-A, and enter \$20,000 on line 3.

In this situation, the seller is deemed to have owned the building for all 31 days of May. Therefore, the seller owned the building for 151 days of the 365-day tax year, and the buyer owned the building for the remaining 214 days. The seller will multiply \$20,000 by 151/365 to get \$8,274. The seller will enter \$8,274 on line 4 of his Form 8609-A. The buyer will multiply \$20,000 by 214/365 to get \$11,726. The buyer will enter \$11,726 on line 4 of her Form 8609-A.

**Pass-through entities.** If the building is owned by a pass-through entity, the entity does not need to make any adjustment on line 4, unless the entity either disposes of the building or its entire interest therein, or acquires the building or an interest therein during the tax year (and the entity previously had no interest in the building). Do not make an adjustment on line 4 for changes in the interests of the members of the pass-through entity during the tax year. Instead, the entity must reflect these changes in the amount of credit it passes through to its members.

**Line 5.** If the agency has made an allocation on Form 8609, enter on line 5 the credit percentage shown on Form 8609, Part I, line 2. This percentage must be shown on line 5 as a decimal carried out to at least four places (for example, 8.13% would be shown on line 5 as .0813).

**Note.** If you were allocated a 70% present value credit percentage for a building that was not federally subsidized and the building later receives a federal subsidy, your credit percentage is reduced to the 30% present value credit that was in effect during the month the building was placed in service or for the month elected under section 42(b)(2)(A)(ii), whichever applies. The 30% present value credit applies to the building for the year the federal subsidy was received and for the remainder of the compliance period, whether or not the federal subsidy is repaid. See section 42(i)(2).

**Line 6.** If you owned the building, or had an interest therein, for the entire tax year, multiply line 3 by line 5. If you had no ownership interest in the building for a portion of the tax year, multiply line 4 by line 5.

## Lines 7 Through 12

If you are not claiming a credit for additions to qualified basis on line 7, skip lines 7 through 12 and go to line 13.

**Caution.** You may claim a credit for an addition to qualified basis only if the credit amounts have been allocated by the housing credit agency to cover these additions.

**Line 7.** An addition to qualified basis results when there is an increase in the number of low-income units or an increase in the floor space of the low-income units over that which existed at the close of the first year of the credit period (before application of the modified percentage calculation). Credits for an addition to qualified basis are claimed at the reduced credit percentage of two-thirds of the credit percentage (expressed as a decimal carried out to at least four places) on line 5 through the end of the 15-year compliance period.

If you are claiming a credit for additions to qualified basis, you must subtract the original qualified basis of the building at the close of the first year of the credit period (see Form 8609, line 8a (Part II, line 2a, on the 1988 and 1991 revisions)) from the building's qualified basis entered on line 3. Enter the result on line 7. If the result is zero or less, skip lines 8 through 12 and enter the credit from line 6 on line 13.

**Line 8.** The determinations and calculations you make on line 8 follow the instructions for line 4. Therefore, if you owned the building (or an interest therein) for the entire year, enter zero on line 8 and go to line 9.

**Disposal of building or interest therein.** If you disposed of a building or your entire interest therein during the tax year, see *Disposal of building or interest therein* in the line 4 instructions; and, wherever line 3 and line 4 are referenced, substitute line 7 and line 8, respectively.

**Pass-through entities.** If the building is owned by a pass-through entity, see *Pass-through entities* in the line 4 instructions; and, wherever line 4 is referenced, substitute line 8 instead.

**Line 9.** The credit for additions to the building's qualified basis is determined using two-thirds of the credit percentage allowable for the building's original qualified basis. Therefore, one-third of the credit percentage (expressed as a decimal carried out to at least four places) on line 5 is not allowed. Enter on line 9 one-third of the amount shown on line 5. This amount must be reported on line 9 as a decimal carried out to at least four places (for example, if the credit percentage entered on line 5 is .0813, one-third of that percentage would be expressed as .0271). See section 42(f)(3).

**Line 10.** If you owned the building, or had an interest therein, for the entire tax year, multiply line 7 by line 9. If you had no ownership interest in the building for a portion of the tax year, multiply line 8 by line 9.

**Line 11.** Additions to qualified basis must be adjusted to reflect the average portion of the year that the low-income units relating to the increase were occupied. This adjustment is required if the increase in qualified basis of the building exceeds the qualified basis (including additions to qualified basis) of the building in any prior taxable year. To determine this adjustment amount, complete the worksheet on page 4.

**Line 14.** The eligible basis on line 1 must be reduced by the amount of any federal grant for the building, or the operation thereof, during the 15-year compliance period. If this reduction does not apply because this is the first year of the credit period (line 1 already reflects the reduction) or no federal grant is received, enter zero on line 14. Otherwise, figure the reduction as follows.

**Step 1.** Divide the total amount of all federal grants received for the building during the compliance period that did not already reduce the amount of the eligible basis (reported on line 1) by the eligible basis on line 1 of this Form 8609-A. Express the result as a decimal carried out to at least four places.

**Note.** If the eligible basis on line 1 of this Form 8609-A was increased by a percentage allowable under section 42(d)(5)(C) (and reflected on line 3b of Form 8609), then increase the total amount of all federal grants in Step 1 by this percentage increase and divide this amount by the eligible basis on line 1 of this Form 8609-A. For example, if the percentage increase is 130% and all federal grants total \$11,000, multiply \$11,000 by 1.3000 and divide the result (\$14,300) by the eligible basis on line 1.

**Step 2.** Multiply the decimal amount determined in Step 1 by the credit on line 13. Enter this result on line 14.

**Line 16.** To determine the amount to enter on line 16, see the information that follows in 1, 2, 3, and *Special rules*.

1. If the building is owned completely by one taxpayer, enter the line 15 credit (after adjustment for any applicable special rule below) on line 16.

2. If the building is owned by more than one taxpayer, and those taxpayers are not members of a pass-through entity, then the line 15 credit (after adjustment for any applicable special rule below) must be distributed according to each taxpayer's respective ownership interest in the building. For example, if a building is owned by individuals A and B (60% by A and 40% by B), each would complete a separate Part II as follows. Lines 1 through 15 would be the same for each, assuming no part-year adjustments are necessary. However, A would enter 60% of line 15 on line 16, and B would enter 40% of line 15 on line 16. Therefore, enter on line 16 your share of the line 15 credit for the building that relates to your interest in the building. If your interest increases or decreases during the tax year, the change must be taken into account in determining your share of the line 15 credit.

**Note.** The aggregate credit claimed by the owners of the building cannot exceed the line 15 credit amount for the building.

3. If a pass-through entity is completing Form 8609-A as the sole owner of the building, enter the line 15 credit (after adjustment for any applicable special rule below) on line 16.

**Special rules.** If a taxpayer is subject to recapture because of failure to post a bond or pledge securities upon the disposition of a building or interest therein (see *De minimis recapture rule*, later), no credit is allowed to the taxpayer for that percentage of the interest disposed of by the taxpayer. The credit allowed to the taxpayer for the tax year is determined by reference to the taxpayer's remaining interest in the building at the close of the tax year. For example, assume that a taxpayer owns 100% of a building for 273 days in a 365-day calendar tax year, and 40% of the building for the remaining 92 days in the tax year (the taxpayer disposed of a 60% interest on the last day of September). If the taxpayer does not post a bond or pledge securities, the taxpayer's credit on line 16 would be based on 40% of the line 15 credit for the building. Similarly, although a taxpayer might not be subject to recapture upon a disposition of a *de minimis* portion (explained later) of the taxpayer's interest in the building, no credit is allowed to the taxpayer for the percentage of the interest disposed of by the taxpayer. The credit allowed to the taxpayer for the tax year is determined by reference to the taxpayer's remaining interest in the building at the close of the tax year.

If the taxpayer posts a bond or pledges securities upon the disposition of the building or an interest therein, the taxpayer is allowed credit for the year both with respect to the ownership interest disposed of by the taxpayer and the interest retained by the taxpayer. For example, again assume that a taxpayer owns 100% of a building for the first 273 days in a 365-day calendar tax year and 40% of the building for the last 92 days of the year. After posting a bond or pledging securities, the taxpayer's credit on line 16 would be based upon 273/365 of 100% (or 74.79%) of the line 15 credit for the building plus 92/365 of 40% (or 10.08%) of the line 15 credit amount.

If a taxpayer posts a bond or pledges securities upon the disposition of the building or upon a disposition of the

taxpayer's entire interest in the building, the taxpayer's line 16 credit amount is determined by multiplying the line 15 credit amount by the percentage interest in the building disposed of by the taxpayer. For example, if a building is owned by individuals A and B (60% by A and 40% by B) and on the last day of the fifth month of the tax year, C buys A's 60% interest in the building and A posts a bond or pledges securities, then A would enter 60% of line 15 on line 16. (Lines 4 and 8 have already taken into account the 5 months of the tax year that A held an interest in the building.)

**De minimis recapture rule.** For administrative purposes, the Service has adopted a *de minimis* rule that applies to partners in partnerships (other than partnerships to which section 42(j)(5)(B) applies) owning interests in qualified low-income buildings. The rule allows a partner to elect to avoid or defer recapture resulting from a disposition of interest in a partnership without posting bond until the partner has disposed of more than 33⅓% of the partner's greatest total interest in the qualified low-income building through the partnership. See Rev. Rul. 90-60, 1990-2 C.B. 3, for more information on the *de minimis* rule.

Upon application by the building owner, the IRS may waive any recapture of the low-income housing credit for any *de minimis* error in complying with the minimum set-aside requirements.

**Line 17.** The first-year credit may have been reduced based on the number of full months the building was in service. The deferred balance of the credit for the first year is allowed in the 11th year. Include it on line 17 as a **positive** amount.

For example, see the example under *First-year modified percentage* on page 2. If this is the 11th year, enter .8750 times the eligible basis of the building (line 1) times the credit percentage (line 5). The

factor .8750 is 1.0000 minus .1250, the modified percentage figured for year one in the example.

**Paperwork Reduction Act Notice.** We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is: **Recordkeeping:** 7 hr., 38 min., **Learning about the law or the form:** 1 hr., 47 min., **Preparing and sending the form to the IRS:** 1 hr., 59 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service at the address listed in the instructions for the tax return with which this form is filed.

### Line 11 Worksheet (Keep for Your Records)

|                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>1</b>                                                                                                                                                  | Enter the qualified basis of the building from line 3 of this tax year's Form 8609-A . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>1</b> |  |
| <b>2</b>                                                                                                                                                  | Multiply the amount on line 1 of the previous year's Form 8609-A by the amount on line 2 of that Form 8609-A . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>2</b> |  |
| <b>3</b>                                                                                                                                                  | Increased qualified basis. Subtract line 2 above from line 1 above. But if line 2 above is more than zero but less than the original qualified basis of the building entered on Form 8609, line 8a (Part II, line 2a on the 1988 and 1991 revisions), then enter the amount from line 7 of this Form 8609-A instead . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>3</b> |  |
| <b>Note.</b> If line 3 above is zero or less, do not complete the rest of this worksheet. Instead, enter -0- on line 11 of Form 8609-A and go to line 12. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |  |
| <b>4</b>                                                                                                                                                  | Modified percentage. For each month during the tax year, figure the increase, if any, in the low-income portion of the building for that month over the low-income portion of the building at the close of the previous tax year (the amount on line 2 of the previous tax year's Form 8609-A). For example, if the previous tax year's low-income portion of .5000 remained at .5000 for the first 9 months of this tax year and then increased to .7500 for October, November, and December, then subtract .5000 from .7500 to get an increase of .2500 for each month. Add these amounts together, divide by 12, and enter the result. (This amount must be shown as a decimal carried out to at least four places (for example, .2500 + .2500 + .2500 = .7500, divided by 12 = .0625.)) | <b>4</b> |  |
| <b>5</b>                                                                                                                                                  | Increased qualified basis entitled to reduced credit. Multiply line 4 above by Form 8609-A, line 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>5</b> |  |
| <b>6</b>                                                                                                                                                  | Increased qualified basis not entitled to reduced credit. Subtract line 5 above from line 3 above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>6</b> |  |
| <b>7</b>                                                                                                                                                  | Line 11 modification. Multiply line 6 above by two-thirds of the amount on line 5 of Form 8609-A. Enter the result here and on line 11 of Form 8609-A . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>7</b> |  |

You must reduce the eligible basis by the amount of any federal grant received. Also reduce the eligible basis by the entire basis allocable to non-low-income units that are above average quality standard of the low-income units in the building. You may, however, include a portion of the basis of these non-low-income units if the cost of any of these units does not exceed by more than 15% the average cost of all low-income units in the building, and you elect to exclude this excess cost from the eligible basis by checking the "Yes" box for line 9b. See section 42(d)(3).

You may elect to reduce the eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation to obtain a higher credit percentage. To make this election, check the "Yes" box in Part II, line 9a. Reduce the eligible basis by the principal amount of such loan or obligation proceeds before entering the amount on line 7. You must reduce the eligible basis by the principal amount of such loan or obligation proceeds, or any federal grant received, before multiplying the eligible basis by the increased percentage in Part I, line 3b.

**Line 8a.** Multiply the eligible basis of the building shown on line 7 by the smaller of the unit fraction or the floor space fraction as of the close of the first year of the credit period and enter the result on line 8a. Low-income units are units occupied by qualifying tenants, while residential rental units are all units, whether or not occupied. See the instructions for Part I, line 3a.

**Line 8b.** Each building is considered a separate project under section 42(g)(3)(D) unless, before the close of the first calendar year in the project period (defined in section 42(h)(1)(F)(ii)), each building that is (or will be) part of a multiple building project is identified by attaching the statement described below.

**Caution:** *The minimum set-aside requirement (see the instructions for line 10c) is a project-based test.*

The statement must be attached to this Form 8609 and include:

- The name and address of the project and each building in the project,
- The BIN of each building in the project,
- The aggregate credit dollar amount for the project, and
- The credit allocated to each building in the project.

**Caution:** *Notwithstanding a checked "Yes" box on line 8b, failure to attach a statement providing the above required information will result in each building being considered a separate project under section 42(g)(3)(D).*

Two or more qualified low-income buildings may be included in a multiple building project only if they:

- Are located on the same tract of land, unless all of the dwelling units in all of the buildings being aggregated in the multiple building project are low-income units (see section 42(g)(7));
- Are owned by the same person for federal tax purposes;
- Are financed under a common plan of financing; and
- Have similarly constructed housing units.

A qualified low-income building includes residential rental property that is an apartment building, a single-family dwelling, a town house, a row house, a duplex, or a condominium.

**Line 9a.** You may elect to reduce the eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation and claim the 70% present value credit on the remaining eligible basis. However, if you make this election, you may not claim the 30% present value credit on the portion of the basis that was financed with the below-market federal loan or the tax-exempt obligation.

**Line 9b.** See the instructions for Part II, line 7.

**Line 10a.** You may elect to begin the credit period in the tax year after the building is placed in service. Once made, the election is irrevocable.

**Note.** Section 42(g)(3)(B)(iii) provides special rules for determining the start of the credit period for certain multiple building projects.

**Line 10b.** Partnerships with 35 or more partners are treated as the taxpayer for purposes of recapture unless an election is made not to treat the partnership as the taxpayer. Check the "Yes" box if you do not want the partnership to be treated as the taxpayer for purposes of recapture. Once made, the election is irrevocable.

**Line 10c.** You must meet the minimum set-aside requirements under section 42(g)(1) for the project by electing one of the following tests.

**20-50 Test.** 20% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income or

**40-60 Test.** 40% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income.

**Caution:** *By electing the 20-50 test, the qualifying income limit for all low-income individuals in the project is determined by reference to 50% of area median gross income.*

**Gulf Opportunity (GO) Zone.** For purposes of the 20-50 and 40-60 tests defined above, the "national nonmetropolitan median gross income" will be substituted for the "area median gross income" for all property placed in service during 2006, 2007, or 2008 in a nonmetropolitan area in the Gulf Opportunity (GO) Zone.

Once made, the election is irrevocable.

**Note.** Owners of buildings in projects located in New York City may not use the 40-60 Test. Instead, they may use the 25-60 Test below.

**25-60 Test.** 25% or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income (see section 142(d)(6)).

Once made, the election is irrevocable.

**Caution:** *The minimum set-aside requirement must be met by the close of the first year of the credit period in order to claim any credit for the first year or for any subsequent years.*

**Line 10d.** The deep rent skewed 15-40 election is not an additional test for satisfying the minimum set-aside requirements of section 42(g)(1). The 15-40 test is an election that relates to the determination of a low-income tenant's income. Generally, a continuing resident's income may increase up to 140% of the applicable income limit (50% or less or 60% or less of the area median gross income (or national nonmetropolitan median gross income, when applicable) under the minimum set-aside rules in *Line 10c* earlier). When the deep rent skewed election is made, the income of a continuing resident may increase up to 170% of the applicable income limit. If this election is made, at least 15% of all low-income units in the project must be occupied at all times during the compliance period by tenants whose income is 40% or less of the area median gross income (or national nonmetropolitan median gross income, when applicable). A deep rent skewed project itself must meet the requirements of section 142(d)(4)(B). Once made, the election is irrevocable.

### Privacy Act and Paperwork Reduction Act

**Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Claiming this credit is voluntary; however, if you do claim the credit, sections 42, 6001, and 6011 require you to provide this information. Section 6109 requires you to provide your taxpayer identifying number (SSN, EIN, or ITIN). We need this information to ensure that you are complying with the revenue laws and to allow us to figure and collect the right amount of tax. We may disclose this information to the Department of Justice for civil or criminal litigation, and to cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information may prevent your claim from being processed. Providing false information may subject you to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law.

The time needed to complete and file the form will vary depending on individual circumstances. The estimated average time is:

|                                                            |                |
|------------------------------------------------------------|----------------|
| <b>Learning about the law or the form</b> . . . . .        | 4 hr., 10 min. |
| <b>Recordkeeping</b> . . . . .                             | 9 hr., 5 min.  |
| <b>Preparing and sending the form to the IRS</b> . . . . . | 4 hr., 30 min. |

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the tax form to this office. Instead, see *Filing Requirement* on page 2.



# Low-Income Housing Credit

► Attach to your tax return.

OMB No. 1545-0984

Attachment  
Sequence No. **36a**

| Name(s) shown on return                                                                                                                                                                                                                                                                                                                                                                   | Identifying number |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1 Number of Forms 8609-A attached . . . . . ►                                                                                                                                                                                                                                                                                                                                             |                    |
| 2 Has there been a decrease in the qualified basis of any buildings since the close of the preceding tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the building identification numbers (BINs) of the buildings that had a decreased basis. If you need more space, attach a schedule.<br>(i) . . . . . (ii) . . . . . (iii) . . . . . (iv) . . . . . |                    |
| 3 Current year credit from attached Form(s) 8609-A (see instructions) . . . . .                                                                                                                                                                                                                                                                                                           | <b>3</b>           |
| 4 Low-income housing credit from partnerships, S corporations, estates, and trusts . . . . .                                                                                                                                                                                                                                                                                              | <b>4</b>           |
| 5 Add lines 3 and 4. Estates and trusts, go to line 6; partnerships and S corporations, report this amount on Schedule K; all others, report this amount on the applicable line of Form 3800 (e.g., line 1e of the 2006 Form 3800) . . . . .                                                                                                                                              | <b>5</b>           |
| 6 Amount allocated to beneficiaries of the estate or trust (see instructions) . . . . .                                                                                                                                                                                                                                                                                                   | <b>6</b>           |
| 7 Estates and trusts. Subtract line 6 from line 5. Report this amount on the applicable line of Form 3800 (e.g., line 1e of the 2006 Form 3800) . . . . .                                                                                                                                                                                                                                 | <b>7</b>           |

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### What's New

- The tax liability limit is no longer figured on this form; instead, it must be figured on Form 3800, General Business Credit.
- Taxpayers that are not partnerships, S corporations, estates, or trusts, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1e of Form 3800.
- The IRS will revise this December 2006 version of the form only when necessary. Continue to use this version for tax years beginning after 2005 until a new revision is issued.

### Purpose of Form

Use Form 8586 to claim the low-income housing credit. This general business credit is allowed for each new qualified low-income building placed in service after 1986. Generally, it is taken over a 10-year credit period.

### Qualified Low-Income Housing Project

The credit cannot exceed the amount allocated to the building. See section 42(h)(1) for details.

The low-income housing credit can only be claimed for residential rental buildings in low-income housing projects that meet one of the minimum set-aside tests. For details, see the instructions for Form 8609, Part II, line 10c.

Except for buildings financed with certain tax-exempt bonds, you may not take a low-income housing credit on a building if it has not received an allocation from the housing credit agency. No allocation is needed when 50% or more of the aggregate basis of the building and the land on which the building is located is financed with certain tax-exempt bonds issued after 1989 for buildings placed in service after 1989. The owner still must get a Form 8609 from the appropriate housing credit agency (with the applicable items completed, including an assigned BIN). "Land on which the building is located" includes only land that is functionally related and subordinate to the qualified low-income building (see Regulations sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii)).

### Recapture of Credit

There is a 15-year compliance period during which the residential rental building must continue to meet certain requirements. If, as of the close of any tax year in this period, there is a reduction in the qualified basis of the building from the previous year, you may have to recapture a part of the credit you have taken. Similarly, you may have to recapture part of the credits taken in previous years upon certain dispositions of the building or interests therein. If you must recapture credits, use Form 8611, Recapture of Low-Income Housing Credit. See section 42(j) for details.

### Recordkeeping

Keep a copy of this Form 8586 together with all Forms 8609, Schedules A (Form 8609) (and successor Forms 8609-A), and Forms 8611 for 3 years after the 15-year compliance period ends.

## Specific Instructions

**Line 2.** A decrease in qualified basis will result in recapture if the qualified basis at the close of the tax year is less than the qualified basis at the close of the first year of the credit period.

If the reduction in qualified basis at the close of the tax year also results in a violation of the minimum set-aside requirement, then no credit is allowable for the year.

**Line 3.** The credit for the year is figured on Form 8609-A for each building. Attach a copy of each Form 8609-A you completed for the tax year to Form 8586. Enter on line 3 the total credit from attached Form(s) 8609-A.

**Line 6.** Allocate the amount on line 5 between the estate and trust and the beneficiaries in proportion to the income allocable to each. On line 6, enter the beneficiaries allocated amount.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is: **Recordkeeping**, 5 hr., 44 min.; **Learning about the law or the form**, 1 hr., 37 min.; **Preparing the form**, 3 hr., 39 min.; **Copying, assembling, and sending the form to the IRS**, 32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.



**Low-Income Housing Credit Agencies**  
**Report of Noncompliance or Building Disposition**

**Note:** File a separate Form 8823 for each building that is disposed of or goes out of compliance.

OMB No. 1545-1204

Check here if this is an amended return ☐

**1** Building name (if any). Check if item 1 differs from Form 8609 ☐

Street address

City or town, state, and ZIP code

**2** Building identification number (BIN)

**3** Owner's name. Check if item 3 differs from Form 8609 ☐

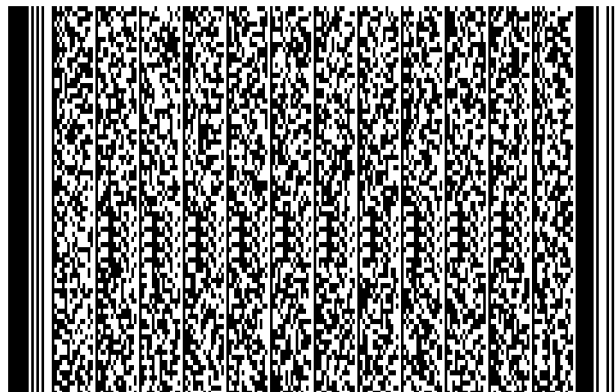
Street address

City or town, state, and ZIP code

**4** Owner's taxpayer identification number

☐ EIN ☐ SSN

IRS Use Only



**5** Total credit allocated to this BIN . . . . . ▶ \$

**6** If this building is part of a multiple building project, enter the number of buildings in the project . . . . . ▶

**7 a** Total number of residential units in this building . . . . . ▶

**b** Total number of low-income units in this building . . . . . ▶

**c** Total number of residential units in this building determined to have noncompliance issues . . . . . ▶

**d** Total number of units reviewed by agency (see instructions) . . . . . ▶

**8** Date building ceased to comply with the low-income housing credit provisions (see instructions) (MMDDYYYY) . . . . .

**9** Date noncompliance corrected (if applicable) (see instructions) (MMDDYYYY) . . . . .

**10** Check this box if you are filing only to show correction of a previously reported noncompliance problem . . . . . ☐

**11** Check the box(es) that apply:

|                                                                                                                            | Out of compliance        | Noncompliance corrected  |
|----------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>a</b> Household income above income limit upon initial occupancy . . . . .                                              | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>b</b> Owner failed to correctly complete or document tenant's annual income recertification . . . . .                   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>c</b> Violation(s) of the UPCS or local inspection standards (see instructions) (attach explanation) . . . . .          | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>d</b> Owner failed to provide annual certifications or provided incomplete or inaccurate certifications . . . . .       | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>e</b> Changes in Eligible Basis or the Applicable Percentage (see instructions) . . . . .                               | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>f</b> Project failed to meet minimum set-aside requirement (20/50, 40/60 test) (see instructions) . . . . .             | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>g</b> Gross rent(s) exceed tax credit limits . . . . .                                                                  | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>h</b> Project not available to the general public (see instructions) (attach explanation). . . . .                      | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>i</b> Violation(s) of the Available Unit Rule under section 42(g)(2)(D)(ii) . . . . .                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>j</b> Violation(s) of the Vacant Unit Rule under Reg. 1.42-5(c)(1)(ix) . . . . .                                        | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>k</b> Owner failed to execute and record extended-use agreement within time prescribed by section 42(h)(6)(J) . . . . . | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>l</b> Low-income units occupied by nonqualified full-time students . . . . .                                            | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>m</b> Owner did not properly calculate utility allowance . . . . .                                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>n</b> Owner has failed to respond to agency requests for monitoring reviews . . . . .                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>o</b> Low-income units used on a transient basis (attach explanation) . . . . .                                         | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>p</b> Project is no longer in compliance nor participating in the section 42 program (attach explanation) . . . . .     | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>q</b> Other noncompliance issues (attach explanation) . . . . .                                                         | <input type="checkbox"/> | <input type="checkbox"/> |

**12** Additional information for any item above. Attach explanation and check box

**13 a** Building disposition by ☐ Sale ☐ Foreclosure ☐ Destruction ☐ Other (attach explanation)

**b** Date of disposition (MMDDYYYY)

**c** New Owner's Name

**d** New owner's taxpayer identification number

☐ EIN ☐ SSN

Street address

**14** Name of contact person

City or town, state, and ZIP code

**15** Telephone number of contact person  
( ) Ext.

Under penalties of perjury, I declare that I have examined this report, including accompanying statements and schedules, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of authorizing official

Print name and title

Date (MMDDYYYY)

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Housing credit agencies use Form 8823 to fulfill their responsibility under section 42(m)(1)(B)(iii) to notify the IRS of noncompliance with the low-income housing tax credit provisions **or** any building disposition.

The housing credit agency should also give a copy of Form 8823 to the owner(s).

### Who Must File

Any authorized housing credit agency that becomes aware that a low-income housing building was disposed of or is not in compliance with the provisions of section 42 must file Form 8823.

### When To File

File Form 8823 no later than 45 days after **(a)** the building was disposed of or **(b)** the end of the time allowed the building owner to correct the condition(s) that caused noncompliance. For details, see Regulations section 1.42-5(e).

### Where To File

File Form 8823 with the:  
Internal Revenue Service  
P.O. Box 331  
Attn: LIHC Unit, DP 607 South  
Philadelphia Campus  
Bensalem, PA 19020

## Specific Instructions

**Amended return.** If you are filing an amended return to correct previously reported information, check the box at the top of page 1.

**Item 2.** Enter the building identification number (BIN) assigned to the building by the housing credit agency as shown on Form 8609.

**Items 3, 4, 13b, and 13d.** If there is more than one owner (other than as a member of a pass-through entity), attach a schedule listing the owners, their addresses, and their taxpayer identification numbers. Indicate whether each owner's taxpayer identification number is an employer identification number (EIN) or a social security number (SSN).

Both the EIN and the SSN have nine digits. An EIN has two digits, a hyphen, and seven digits. An SSN has three digits, a hyphen, two digits, a hyphen, and four digits and is issued only to individuals.

**Item 7d.** "Reviewed by agency" includes physical inspection of the property, tenant file inspection, or review of documentation submitted by the owner.

**Item 8.** Enter the date that the building ceased to comply with the low-income housing credit provisions. If there are multiple noncompliance issues, enter the

date for the earliest discovered issue. **Do not** complete item 8 for a building disposition. Instead, skip items 9 through 12, and complete item 13.

**Item 9.** Enter the date that the noncompliance issue was corrected. If there are multiple issues, enter the date the last correction was made.

**Item 10.** Do not check this box unless the sole reason for filing the form is to indicate that previously reported noncompliance problems have been corrected.

**Item 11c.** Housing credit agencies must use either **(a)** the local health, safety, and building codes (or other habitability standards) or **(b)** the Uniform Physical Conditions Standards (UPCS) (24 C.F.R. section 5.703) to inspect the project, but not in combination. The UPCS does not supersede or preempt local codes. Thus, if a housing credit agency using the UPCS becomes aware of any violation of local codes, the agency must report the violation. Attach a statement describing either **(a)** the deficiency and its severity under the UPCS, i.e., minor (level 1), major (level 2), and severe (level 3) or **(b)** the health, safety, or building violation under the local codes. The Department of Housing and Urban Development's Real Estate Assessment Center has developed a comprehensive description of the types and severities of deficiencies entitled "Dictionary of Deficiency Definitions" found at [www.hud.gov/reac](http://www.hud.gov/reac) under Library Section, Physical Inspections, Training Materials. Under Regulations section 1.42-5(e)(3), report all deficiencies to the IRS whether or not the noncompliance or failure to certify is corrected at the time of inspection. In using the UPCS inspection standards, report all deficiencies in the five major inspectable areas (defined below) of the project: (1) Site; (2) Building exterior; (3) Building systems; (4) Dwelling units; and (5) Common areas.

**1. Site.** The site components, such as fencing and retaining walls, grounds, lighting, mailboxes, signs (such as those identifying the project or areas of the project), parking lots/driveways, play areas and equipment, refuse disposal equipment, roads, storm drainage, and walkways, must be free of health and safety hazards and be in good repair. The site must not be subject to material adverse conditions, such as abandoned vehicles, dangerous walkways or steps, poor drainage, septic tank back-ups, sewer hazards, excess accumulation of garbage and debris, vermin or rodent infestation, or fire hazards.

**2. Building exterior.** Each building on the site must be structurally sound, secure, habitable, and in good repair. Each building's doors, fire escapes, foundations, lighting, roofs, walls, and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.

**3. Building systems.** Each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system must be free of health and safety hazards, functionally adequate, operable, and in good repair.

**4. Dwelling units.** Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example, the unit's bathroom, call-for-aid (if applicable), ceilings, doors, electrical systems, floors, hot water heater, HVAC (where individual units are provided), kitchen, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls, and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair. Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water (note: single room occupancy units need not contain water facilities). If the dwelling unit includes its own bathroom, it must be in proper operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste. The dwelling unit must include at least one battery-operated or hard-wired smoke detector, in proper working condition, on each level of the unit.

**5. Common areas.** The common areas must be structurally sound, secure, and functionally adequate for the purposes intended. The basement, garage/carport, restrooms, closets, utility rooms, mechanical rooms, community rooms, day care rooms, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable, must be free of health and safety hazards, operable, and in good repair. All common area ceilings, doors, floors, HVAC, lighting, outlets/switches, smoke detectors, stairs, walls, and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair.

**Health and Safety Hazards.** All areas and components of the housing must be free of health and safety hazards. These include, but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead-based paint. For example, the buildings must have fire exits that are not blocked and have hand rails that are not damaged, loose, missing portions, or otherwise unusable. The housing must have no evidence of infestation by rats, mice, or other vermin. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold as well as odor (e.g., propane, natural, sewer, or methane gas). The housing must comply with all requirements related to the evaluation and reduction of lead-based paint hazards and have available proper certifications of such (see 24 C.F.R. part 35).

Project owners must promptly correct exigent and fire safety hazards. Before leaving the project, the inspector should provide the project owner with a list of all observed exigent and fire safety hazards. Exigent health and safety hazards include: air quality problems such as propane, natural gas, or methane gas detected; electrical hazards such as exposed wires or

open panels and water leaks on or near electrical equipment; emergency equipment, fire exits, and fire escapes that are blocked or not usable; and carbon monoxide hazards such as gas or hot water heaters with missing or misaligned chimneys. Fire safety hazards include missing or inoperative smoke detectors (including missing batteries), expired fire extinguishers, and window security bars preventing egress from a unit.

**Item 11d.** Report the failure to provide annual certifications or the provision of certifications that are known to be incomplete or inaccurate as required by Regulations section 1.42-5(c). As examples, report a failure by the owner to include a statement summarizing violations (or copies of the violation reports) of local health, safety, or building codes; report an owner who provided inaccurate or incomplete statements concerning corrections of these violations.

**Item 11e.** Report any federal grant made with respect to any building or the operation thereof during any taxable year in the compliance period. Report changes in common areas which become commercial, when fees are charged for facilities, etc. In addition, report any below market federal loan or any obligation the interest on which is exempt from tax under section 103 that is or was used (directly or indirectly) with respect to the building or its operation during the compliance period and that was not taken into account when determining eligible basis at the close of the first year of the credit period.

**Item 11f.** Failure to satisfy the minimum set-aside requirement for the first year of the credit period results in the permanent loss of the entire credit.

Failure to maintain the minimum set-aside requirement for any year after the first year of the credit period results in recapture of previously claimed credit and no allowable credit for that tax year. No low-income housing credit is allowable until the minimum set-aside is restored for a subsequent tax year.

**Item 11h.** All units in the building must be for use by the general public (as defined in Regulations section 1.42-9), including the requirement that no finding of discrimination under the Fair Housing Act occurred for the building. Low-income housing credit properties are subject to Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act. It prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. See 42 U.S.C. sections 3601 through 3619.

It also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities. The failure of low-income housing credit properties to comply with the requirements of the Fair Housing Act

will result in the denial of the low-income housing tax credit on a per-unit basis.

Individuals with questions about the accessibility requirements can obtain the Fair Housing Act Design Manual from HUD by calling 1-800-245-2691 and requesting item number HUD 11112, or they can order the manual through [www.huduser.org](http://www.huduser.org) under Publications.

**Item 11i.** The owner must rent to low-income tenants all comparable units that are available or that subsequently become available in the same building in order to continue treating the over-income unit(s) as a low-income unit. All units affected by a violation of the available unit rule may not be included in qualified basis. When the percentage of low-income units in a building again equals the percentage of low-income units on which the credit is based, the full availability of the credit is restored. Thus, only check the "Noncompliance corrected" box when the percentage of low-income units in the building equals the percentage on which the credit is based.

**Item 11q.** Check this box for noncompliance events other than those listed in 11a through 11p. Attach an explanation. For projects with allocations from the nonprofit set-aside under section 42(h)(5), report the lack of material participation by a non-profit organization (i.e., regular, continuous, and substantial involvement) that the housing credit agency learns of during the compliance period.

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . . 7 hr., 39 min.

**Learning about the law or the form** . . . . . 3 hr., 16 min.

**Preparing and sending the form to the IRS** . . . . . 3 hr., 32 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave., NW, IR-6406, Washington, DC 20224. Do not send Form 8823 to this address. Instead, see Where To File on page 2.



|                                                                                                    |                                                                                                                                                                                      |                                                           |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Form <b>8693</b><br>(Rev. February 1997)<br>Department of the Treasury<br>Internal Revenue Service | <b>Low-Income Housing Credit Disposition Bond</b><br><b>(For use by taxpayers posting bond under section 42(j)(6))</b><br><b>Attach to your return after receiving IRS approval.</b> | OMB No. 1545-1029<br>Attachment<br>Sequence No. <b>91</b> |
| Name of taxpayer making disposition                                                                |                                                                                                                                                                                      | Identifying number                                        |

|                                                                                                                                                                                    |                                           |                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------|
| <b>Part I Bonding</b>                                                                                                                                                              |                                           |                    |
| 1 Address of building as shown on Form 8609 (do <b>not</b> use P.O. box)                                                                                                           | 2 Building identification number          |                    |
|                                                                                                                                                                                    | 3 Date the 15-year compliance period ends |                    |
| 4 Check the box that applies:<br><br>This is an <input type="checkbox"/> original bond, <input type="checkbox"/> strengthening bond, or <input type="checkbox"/> superseding bond. | 5 Date property interest disposed of      | 6 Date bond issued |

|                                      |                             |
|--------------------------------------|-----------------------------|
| 7a Bond is given by _____            | ( )                         |
| Principal                            | Telephone number (optional) |
| Address                              |                             |
| as principal and _____               |                             |
| Surety                               |                             |
| Address _____ as surety or sureties. |                             |

7b As principal and surety, we are obligated to the United States in the amount of \$ \_\_\_\_\_. We also jointly and severally obligate our heirs, executors, administrators, successors, and assigns for the payment of this amount.

|                                                                                                                                                                                         |                                            |      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|------|
| <b>Part II Signatures</b>                                                                                                                                                               |                                            |      |
| Under penalties of perjury, I declare that I have examined this form and any accompanying statements, and to the best of my knowledge and belief, they are true, correct, and complete. |                                            |      |
| Signature of principal                                                                                                                                                                  | Name (please print)                        | Date |
| Signature of principal                                                                                                                                                                  | Name (please print)                        | Date |
| Signature of surety                                                                                                                                                                     | Name and identifying number (please print) | Date |
| Signature of surety                                                                                                                                                                     | Name and identifying number (please print) | Date |

|                                                                                                                              |  |  |
|------------------------------------------------------------------------------------------------------------------------------|--|--|
| <b>Part III Certificate of Corporate Principal (corporations only)</b>                                                       |  |  |
| I certify that the person above, who signed on behalf of the principal, was an authorized representative of the corporation. |  |  |

|                                           |                     |      |
|-------------------------------------------|---------------------|------|
| Signature of secretary of the corporation | Name (please print) | Date |
|-------------------------------------------|---------------------|------|

|                                                    |  |  |
|----------------------------------------------------|--|--|
| <b>Part IV Approval by IRS (See instructions.)</b> |  |  |
|----------------------------------------------------|--|--|

|                     |                                   |
|---------------------|-----------------------------------|
| Bond approved _____ | _____                             |
| Date                | Internal Revenue Service official |

## General Instructions

Section references are to the Internal Revenue Code.

### Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control

number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . . 13 min.

**Learning about the law or the form** . . . . . 14 min.

**Preparing, copying, assembling, and sending the form to the IRS.** . . . . 40 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send Form 8693 to this address. Instead, see **When and Where To File** on page 2.

### Purpose of Form

Use Form 8693 to post a bond under section 42(j)(6) to avoid recapture of the low-income housing credit.



The bond ensures payment of the recapture tax imposed under section 42(j). The conditions of the bond are that the principal (i.e., taxpayer):

- Does not attempt to defraud the United States of any tax under section 42(j);
- Files all returns and statements as required by law or regulations;
- Pays all taxes including any penalties and interest charges; and
- Complies with all other requirements of the law and regulations under section 42.

### Qualifying Sureties

The company acting as surety must hold a Certificate of Authority from the Department of the Treasury, Financial Management Service. These companies are listed in Treasury Circular 570. You may get a copy of this circular by writing to the Department of the Treasury, Financial Management Service, Surety Bond Branch, 3700 East West Hwy., Hyattsville, MD 20782, or by calling (202) 874-6850 (not a toll-free number).

A taxpayer may not be a surety for itself, nor may a member of a firm or a partner in a partnership be a surety for the firm or partnership of which he or she is a member or a partner.

### Surety Termination

If a surety's certificate of authority is terminated, the surety may be relieved of liability under the bond provided it notifies the principal and the IRS by the date the termination announcement is published in the Federal Register. The notice must be sent by certified mail and must state that the principal has 60 days from the date the termination announcement is published in the Federal Register to get an adequate strengthening or superseding bond with another surety listed in Treasury Circular 570. If notice is given, the principal's rights under the bond will end 60 days after the date the termination announcement is published in the Federal Register.

A qualified surety (or coinsuring surety) may terminate its liability on a bond only if the surety notifies the principal and the IRS at least 60 days before the date the surety wants to terminate its liability. The notice must state that the principal has 60 days from the termination date to obtain an adequate superseding or strengthening bond from another qualified surety (or coinsuring surety).

If the surety does not provide this notice, it remains liable for the amount posted on the bond. If the surety gives notice but does not meet the 60-day notification requirement or fails to include a termination date in the notice, the surety's liability will terminate 60 days after the postmark date on the notice.

Send the IRS copy of the notice to the Internal Revenue Service Center, Philadelphia, PA 19255.

If the principal fails to post a strengthening or superseding bond within 60 days from the date (a) the termination announcement is published in the Federal Register or (b) on which a surety's liability on a bond terminates, recapture under section 42(j) is required.

### Period of Bond

The liability stated on the bond must be for the period of years remaining in the 15-year compliance period of the building plus an additional 58 months. The compliance period begins with the tax year the building was placed in service or the succeeding tax year if the election under section 42(f)(1) is made.

### Recordkeeping

Keep a copy of this Form 8693 together with all Forms 8586, 8609, Schedule(s) A (Form 8609), and 8611 for 58 months after the 15-year compliance period ends.

### Who Must File

Taxpayers who claimed a low-income housing credit on a residential rental building and later (in a tax year during the 15-year compliance period) disposed of the building or an ownership interest in it must file this form to avoid recapture of the credit claimed. A de minimis rule may apply to certain dispositions of interests in partnerships that own buildings in which a credit was claimed. See Rev. Rul. 90-60, 1990-2 C.B. 3, for additional information.

### Partnerships

**Section 42(j)(5) partnerships.**—Any person holding a power of attorney in a section 42(j)(5) partnership (a partnership with 35 or more partners that has not elected out of the section 42(j)(5) provisions) may post bond as principal on behalf of the partnership. A bond posted on behalf of a partnership must be posted in the partnership's name, with the name of the authorized representative of the partnership posting the bond appearing immediately below the partnership's name.

**Partnerships that elected out of the section 42(j)(5) provisions or have fewer than 35 partners.**—If partners in partnerships to which section 42(j)(5) does not apply want to post bond, the partners must post bond in their individual capacity as principals.

### When and Where To File

Submit the original and one copy of Form 8693 to the Internal Revenue Service Center, Philadelphia, PA 19255, within 60 days after the date of disposition of the building or interest therein. The completed form may be submitted by either the taxpayer or the surety.

When the IRS returns a copy of the approved form, attach a copy of it to your income tax return for the year in which the disposition occurred. Write "FORM 8693 ATTACHED" to the left of the entry space on your income tax return for reporting the recapture of the low-income housing credit.

## Specific Instructions

**Line 2. Building Identification Number (BIN).**—This is the number assigned to the building by the housing credit agency on Part I, item E, of **Form 8609**, Low-Income Housing Credit Allocation Certification.

**Line 7b. Amount of Bond.**—Use the worksheet below to calculate the bond amount. See Rev. Rul. 90-60 for additional information on the methodology for determining the bond amount.

If the amount is not an even multiple of \$100, increase the bond amount to the next higher multiple of \$100.

### Part III. Certificate of Corporate Principal.

—If the principal is a corporation, the authority of the person posting the bond must be certified by the secretary of the corporation by completing Part III. Or the corporation may attach copies of records that will show the authority of the officer signing if the copies are certified by the secretary to be true copies.

**Part IV. Approval by the IRS.**—The IRS will notify you of the approval or rejection of the bond. If approved, the IRS will send a copy of the approved Form 8693 to the principal shown in Part I. If rejected, the owner must recapture the allowed low-income housing credit. Use **Form 8611**, Recapture of Low-Income Housing Credit.

### Worksheet for Computing Bond Amount

|                                                                                                                                                                               |    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 1 Total credits taken by you in previous years and any additional credits you anticipate claiming for any year or portion thereof preceding the date of disposition . . . . . | \$ |
| 2 Bond factor amount . . . . .                                                                                                                                                | %  |
| 3 Percentage of taxpayer's total interest in the qualified low-income building disposed of . . . . .                                                                          | %  |
| 4 Bond amount required to be posted (line 1 × line 2 × line 3). Enter here and on line 7b . . . . .                                                                           | \$ |

### Instructions for Worksheet

**Line 1.**—Enter the total amount of the credits claimed on the building. See Part I of Forms 8586 you have filed. Include any additional credits you anticipate claiming for any period preceding the date of disposition. Do not include credit amounts previously recaptured, credit amounts for which a bond was previously posted, or credits claimed on additions to qualified basis as determined under section 42(f)(3).

**Line 2. Bond Factor Amount.**—Enter the bond factor amount corresponding to the month in the compliance period in which the disposition occurred and the first year of the building's credit period. The IRS announces the monthly bond factor amounts quarterly in a revenue ruling published in the Internal Revenue Bulletin.

**Line 3.**—Enter the ownership interest in the qualified low-income building that you have disposed of. Include ownership interests held both directly and indirectly (e.g., through a partnership).



# Recapture of Low-Income Housing Credit

► Attach to your return.

**Note: Complete a separate Form 8611 for each building to which recapture applies.**

OMB No. 1545-1035

Attachment  
Sequence No. **90**

|                                                                                                                                    |                                               |                                                  |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|
| <b>A</b> Name(s) shown on return                                                                                                   |                                               | <b>B</b> Identifying number                      |
| <b>C</b> Address of building (as shown on Form 8609)                                                                               | <b>D</b> Building identification number (BIN) | <b>E</b> Date placed in service (from Form 8609) |
| <b>F</b> If building is financed in whole or part with tax-exempt bonds, see instructions and furnish:<br><b>(1)</b> Issuer's name |                                               | <b>(2)</b> Date of issue                         |
| <b>(3)</b> Name of issue                                                                                                           |                                               | <b>(4)</b> CUSIP number                          |

**Note:** Skip lines 1–7 and go to line 8 if recapture is passed through from a flow-through entity (partnership, S corporation, estate, or trust).

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |           |  |   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|---|
| <b>1</b> Enter total credits reported on Form 8586 in prior years for this building . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>1</b>  |  |   |
| <b>2</b> Credits included on line 1 attributable to additions to qualified basis (see instructions). . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b>2</b>  |  |   |
| <b>3</b> Credits subject to recapture. Subtract line 2 from line 1 . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>3</b>  |  |   |
| <b>4</b> Credit recapture percentage (see instructions) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>4</b>  |  | . |
| <b>5</b> Accelerated portion of credit. Multiply line 3 by line 4 . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>5</b>  |  |   |
| <b>6</b> Percentage decrease in qualified basis. Express as a decimal amount carried out to at least 3 places (see instructions) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>6</b>  |  | . |
| <b>7</b> Amount of accelerated portion recaptured (see instructions if prior recapture on building). Multiply line 5 by line 6. Section 42(j)(5) partnerships, go to line 16. All other flow-through entities (except electing large partnerships), enter the result here and enter each recipient's share in the appropriate box of Schedule K-1. Generally, flow-through entities other than electing large partnerships will stop here. <b>(Note: An estate or trust enters on line 8 only its share of recapture amount attributable to the credit amount reported on its Form 8586.)</b> . . . . . | <b>7</b>  |  |   |
| <b>8</b> Enter recapture amount from flow-through entity (see <b>Note</b> above) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>8</b>  |  |   |
| <b>9</b> Enter the unused portion of the accelerated amount from line 7 (see instructions) . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>9</b>  |  |   |
| <b>10</b> Net recapture. Subtract line 9 from line 7 or line 8. If less than zero, enter -0- . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>10</b> |  |   |
| <b>11</b> Enter interest on the line 10 recapture amount (see instructions) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>11</b> |  |   |
| <b>12</b> Total amount subject to recapture. Add lines 10 and 11 . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>12</b> |  |   |
| <b>13</b> Unused credits attributable to this building reduced by the accelerated portion included on line 9 (see instructions) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>13</b> |  |   |
| <b>14</b> <b>Recapture tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter the result here and on the appropriate line of your tax return (see instructions). If more than one Form 8611 is filed, add the line 14 amounts from all forms and enter the total on the appropriate line of your return. Electing large partnerships, see instructions . . . . .                                                                                                                                                                                                                     | <b>14</b> |  |   |
| <b>15</b> <b>Carryforward of the low-income housing credit attributable to this building.</b> Subtract line 12 from line 13. If zero or less, enter -0- (see instructions) . . . . .                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>15</b> |  |   |

**Only Section 42(j)(5) partnerships need to complete lines 16 and 17.**

|                                                                                      |           |  |  |
|--------------------------------------------------------------------------------------|-----------|--|--|
| <b>16</b> Enter interest on the line 7 recapture amount (see instructions) . . . . . | <b>16</b> |  |  |
| <b>17</b> Total recapture. Add lines 7 and 16 (see instructions) . . . . .           | <b>17</b> |  |  |

## General Instructions

Section references are to the Internal Revenue Code.

### Purpose of Form

Use this form if you must recapture part of the low-income housing credit you claimed in previous years because:

- The qualified basis of a building decreased from one year to the next. The decrease may result from a change in the eligible basis, or the building no longer meets the minimum set-aside requirements of section 42(g)(1), the gross rent requirement of section 42(g)(2), or the other requirements for the units which are set aside.
- You disposed of the building or an ownership interest in it, and you did not post a satisfactory bond or pledge eligible U.S. Treasury securities as collateral. For details on how to avoid recapture on a building disposition, see section 42(j)(6); Form 8693, Low-Income Housing Credit Disposition Bond; and Rev. Proc. 99-11, 1999-2 I.R.B. 14.

**Note.** If the decrease in qualified basis is because of a change in the amount for which you are financially at risk on the building, then you must first recalculate the amount of credit taken in prior years under section 42(k) before you calculate the recapture amount on this form.

To complete this form you will need copies of the following forms that you have filed:

- Form 8586, Low-Income Housing Credit (and Form 3800, General Business Credit, if applicable);

- Form 8609, Low-Income Housing Credit Allocation and Certification (or predecessor, Form 8609, Low-Income Housing Credit Allocation Certification);
- Form 8609-A, Annual Statement for Low-Income Housing Credit (or predecessor, Schedule A (Form 8609), Annual Statement); and
- Form 8611.

**Note.** Flow-through entities must give partners, shareholders, and beneficiaries the information that is reported in items C, D, E, and F of Form 8611.

Recapture does not apply if:

- You disposed of the building or an ownership interest in it and you posted a satisfactory bond or pledged eligible U.S. Treasury securities as collateral (for details, see section 42(j)(6), Form 8693, and Rev. Proc. 99-11);
- You disposed of not more than 33⅓% in the aggregate of your ownership interest in a building that you held through a partnership, or you disposed of an ownership interest in a building that you held through a partnership to which section 42(j)(5) applies or through an electing large partnership;
- The decrease in qualified basis does not exceed the additions to qualified basis for which credits were allowable in years after the year the building was placed in service;
- You correct a noncompliance event within a reasonable period after it is discovered or should have been discovered;
- The qualified basis is reduced because of a casualty loss, provided the property is restored or replaced within a reasonable period.

### Recordkeeping

In order to verify changes in qualified basis from year to year, keep a copy of all Forms 8586, 8609, 8609-A (or predecessor, Schedule A (Form 8609)), 8611, and 8693 for 3 years after the 15-year compliance period ends.

### Specific Instructions

**Note.** If recapture is passed through from a flow-through entity (partnership, S corporation, estate, or trust), skip lines 1-7 and go to line 8.

**Item F.** If the building is financed with tax-exempt bonds, furnish the following information: (1) name of the entity that issued the bond (not the name of the entity receiving the benefit of the financing); (2) date of issue, generally the first date there is a physical exchange of the bonds for the purchase price; (3) name of the issue, or if not named, other identification of the issue; and (4) CUSIP number of the bond with the latest maturity date. If the issue does not have a CUSIP number, enter "None."

**Line 1.** Enter the total credits claimed on the building for all prior years from all Forms 8586 (before reduction due to the tax liability limit) you have filed. Prior to the December 2006 revision of Form 8586, the credits (before reduction due to the tax liability limit) were reported in Part I. Do not include credits taken by a previous owner.

**Line 2.** Determine the amount to enter on this line by completing a separate Line 2 Worksheet (below) for each prior year for which line 7 of Form 8609-A (or predecessor, Schedule A (Form 8609)) was completed.

### Line 2 Worksheet (\*Line reference is to Form 8609-A (or predecessor, Schedule A (Form 8609)).

|                                                                                                                                                                                                           |          |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--|
| <b>a</b> Enter the amount from line 10* . . . . .                                                                                                                                                         | <b>a</b> |  |
| <b>b</b> Multiply <b>a</b> by 2 . . . . .                                                                                                                                                                 | <b>b</b> |  |
| <b>c</b> Enter the amount from line 11* . . . . .                                                                                                                                                         | <b>c</b> |  |
| <b>d</b> Subtract <b>c</b> from <b>b</b> . . . . .                                                                                                                                                        | <b>d</b> |  |
| <b>e</b> Enter decimal amount figured in step 1 of the instructions for line 14*. If line 14* does not apply to you, enter -0- . . . . .                                                                  | <b>e</b> |  |
| <b>f</b> Multiply <b>d</b> by <b>e</b> . . . . .                                                                                                                                                          | <b>f</b> |  |
| <b>g</b> Subtract <b>f</b> from <b>d</b> . . . . .                                                                                                                                                        | <b>g</b> |  |
| <b>h</b> Divide line 16* by line 15*. Enter the result here . . . . .                                                                                                                                     | <b>h</b> |  |
| <b>i</b> Multiply <b>g</b> by <b>h</b> . Enter this amount on line 2. (If more than one worksheet is completed, add the amounts on <b>i</b> from all worksheets and enter the total on line 2.) . . . . . | <b>i</b> |  |



**Line 4.** Enter the credit recapture percentage, expressed as a decimal carried to at least 3 places, from the table below:

| IF the recapture event occurs in . . . | THEN enter on line 4 . . . |
|----------------------------------------|----------------------------|
| Years 2 through 11 . . . . .           | .333                       |
| Year 12 . . . . .                      | .267                       |
| Year 13 . . . . .                      | .200                       |
| Year 14 . . . . .                      | .133                       |
| Year 15 . . . . .                      | .067                       |

**Line 6.** Enter the percentage decrease in qualified basis during the current year.

For this purpose, figure qualified basis without regard to any additions to qualified basis after the first year of the credit period. Compare any decrease in qualified basis first to additions to qualified basis. Recapture applies only if the decrease in qualified basis exceeds additions to qualified basis after the first year of the credit period.

If you disposed of the building or an ownership interest in it and did not post a bond, you must recapture all of the accelerated portion shown on line 5. Enter 1.000 on line 6.

**Note.** If the decrease causes the qualified basis to fall below the minimum set-aside requirements of section 42(g)(1) (the 20-50 test or the 40-60 test), then 100% of the amount shown on line 5 must be recaptured. Enter 1.000 on line 6. If you elected the 40-60 test for this building and the decrease causes you to fall below 40%, you cannot switch to the 20-50 test to meet the set-aside requirements. You must recapture the entire amount shown on line 5.

**Line 7.** If there was a prior recapture of accelerated credits on the building, do not recapture that amount again as the result of the current reduction in qualified basis. The following example demonstrates how to incorporate into the current (Year 4) recapture the first year (Year 1) accelerated portion as a result of a prior year (Year 2) recapture event.

**Line 9.** Compute the unused portion of the accelerated amount on line 7 by:

Step 1. Totaling the credits attributable to the building that you could not use in prior years.\*

Step 2. Reducing the result of step 1 by any unused credits attributable to additions to qualified basis.

Step 3. Multiplying the result of step 2 by the decimal amount on line 4.

Step 4. Multiplying the result of step 3 by the decimal amount on line 6.

Step 5. Enter the result of step 4 on line 9.

\*Generally, this is the amount of credit reported on line 1 of this Form 8611 reduced by the total low-income housing credits allowed on Form 8586 or Form 3800 for each year.

**Special rule for electing large partnerships.** Enter zero on line 9. An electing large partnership is treated as having fully used all prior year credits.

**Line 11.** Compute the interest separately for each prior tax year for which a credit is being recaptured. Interest must be computed at the overpayment rate determined under section 6621(a)(1) and compounded on a daily basis from the due date (not including extensions) of the return for the prior year until the earlier of (a) the due date (not including extensions) of the return for the recapture year, or (b) the date the return for the recapture year is filed and any income tax due for that year has been fully paid.

Tables of interest factors to compute daily compound interest were published in Rev. Proc. 95-17, 1995-1 C.B. 556. The interest rate in effect through March 31, 2008, is shown in Rev. Rul. 2007-68, 2007-52 I.R.B. 1236. For periods after March 31, 2008, use the overpayment rate under section 6621(a)(1) in the revenue rulings published quarterly in the Internal Revenue Bulletin.

**Note.** If the line 8 recapture amount is from a section 42(j)(5) partnership, the partnership will figure the interest and include it in the recapture amount reported to you. Enter “-0-” on line 11 and write “Section 42(j)(5)” to the left of the entry space for line 11.

**Line 13.** Subtract the amount on line 9 from the total of all prior year unused credits attributable to the building (Step 1 of the line 9 instruction above). Enter the result on line 13.

**Line 14.**

For information on how to report the recapture tax on...

See the instructions for the...

Form 1040

“Total tax” line in the Instructions for Form 1040

Form 1120

“Other taxes” line in the Instructions for Form 1120

**Special rule for electing large partnerships.** Subtract the credit shown on Form 8586 from the total of the line 14 amounts from all Forms 8611. Enter the result (but not less than zero) on Form 1065-B, Part I, line 26.

**Note.** You must also reduce the current year low-income housing credit, before entering it on Schedules K and K-1, by the amount of the reduction to the total of the recapture amounts.

**Line 15.** Carry forward the low-income housing credit attributable to this building to the next tax year. Report any carryforward on the carryforward line of the Form 3800 for the next tax year. See the instructions for Form 3800 for details on how to report the carryforward of unused credits.

**Lines 16 and 17.** Only section 42(j)(5) partnerships complete these lines. This is a partnership (other than an electing large partnership) that has at least 35 partners, unless the partnership elects (or has previously elected) not to be treated as a section 42(j)(5) partnership. For purposes of this definition, a husband and wife are treated as one partner.

**Line 7—Example.** \$2,700 of accelerated portion of low-income housing credit spread over a 10-year period and not falling below the minimum set-asides for the building. Also, there was a 20% reduction in qualified basis in Year 2 and 30% in Year 4.

|                                               | Year 1 | Year 2                                                      | Year 3 | Year 4*                                                                                       |
|-----------------------------------------------|--------|-------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------------|
| Low-income housing credit                     | \$270  | \$216 (\$270 × .8 (20% reduction in qualified basis))       | \$270  | \$189 (\$270 × .7 (30% reduction in qualified basis))                                         |
| Recapture of Year 1 low-income housing credit |        | \$18 (\$270 × .333 × .2 (20% reduction in qualified basis)) |        | \$9 (\$27 (\$270 × .333 × .3 (30% reduction in qualified basis) minus \$18 Year 2 recapture)) |

\* You will have to complete the rest of the form to figure the recapture as the result of the current year reduction in basis as it affects the Year 2 and Year 3 credit.

For purposes of determining the credit recapture amount, a section 42(j)(5) partnership is treated as the taxpayer to which the low-income housing credit was allowed and as if the amount of credit allowed was the entire amount allowable under section 42(a).

See the instructions for line 11 to figure the interest on line 16. The partnership must attach Form 8611 to its Form 1065 and allocate this amount to each partner on Schedule K-1 (Form 1065) in the same manner as the partnership's taxable income is allocated to each partner.

---

**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of

the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping** . . . 8 hr., 21 min.

**Learning about the law or the form** . . . 1 hr.

**Preparing and sending the form to the IRS** . . . 1 hr., 10 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the IRS at the address listed in the instructions for the tax return with which this form is filed.

# *APPENDIX K*

## *Development Status Forms*

# Mississippi Home Corporation Housing Tax Credit (HTC) Program

# Building/Unit Set-up Form

(NOTE: Complete ONE form PER BUILDING)

Development Number/Name:\_\_\_\_\_

Building Identification Number (BIN): \_\_\_\_\_

Building Address/Description (Ex. Bldg. A): \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

Total Units in this building: \_\_\_\_\_

Total **HTC** Units in this building: \_\_\_\_\_

Total Market Rate Units: \_\_\_\_\_

Total Staff Units this building: \_\_\_\_\_

**Placed in Service Date:**

(Select building type & enter PIS date)

☐ New Construction  
\_\_\_\_/\_\_\_\_/\_\_\_\_ (mm/dd/yyyy)

☐ Acquisition  
\_\_\_\_/\_\_\_\_/\_\_\_\_ (mm/dd/yyyy)

☐ Rehabilitation  
\_\_\_\_/\_\_\_\_/\_\_\_\_ (mm/dd/yyyy)

## UNIT IDENTIFICATION

*Duplicate form as needed.*

| <b>Unit No.</b>          | <b>Number of Bedrooms*</b><br>(circle one) | <b>Square Feet</b><br>(per unit) | <b>Staff Unit Y/N</b> |
|--------------------------|--------------------------------------------|----------------------------------|-----------------------|
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
|                          | 0 1 2 3 4 5 6                              |                                  |                       |
| <b>Total Sq. Footage</b> |                                            |                                  |                       |

\*Efficiency units should be marked as 0 bedrooms

# Mississippi Home Corporation

## Authorization to Release

### Owner Information

Owner's Name: \_\_\_\_\_ TIN: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Owner's Address: \_\_\_\_\_

City, State and Zip: \_\_\_\_\_

Telephone # : \_\_\_\_\_ Fax # \_\_\_\_\_ Email: \_\_\_\_\_

### Management Company/ Owner's Representative

Management Co. Name: \_\_\_\_\_ TIN: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

*(address in which ALL copies should be forwarded)*

City, State and Zip: \_\_\_\_\_

Telephone # : \_\_\_\_\_ Fax # \_\_\_\_\_ Email: \_\_\_\_\_

### Development Information *(To list additional developments, please attach a separate sheet.)*

| Development Name | Development Number | City |
|------------------|--------------------|------|
|                  |                    |      |
|                  |                    |      |
|                  |                    |      |
|                  |                    |      |
|                  |                    |      |

Effective \_\_\_\_\_ (mm/dd/yy), I, \_\_\_\_\_, the owner of the development(s) noted herein, hereby authorize the aforementioned management company/owner's representative to receive copies of all correspondence regarding the compliance status of the developments listed herein\*. This authorization shall remain in effect until written cancellation is received/submitted by either Mississippi Home Corporation or myself.

\_\_\_\_\_  
Owner's Name (Signature)

\_\_\_\_\_  
Date

\*Disclaimer: Please be advised that although MHC agrees to forward copies of all correspondence associated with the developments noted herein, the owner is responsible for ensuring that all forms and documents related to compliance are submitted as required. MHC's acceptance of this authorization shall in no way be viewed as a waiver of an owner's responsibility under the applicable program's rules and regulations.



# MISSISSIPPI HOME CORPORATION

## Notice of Property Transfer

### Part I: DEVELOPMENT INFORMATION

Project Identification Number : \_\_\_\_\_

Property Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_, Mississippi \_\_\_\_\_

### Part II: SELLER INFORMATION

Taxpayer ID Number: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

Ownership Entity: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

### Part III: BUYER INFORMATION

Taxpayer ID Number: \_\_\_\_\_ Telephone Number: \_\_\_\_\_

Ownership Entity: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

### Part IV: PROGRAM INTENT

☐ Desires to participate in the Housing Tax Credit (HTC) Program

☐ Desires NOT to participate in the Housing Tax Credit (HTC) Program *(Please be advised, the IRS will be notified of the development's termination of the HTC program.)*

Anticipated Date of Transfer: \_\_\_\_\_

Upon official closing, please submit a copy of the Warranty Deed to the Mississippi Home Corporation, Compliance Division, P.O. Box 23369, Jackson, MS 39225-9953.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Title)



# MISSISSIPPI HOME CORPORATION

## Notice of General Partner/ Management Change

Please indicate type of change.

☐ Partnership

☐ Management

Effective date of Change: \_\_\_\_\_

Project Number: \_\_\_\_\_

Project Name: \_\_\_\_\_

Project Address: \_\_\_\_\_

### Old Information

Organization Name: \_\_\_\_\_

Tax I.D. Number: \_\_\_\_\_

Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

### New Information

Organization Name: \_\_\_\_\_

Tax I.D. Number: \_\_\_\_\_

Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title



# MISSISSIPPI HOME CORPORATION

## Notice of Physical Damage

*This form should be utilized to report to MHC physical damage sustained by the development at the time of occurrence.*

|                                              |
|----------------------------------------------|
| Development Identification Number: MS- _____ |
| Development Name: _____                      |
| Address: _____                               |
| _____                                        |
| _____, Mississippi _____                     |

1. Date physical damage occurred: \_\_\_\_\_
2. Briefly describe the cause of damages: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Briefly describe the extent of the damages: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Estimated cost of repairs: \_\_\_\_\_
5. Estimated date of completion of repairs: \_\_\_\_\_

**Please submit a copy of the insurance estimates to the Mississippi Home Corporation, Compliance Division, P.O. Box 23369, Jackson, MS 39225-9953.**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Printed Name)

\_\_\_\_\_  
(Title)



## Report Period: January 1, 20\_\_ through December 31, 20\_\_

Development Name: \_\_\_\_\_

Development Address: \_\_\_\_\_

Development Number: MS \_\_\_\_\_ - \_\_\_\_\_

Prepared by: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

[illegible]

**Mississippi Home Corporation  
Housing Tax Credit  
Part A: Post-Foreclosure Certification**

**Report Period: January 1, 20\_\_ through December 31, 20\_\_**

Development No: MS- \_\_\_\_\_

Development Name: \_\_\_\_\_

City, Zip: \_\_\_\_\_

Date of Foreclosure: \_\_\_\_\_

Owner: \_\_\_\_\_

Phone: \_\_\_\_\_

Owner TIN: \_\_\_\_\_

Manager/Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

I, the Owner, hereby certifies that in the preceding twelve-month period:

1. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause, and
2. No tenants had an increase in the gross rents with respect to a low-income unit not otherwise permitted under IRS § 42.
3. There have been \_\_\_\_\_ vacancies. Of that number, \_\_\_\_\_ were low-income households residing in the units at the time of foreclosure.
4. Currently, \_\_\_\_\_ of the units are occupied. Of that number, \_\_\_\_\_ are low-income household residing in the units at the time of foreclosure.

I/We certify that data presented in this report is accurate to the best of our knowledge.

\_\_\_\_\_  
*Signature (Preparer)*

\_\_\_\_\_  
*Signature (Managing Owner)*

\_\_\_\_\_  
*Date*

*\*Low-income units were income qualified under Section 42.*

# *APPENDIX L*

## *EUP Waiver Request Resources*

**[Sample Format Owner Should Use to Request Participation in MHC's  
Extended Use Period Monitoring Relief Program]**

[Date]

Mississippi Home Corporation  
Attn.: Compliance Monitoring Division  
P O Box 23369  
Jackson, MS 39225-3369

**RE: Relief of Certain Compliance Monitoring Procedures during Extended Use  
Period**  
**[Development Name]**  
**[Owner's Name]**  
**[Owner's Tax I.D. #]**

Dear Sir/Madam:

Pursuant to the Mississippi Home Corporation's (MHC's) Compliance Monitoring Plan, an owner may request a relief of certain compliance monitoring requirements and/or procedures during a development's extended use period. Said relief, including but not limited to, a waiver of the income verification requirement during a household's annual recertification and the ability to apply the Available Unit Rule (AUR), a one-for-one replacement, to the next available unit in the building in which the 140% rise in household income occurred irrespective of the unit being comparable or smaller in size and a reduction in annual reporting requirements.

I, \_\_\_\_\_, as the owner of the above referenced development, understand that MHC may continue to require an annual income recertification under its monitoring procedure and that the Relief Waiver does not exempt me from the record keeping and certification requirements as outlined in the development's Land Use Restriction Agreement (LURA), particularly as it related to the verification of the annual income of a household upon initial occupancy. I further understand that in order to participate in the Compliance Monitoring Relief Program during the extended use period, the referenced development must be:

- In good standing with all MHC administered programs, including the payment of applicable fees;
- Free of material noncompliance for the three year period immediately preceding the effective of the extended use period; and
- Approaching and/or currently participating in the development's extended use period.

EUP Relief Request  
Page 2

As stated in the foregoing requirements (and those specifically stated in the latest Compliance Monitoring Plan), I hereby certify that the referenced development meets these requirements. As a result, I request the approval of the above referenced development's participation in the EUP Compliance Monitoring Relief program. This request is signed under penalty of perjury, noting to the best of my knowledge and belief that all statements pertaining to such is true and correct.

Sincerely,

[Signature and Title of Representative of  
the Ownership Entity – not management]

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