



March 2009

TO: Property Managers

FROM: Compliance & Preservation Division

SUBJECT: Tax Credit Compliance Manual Revisions – #1-2009

The Compliance & Preservation Division published a revised version of our Tax Credit Compliance Manual in Spring 2008. In July 2008, Congress passed the Housing and Economic Recovery Act, which made several important changes to the tax credit program. Accordingly, nearly every chapter of the manual has been updated with policy and/or procedural changes. We have also made minor grammatical and stylistic changes throughout. Consequently, we are publishing this list of revisions to the Manual to aid you in identifying major changes resulting from this legislation.

Please refer to the online version of our Tax Credit Compliance Manual, available at <http://www.wshfc.org/managers/ManualTaxCreditIndex.htm>. The online version includes links to pertinent forms and regulations that make compliance information easily accessible.

To be notified immediately when a compliance change has been published, sign up for our E-News Compliance newsletter at <http://www.wshfc.org/managers/BroadcastEmail.htm>.

### **TABLE OF CONTENTS**

Revisions: Updated to match changed sections/pagination in each chapter, lists attachments to certain chapters, lists new appendices.

*Replace TOC dated July 2008 with TOC dated February 2009.*

### **CHAPTER 1, INTRODUCTION**

Revisions: Stylistic/grammatical adjustments made for consistency. In **Tax Credit Properties with Bonds** section, two bullet points related to bond-only properties were deleted.

*Replace Chapter 1, Introduction, dated July 2008, with Chapter 1, (same name), dated February 2009.*

### **CHAPTER 2, FEDERAL REQUIREMENTS**

Revisions: Stylistic/grammatical adjustments made for clarity. **Student Housing** section updated for clarity and to include new student exception for individuals previously under the care of a state foster care program. Example rewritten for

clarity. Changed verbiage in **Common Area Units** section to emphasize that owners *cannot* charge rent for these units unless they have income-qualified the households. Clarified Available Unit Rule example toward the end of the **Available Unit Rule and Mixed-Income Properties** section. Changed name of **Effect of Resident Moving Within a Building** section to **Effect of Resident Moving to Another Unit**. Rewrote this section to clarify 140% Rule for 100% restricted tax credit properties. Deleted note about tax credit/bond properties. Several paragraphs describing different kinds of utility allowances in the **Utility Allowances** section have been deleted since we have created *Appendix O* to advise owners on their utility allowance options. **Other Methods for Calculating Utility Allowances** section deleted. **Inspections** section clarified in a few places. New section, **Data Collection**, created under **Resident Packages** section. NOTE: Requirements of **Data Collection** section are not active at this time – this section will be implemented in the future with advanced notice.  
*Replace Chapter 2, Federal Requirements, dated July 2008, with Chapter 2, (same name), dated February 2009.*

### **CHAPTER 3, WASHINGTON STATE REQUIREMENTS**

Revisions: Stylistic/grammatical adjustments made for clarity. Created new section, **Newly Placed –in-Service Acquisition/Rehab Properties**, after **Special Needs Housing Commitments** section. In **Marketing and Good Faith Efforts** section, clarified that the Internet can be used for advertising to Special Needs groups, newspapers are no longer required. Note about optional services inserted at end of **Additional Fees** subsection.  
*Replace Chapter 3, Washington State Requirements, dated July 2008, with Chapter 3, (same name), dated February 2009.*

### **CHAPTER 4, RENTS AND TENANCY ISSUES**

Revisions: Stylistic/grammatical adjustments made for clarity. Numbers in rent table example on first page corrected. Pre-1990 allocation note deleted. Language clarified at end of **Changes in Rent Limits** section.  
*Replace Chapter 4, Rents & Tenancy Issues, dated July 2008, with Chapter 4 (same name), dated February 2009.*

### **CHAPTER 5, INCOME AND ASSET CERTIFICATION**

Revisions: Stylistic/grammatical adjustments made for clarity. **Income-General Information** section updated with reference to self-certification of households after first recertification. Added reference to new form, *Self-Employment Income Worksheet*, to **Self-Employment Income Verification** section. Added more calculation/verification guidance to same section. Clarification regarding how to calculate unemployment benefits added to **Unemployment, Disability, Workers Comp, Severance Pay** section. Military pay codes updated. COLA note deleted from **Pensions, Veterans and Other Periodic Benefits** section. Deferred income payments note added to same section as new subsection, **VA Disability Income**. Reference added to **Student Income** section regarding new *Appendix P, Student Income Chart*. Changed name of **Review Appendices M and N** to **Additional Income & Asset Information**. In **Types of Assets** section, clarification regarding checking account verification added. **Types of Excluded and Included Income** section moved to end of chapter.

*Replace Chapter 5, Income & Asset Certification, dated July 2008, with Chapter 5, (same name), dated February 2009.*

## **CHAPTER 6, REPORTING AND RECORDS RETENTION**

Revisions: Stylistic/grammatical adjustments made for clarity. Changed language referring to Part A and Part B forms throughout the chapter: The *Certificate of Continuing Compliance*, formerly known as the "Part A," will be known as the CCPC. Table 1, often referred to as "Part B," will be exclusively referred to as Table 1. In **Supporting Documentation Forms** section, added new forms (see *Forms Memo #1-2009* for additional information on new and revised forms). Renamed **Annual Certifications** section to **Annual Recertifications for 100% Low Income Tax Credit Properties**. This section outlines new policy on doing self-certifications at 100% low income properties after the first recertification year. Added subsections relating to guidance on **Self-Certification Form, CCPC, and HUD/RD**. Added new section, **Annual Recertifications for Mixed Income Properties**. Also reprinted **Data Collection** section in this chapter. NOTE: Requirements of **Data Collection** section are not active at this time – this section will be implemented in the future with advanced notice.

*Replace Chapter 6, Reporting and Records Retention, dated July 2008, with Chapter 6 (same name), dated February 2009.*

## **CHAPTER 7, NONCOMPLIANCE**

Revisions: Added new section, **Recertifications at 100% Low Income Properties**, to outline consequences for failing to properly initially qualify households. Added clarification to **Properties with Recertification Waivers** section regarding self-recertifications.

*Replace Chapter 7, Noncompliance, dated July 2008, with Chapter 7 (same name), dated February 2009.*

## **CHAPTER 8, TAX EXEMPT BOND FINANCED PROPERTIES WITH TAX CREDITS**

Revisions: Stylistic/grammatical adjustments made for clarity. Added clarification under **Summary** section, **Income Restrictions** subsection, allowing bond units to abide by less restrictive building rule, rather than property rule. Added new paragraphs explaining that the Next Available Unit Rule is now applied on a building by building basis for bond compliance; the Student Rule is now applied in the same way for bond units as it is for tax credit units. Deleted "Happy Camper Apts" example.

*Replace Chapter 8, Tax Exempt Bond Financed Properties with Tax Credits, dated July 2008, with Chapter 8 (same name), dated February 2009.*

## **CHAPTER 9, PROPERTY TRANSFERS**

Revisions: Stylistic/grammatical adjustments made for clarity. Deleted **Surety Bond Posting** subsection. Added paragraph regarding removal of requirement for bond postings when tax credit properties are sold. Nonprofit entities note moved to be under **Maintaining Credit Set-Asides** section. Paragraphs pertaining to General Partnerships deleted.

*Replace Chapter 9, Property Transfers, dated July 2008, with Chapter 9, (same name), dated February 2009.*

## **CHAPTER 10, QUALIFIED CONTRACT PROCESS**

Revisions: Stylistic/grammatical adjustments made for clarity. Removed reference to Federal Home Loan Bank in **Marketing by the Commission** section.

*Replace Chapter 10, Qualified Contract Process, dated July 2008, with Chapter 10, (same name), dated February 2009.*

## **CHAPTER 11, POST-YEAR 15 MONITORING PROCEDURES**

Revisions: Stylistic/grammatical adjustments made for clarity. Changed Part A to CCPC, Part B to Table 1. Note that Post-Year 15 properties will use the new *Self-Recertification* form for residents at recertification time. At Post-Year 15 properties, there is no need to do third-party recertifications on residents' first lease anniversaries, self-certifications can be done every year after initial qualification.

*Replace Chapter 11, Post-Year 15 Monitoring Procedures, dated July 2008, with Chapter 11, (same name), dated February 2009.*

## **CHAPTER 12, RECERTIFICATION WAIVER PROCEDURE**

Revisions: Stylistic/grammatical adjustments made for clarity. Changed Part A to CCPC, Part B to Table 1. Note that Recert Waiver properties will use the new *Self-Recertification* form for residents at recertification time. At IRS-approved Recert Waiver properties, there is no need to do third-party recertifications on residents' first lease anniversaries, self-certifications can be done every year after initial qualification. Even though HERA legislation makes the Recert Waiver process somewhat obsolete, we are maintaining this chapter for 1) those properties which have already been approved for the Waiver, and 2) those properties that may find it worthwhile to pay for a 100% audit in exchange for not having to do *any* third-party certifications after initial qualifications. Note that requests for this Waiver now will be approved by the Commission, not the IRS – all language pertaining to Form 8877 and IRS approval has been deleted.

*Replace Chapter 12, Recertification Waiver Procedure, dated May 2008, with Chapter 12, (same name), dated February 2009.*

## **APPENDIX L, DIFFERENCES BETWEEN TAX CREDITS AND BONDS**

Revisions: Chart updated as a result of HERA changes. Specifically, sections on **Minimum Set-Aside, Fulltime Student Status, Over-Income Units, Recertifications, and Resident Transfers** have all been updated.

*Replace Appendix L, dated July 2006, with Appendix L, (same name), dated February 2009.*

## **APPENDIX P, STUDENT INCOME CHART**

NEW. Originally created by a management company, we adopted the chart with their consent to assist all managers in identifying which types of income to count for both fulltime and part time students.