

Housing Tax Credit Compliance FAQs:

1. The owner of a 100% tax credit site wants us to continue to recertify all households. Will OHFA be reporting late re-certifications?

No, OHFA will not be monitoring for re-certifications due in 2009 for 100% tax credit sites. OHFA will be monitoring initial move-in certifications, re-certifications due in 2008 and prior, including the HERA mandated collection requirement beginning with 2010. HERA requires the following information from each household member: race, ethnicity, family composition, age, income, use of rental assistance, disability status, rental amount, and last four digits of social security number. OHFA will also be monitoring to assure that student status and felony status is gathered.

2. When someone receives Child Support payments in arrears, is the full amount received counted as income or only the amount that is supposed to be received each month (i.e. \$300 month in decree but getting \$500 due to being in arrears)?

You should count the \$500 month for as long as the resident plans to receive it and then count \$300 a month. Remember you are counting income for the next 12 months.

3. If a prospective resident arrives in our state and has not yet secured a job, what income, if any, should I count?

If the income is not verifiable, do not count it. Owners should ask the appropriate questions regarding whether or not an unemployed household member is planning to seek employment. If a household is accepted as low-income and subsequently becomes over-income, the owner should be prepared to prove due diligence. Your goal is to maintain the integrity of the tax credit files. The IRS will be notified if OHFA finds a pattern of over income households that became such shortly after move-in.

4. If owners are allowed to perform retro-active re-certifications, what incentive do they have to complete them on time?

When a retro-active recertification is performed, the recertification was performed late. This finding is reported to the IRS if OHFA detects a pattern of late re-certifications. This will apply only to mixed income (tax credit / market) properties.

5. I have an employment verification for a prospective resident. This person is qualified with the current wages and hours. By using the year-to-date figures provided, this person is over-income. This person had a baby and decreased her hours from full-time to part-time.

OHFA's tax credit compliance procedure is to use current circumstances including any known anticipated income. An owner can always be more stringent than the State Agency and may use the higher income at their discretion.

6. Does a single full-time student who is also pregnant qualify under one of the student exceptions?

Yes, according to HUD an unborn child may be included for the household income qualifying purpose, therefore, according to the IRS, it is also allowable that an unborn child may be included as an exception to a full time student household. (However, be aware if the baby does not survive, the exception no longer exists.)

7. A household is being certified in the month of July and the management notices that one of the household members will be 18 in September. How should the certification be completed?

The household's income is counted for the upcoming 12 months. Therefore, include in the recertification any income that this person is expected to earn after he/she turns 18.

8. If a change in household members occur after move-in, is the manager required to initially qualify the household?

No. However if at any time a new adult member joins a household the new member must complete an application and be income certified on the TIC. The income of the new member must then be added to the income disclosed on the existing household's TIC. If the total income combined exceeds 140% of the income limit, the Available Unit Rule is invoked. For mixed income properties, the next complete recertification is due when the existing household TIC expires.

9. If a change in the current household income occurs after move-in, is the manager required to recertify the household?

No, for the Tax Credit program income changes are reported at the time of recertification, if applicable. However, if it is discovered that a household manipulated the program rules to qualify to live in a tax credit unit, an owner must be prepared to prove due diligence. This will be achieved by assuring the appropriate questions are asked at application (i.e. are changes in household size anticipated, is there a guaranteed job offer not disclosed?)

10. What happens if a unit is leased as tax credit eligible but at a later date it is discovered that the household was not income qualified at move-in?

If a calculation error was made in certifying a household and it is found that the household never income qualified for the unit, the unit is not a qualified tax credit unit until the next qualified household moves-in. Owners should consult with their tax attorney. To avoid this situation, it is very important to carefully verify the income of a household prior to occupancy and have other staff members view this documentation.

The IRS states noncompliance issues identified and corrected by the owner "prior to notification" of an upcoming compliance review or inspection by the state agency need not be reported.

11. What forms does OHFA require sites to use and where can I find them?

Employment Verification, Zero Income Certification, Under \$5,000 Asset Certification, Student Verification, Tenant Income Certification (unless RHS), and the Annual Owner Certification (signed by the owner due in Feb each year).

These forms can be found in the appendices in the OHFA Tax Credit Compliance Manual. This manual can be found at www.ohfa.org.

12. I have a resident that wants to transfer from one building to another on my partial tax credit property. The household is over the 140% income limit; can I allow this transfer?

No. If the re-certification process is applicable, the household income can not be over 140% of the current income limit prior to the transfer. It is also important to remember that transfers are allowable ONLY if the buildings on the property are chosen as part of a multiple building project on the Form 8609 (line 8b).

13. I have a resident that wants to transfer from one building to another on my 100% tax credit property. The household is over the 140% income limit; can I allow this transfer?

If you have a household that is documented to be over the 140% income limit, the transfer will NOT be allowed. In addition, if the election on Form 8609 (line 8b) was not chosen as part of a multiple building project, the transfer will not be allowed. The household must be treated as a move-out and new move-in.

14. I know that HUD requires collection of certain demographic data. What information do I need to gather and how do I report it?

The HUD demographic data that is required to be reported for each household member, due to the passage of HERA is: race, ethnicity, family composition, age, income, use of rental assistance, disability status, rental amount, and last four digits of social security number. OHFA will also be monitoring to assure that student status and felony status is gathered. Sites that are reporting to OHFA on an annual basis will be required to submit demographic information via Certification On-line (COL).

15. Does a 100% Tax Credit site layered with Rural Development funds, have to initially certify a tax credit qualified household on an OHFA TIC?

No. OHFA accepts the RD TIC in place of the Tax Credit TIC, therefore a 100% tax credit site will NOT have to complete anything in addition to the RD TIC. This is only allowed if OHFA is assured that the RD TIC is signed no more than 5 days prior to move-in but on or before the actual move-in date.

16. Does a partial Tax Credit site layered with Rural Development funds, have to re-certify a tax credit qualified household on an OHFA TIC?

Yes. The recertification dates differ when combining both the Tax Credit and the RD program. When a property is less than 100% Tax Credit, recertification's are not exempted. Therefore, an OHFA TIC must be completed.

17. I live on the property I manage so I am assuming it is a managers / exempt unit. Should I be paying rent and utilities for my unit or should the owner?

Chief Counsel Memo dated June 2, 2014 states whether or not an owner charges rents, utilities, or both for common space units are not relevant in the treatment of units as facilities that are reasonably required for the project. Free or

discounted rent to an employee must always be included as income if their household is being certified as tax credit qualified.

18. Can same-sex families qualify for LIHTC housing if comprised entirely of full time students?

The IRS recognizes a marriage of same-sex individuals as valid as long as entered into in a state whose laws authorize the marriage of two individuals of the same sex even if the state in which they reside does not recognize the validity of same-sex marriages. If married and eligible to file a joint tax return of same-sex families may be eligible. Information can be found at Rev. Rul. 2013-17.