

Dear State Agencies:

“How can we help?”

As properties with extended use requirements start exiting their 15-year compliance periods, state Housing Finance Agencies are facing the need to develop policies and procedures to monitor compliance with the LURAs for these properties. This is not a new issue. Craig Sickel, Senior Partner of Compliance Solutions, remembers discussions about this issue as far back as the mid 90s when he worked at the Missouri Housing Development Commission, “It has been clear for many years that new policies were going to be necessary regarding Tax Credit properties with extended use agreements,” he says. While the discussion was somewhat academic at that time, now it is a real and immediate issue.

Your agency may already be pressed with monitoring your growing LIHTC portfolios. How will you best monitor these properties with the limited resources at your disposal? Even if you have not used LIHTC monitoring contractors until now, this may be an area where you can reap benefits by doing so. Clearly, there is no one-size-fits-all answer to this set of questions.

State plans published to date take a wide variety of approaches. Of course, each state must decide how to design their LURA monitoring requirements, but the owners and staff of Compliance Solutions stand ready to put our expertise to work in supporting all phases of state agency monitoring.

As experienced contractors for state agencies, Compliance Solutions has a number of services that will greatly assist states. These include reviews of annual reporting and desk audits and site file and physical inspections. All interested state agencies are invited to contact Scott Michael Dunn to discuss how we can work together to meet your emerging needs.

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“Oh What a Difference a Day Makes!”

A new revenue ruling reminds us that the last day of the month may be a better day than the first to move in a household during a LIHTC rent-up.

By Scott Michael Dunn

If you were allowed to charge every tenant who moved into a unit at any time during a month a full month's rent, would it affect how you would do business? Chances are that it would. For instance, move-ins on the first of the month would likely be less common, wouldn't you agree? If a family were willing to move in on even the last day of the previous month, the **property would see a whole month's revenue for that unit**. If property cash flow were the only issue here, it would be entirely possible that the industry standard would be last day of the month move-ins. This will never be the case, because such a standard would be disadvantageous to the tenants, and would thus ultimately be to no one's benefit. A new IRS Revenue Ruling, however, reminds us of a provision in the tax code that has a similar effect, not on rents, but on the tax credits that investors can collect for a unit during the period that each unit in a property is being rented for the first time (rent-up).



In Revenue Ruling 2004-82, the IRS answered several questions that have been asked by the industry. Relating to the topic at hand, question 4 of the ruling points out that **credits can be claimed for a household that is in a unit on the last day of a month**. For example, if John and his LIHTC-eligible household move into a never-qualified tax credit unit on November 30th, the credits are figured on that unit for all of November. By

way of contrast, if the household moves in on December 1st, credits will be claimed for December, but the opportunity to increase the first year credit by one month, November, has been lost for that unit. As credits claimed are often as much or more than the rents charged, we can see **“what a difference a day makes!”** It is not accurate to say that the credits for that month are lost, but they will not be claimed until the 11th year of the compliance period.

For the rest of the article, visit us at www.zeffert.com



A “1-2 Punch” can help to “Knock Out” Rent-Up problems

Having knowledgeable staff and 3rd party reviews of files are two of the best tools that a property can have to help prevent the trauma that sometimes occurs during rent-up. The problem is often that, in terms of LIHTC compliance, the staff is as “new” as the property. To address this real issue in the industry, we at Compliance Solutions can customize our in-person training and 3rd party file review products in a perfect combination designed to meet the needs of rent-up properties. Please call our compliance department at 1-866-760-6000 for further details.



Only Two Trainings Left This Year!

State housing agency staff, property management (including maintenance) staff, and compliance personnel were all represented at the inaugural session of Compliance Solutions 1–½ day LIHTC training in St. Louis in August. The class was well received. Everyone commented on the quality training, but also on the value, as accommodations and many other extras are included in the cost of registration. Two trainings remain this year on November 18th and 19th, and December 16th and 17th. Please check our website for further details, and to register. If you have any questions, feel free to email our trainer, Scott Michael Dunn, at smdunn@zeffert.com.

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