

I P E D 101
COMPLIANCE QUIZ
Answers

1. Who issues an 8823 and why?

E) The state monitoring agency, to report Non-Compliance to the IRS. If the state agency sends a copy to an owner, it is a courtesy.

2. The “Next Available Unit Rule” applies when the income of a household exceeds 140% of the current move-in limit upon recertification. When this occurs, the rule requires that the next available unit in the property must be rented to a tax credit qualified tenant before any market rate units can be rented out.

B) False; rule is applied on a building-by-building basis not on a property basis.

3. When calculating the 140% limit for purposes of determining whether the Next Available Unit Rule applies, a manager should take the initial income limit at move-in for the applicable household size and multiply it by 1.40.

B) False; it is based upon 140% of the current income limit, not the limit at move-in.

4. A voucher tenant receives Section 8 assistance. The contract provides for a FMV which is higher than the applicable rent maximum. Upon recertification, the tenant has an increase in income such that their tenant-paid portion increases to an amount \$10 over the applicable limit. The subsidy portion drops to \$25 a month. The amount of rent paid by the tenant must be reduced by \$10 so that it does not exceed the maximum allowable.

B) False; as long as the tenant’s rent was below the maximum at initial occupancy and tenant still receives at least \$1 of subsidy, then tenant rent can actually exceed the applicable maximum.

5. A household is required to be recertified:
- A) **Within 120 days before 1 year from the move-in date. Note that this policy changed with the publication of the new 8823 guide and is different from prior established thought. Most states have not yet implemented the guidelines of the 8823 Guide which provide for recertification on the move-in anniversary month.**
6. Court-ordered child support payments must be included when determining household eligibility even if the household does not receive all the child support they are entitled to.
- B) **False; as long as the person is making reasonable efforts to collect.**
7. When using pay stubs as a method of income verification, how many weeks of consecutive stubs are required?
- 6-8 weeks**
8. Utility allowance tables do not need to be obtained on an annual basis if there is no change from the prior year.
- B) **False; even if they haven't changed, the lack of change needs to be reconfirmed on at least an annual basis.**
9. The applicable fraction is the greater of the percentage of LIHTC units compared to the total number of units compared to LIHTC square footage as a percentage of total rentable square feet.
- B) **False; it's the *lower* of the two.**
10. A boyfriend and girlfriend move into a unit together. After a period of time, they split up. The girlfriend still lives in the unit and a new boyfriend moves in. The total household income now exceeds the current move-in income limit. Is the household still qualified?
- A) **Yes; as long as there is an initial member of the household still in the unit, the change in constituency qualifies as a recertification event, not an initial qualification event.**

11. In an acquisition / rehab property, credits can only be taken once the rehab has been completed.
- B) False; in certain circumstances the credits may actually start before the work is actually completed.**
12. If a HOME loan is issued with a below market interest rate, in order to claim 9% credits and not consider the loan a grant, 40% of the units in the project must be set-aside for households at 50% of area median income (as adjusted for household size).
- B) False; the 40% at 50% rule is applied on a building-by-building basis, not a property basis.**
13. It is not necessary to third-party verify an unborn child member of the household.
- A) True; HUD guidelines provide that self-certification is not only sufficient but any additional requirement is not permitted.**
14. All types of units in the LIHTC Program cannot be rented on a transient basis.
- B) False; certain types of SRO units may be rented on a transient basis.**
15. A property with a real estate tax exemption has a policy to non-renew any tenants whose income exceeds 140% upon recertification. Given the fact that over-income tenants will void the tax exemption on that unit, it is permissible to non-renew such tenants based upon the increase in income.
- B) False; tough nuggies. The program provides (a) a specific procedure for handling households which go over income, and, (b) a prohibition against eviction or non-renewal without cause. An increase in income is not cause and is therefore not a legal reason to non-renew. The property will simply have to forfeit its exemption on that unit for the year.**
16. A utility allowance must be provided for telephone if a telephone is needed in order to permit tenants to grant remote access to visitors.
- B) False. It was a rumor for a while, but the IRS clarified it once and for all in the July, 2008 revision to the 1.42-10 regulations.**

17. Transferring tenants to other units within the same building is treated as a swap and is therefore always acceptable and will never create a reduction in the building's eligible basis.
- B) False; always OK if swapping two tax credits units. But if the other unit is market, it is OK if the tenant transfers into the same size unit or bigger. However, if the tenant transfers into a smaller unit within the same building, there could be an applicable fraction issue if the square footage fraction decreases.**
18. Tenants may move in and occupy a unit before it is placed in service.
- A) True; can't get credits, but there is no law that says they can't occupy the unit.**
19. Transfers across buildings are never permitted and must be treated as a "move-in / move-out".
- B) False; the new 8823 guide provides that they are treated like a swap within the same building as long as the tenant's income is not over 140% of applicable limits. This policy is considered an extension of previous policy which only provided for swapping during the initial lease-up period.**
20. Unborn children may be considered when determining whether a household is comprised entirely of full-time students.
- A) True; even though the kid is technically going to class everyday.**