



303.297.chfa (2432)
800.877.chfa (2432)
www.chfainfo.com

income averaging

compliance monitoring guidance 8.1.2019

disclaimer

The Income Averaging (IA) Compliance Guidance summarized here is provided only as a highlight of some of the federal requirements as of the date of this guidance and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. Please note, that as of the date of this guidance the IRS has not issued full and definitive guidance on how the election will be administered or monitored. Additionally, this guidance is based on information obtained from publicly available sources, the completeness and accuracy of which have not been independently verified, and only reflects CHFA's guidance as of the date of this summary, all of which is subject to further review and change. Any project considering the IA election should do so in consultation with its tax, legal, and accounting advisors.

eligible projects

Effective January 1, 2019, the IA minimum set-aside may be elected with 9% federal LIHTC, 4% federal LIHTC, and 4% federal/state LIHTC applications only if 100% of residential units in the project are designated as low-income units.

For projects that received an award of LIHTC prior to January 1, 2019, only 4% non-competitive projects with 100% of the residential units designated as low-income that have not been placed in service are may request to elect the IA minimum set-aside, which CHFA may approve in its sole discretion. No other projects awarded LIHTC prior to January 1, 2019 may request the IA minimum set-aside.

unit designations

Unit designations may float with the following restrictions:

- A household's unit designation may be changed to a higher designation only if the household income at annual recertification exceeds 140 percent of the current income limit for the original designation.
- Unit designations may not be changed to a higher designation during a household's lease term.

multiple building elections

- Owners of projects with multiple buildings that elect IA as the minimum set aside are required to do so for each building in the project.

income averaging

- Owners must elect to treat each building as part of a multiple-building project on line 8b of the IRS Form 8609.

rent and income limits

CHFA is using the Multifamily Tax Subsidy Program (MTSP) methodology to calculate rent and income limits for the new IA AMI designations (**20%, 70%, and 80% AMIs**). It is important to note that CHFA's calculation may not align with the IRS and/or HUD methodology until formal federal guidance is issued, which could impact household qualification and monitoring.

annual resident recertifications

IA projects are required to follow CHFA's existing annual recertification policy for 100% low-income projects.

compliance monitoring

- CHFA's preliminary monitoring will begin with the Initial Inspection of the project.
- Formal monitoring will begin with the first year of the Credit Period and will continue through the end of the Extended Use Period.

reporting requirements and compliance testing

Annual Owner Certification

- Owner's must complete CHFA's LIHTC Owner Certification of Continuing Program Compliance, annually by January 15 for the previous calendar year, which will include a certification of the owner's compliance with the IA minimum set-aside each year.

Occupancy Data Reporting

- Occupancy and demographic data for all LIHTC projects must be submitted utilizing CHFA's Web Compliance Management System (WCMS), as soon as the project begins leasing up.
 - WCMS data must be maintained monthly thereafter.
 - Annually by January 15, all occupancy records through December 31 of the previous calendar year must be entered and finalized in WCMS.

Testing

- Each year CHFA will use WCMS occupancy data to test for compliance with the IA minimum set-aside as of December 31 of the previous year.

income averaging

- Testing for compliance with the IA minimum set-aside will also be conducted as part of each three-year program compliance review by CHFA.

non-compliance

Noncompliance with the IA election will be treated in the same manner as the other minimum set-aside elections. Failure to meet the IA election for the first year of the Credit Period will result in the permanent loss of the entire LIHTC allocation. Failure to maintain the IA election for any year after the first year of the Credit Period will result in no allowable LIHTC for that tax year.

unit parity

- Refer to CHFA's QAP for further guidance on unit parity.
- Compliance with unit parity requirements will be monitored via WCMS reporting as noted above.

training

- IA-specific compliance training for all onsite and corporate staff involved in compliance and tenant file preparation as well as members of the ownership and management teams must be completed before CHFA will issue IRS Form 8609(s). This training can be delivered by a third-party compliance consultant that is acceptable to CHFA. Training certificates must be submitted to CHFA prior to issuance of IRS Form 8609(s). Refer to CHFA's QAP for additional guidance.
- After IRS Form 8609(s) have been issued, additional IA compliance training will be required upon any change in the compliance staff, owner, and/or management agent, and upon the request of CHFA as necessary.

for more information

For additional information including CHFA's Frequently Asked Questions (FAQs) please visit chfainfo.com/arh/lihtc/income-averaging.