

TABLE OF CONTENTS

SECTION I – INTRODUCTION		PAGE
Part 100	Background of the TCAC Program	1
Part 110	Contents and Summary	1
Part 120	Compliance Period	2
Part 130	Regulations for Various Tax Credit Programs	2
Part 140	Compliance Manual	4
 SECTION II – RESPONSIBILITIES		 PAGE
Part 200	The California Tax Credit Allocation Committee	5
	A. Issue IRS Form 8609	5
	B. Prepare Regulatory Agreement/Restrictive Covenants	5
	C. Review Annual Owner Certification	5
	D. Review Annual Operating Expense Report	6
	E. Review Project Status Report	6
	F. Conduct On-site Monitoring	6
	G. Conduct On-site Monitoring – Extended Use Portfolio	6
	H. Conduct 504 Monitoring for TCAP Properties – ARRA Legislation	6
	I. Conduct Asset Management Functions for TCAP and Section 1602 Exchange Funds – ARRA Legislation	7
	J. Notice of Noncompliance	8
	K. Record Retention	8
	L. Conduct Training and Provide Continuing Education	8
	M. Rural Housing Service (RHS) Agreement	9
	N. Subcontracting of Functions	9
	O. Freedom of Information Act / Public Records Act	9
 Part 210	 Owner of Project	 10
	A. Be Knowledgeable About	10
	B. Good Cause Eviction	10
	C. Comply with Terms of Application	11
	D. Meet Initial Eligibility Requirements	11
	E. Deeper Targeting Requirements	11
	F. Prepare and Submit Annual Certifications	11
	1. Annual Owner Certification (<i>part 1</i>)	12
	2. Annual Project Ownership Profile (<i>part 1</i>)	14
	3. Annual Operating Expense Report (<i>part 2</i>)	15
	4. Lender Report (<i>part 2</i>)	15
	5. HUD Demographic Data (<i>2010</i>)	15
	G. Train On-site Personnel	15
	H. Ensure Proper Maintenance	15
	I. Recordkeeping and Retention - Site	16
	J. Maintain a Development File	16
	K. Maintain a Tenant / Unit File	17
	L. Prepare and Submit Low Income Housing Credit (IRS Form 8586)	17
	M. Administration and Notification	17

Part 220	Management Company and On-site Personnel	17
-----------------	---	-----------

SECTION III – REGULATIONS	PAGE
----------------------------------	-------------

Part 300	Calculating and Claiming the LIHTC	18
	A. The Annual Tax Credit Amount	18
	B. Claiming Tax Credits in the Initial Year	18
	C. Initial Year Proration	18
	D. The Two-Thirds Rule	19
	E. Increase in Qualified Basis	19
	F. Claiming Credit in the Remaining Years of the Compliance Period	19
Part 310	Minimum LIHTC Set-aside Requirements and Income Limits	19
Part 320	Maximum Gross Rent	20
	A. Projects Allocated Credit During the Years 1987 to 1989	20
	B. Projects Allocated Credit After January 1, 1990	20
	C. Allowable Fees and Charges	20
	D. Section 8 Rents	21
	E. Gross Rent Floor Election	21
	F. 8609 Form Line 8b Election	22
	G. Amenities and Services	23
	H. Conflicts with Other Government-Funded Housing Programs	23
Part 330	Utility Allowances	24
Part 340	Rules Governing the Eligibility of Residential Units	25
	A. Unit Vacancy Rule	26
	B. When a Unit Must Remain Vacant	26
	C. 140% Next Available Unit Rule	26
	D. Transfer of Existing Tenants – 100% Tax Credit Property	26
	E. Resident Manager’s Unit	27
Part 350	Rules Governing the Eligibility of Tenants and Uses	28
	A. Student Eligibility	28
	B. Managers or Employees as Tenants	29
	C. Live-in Care Attendants	29
	D. Non-transient Occupancy	30
	E. Ineligible Facilities	31
Part 360	Other Regulations	31
	A. Physical Requirements of Units	31
	B. Discrimination Prohibited in Project	31
	C. General Public Requirements	32
	D. General Occupancy Guidelines/Family Size	32
	E. Good Cause Eviction	32
Part 370	Statutory Set-Asides	33
	A. Qualified Nonprofit Organizations	33
Part 380	Qualified Allocation Plan	33
Part 390	Adopted Regulations	34

SECTION IV – QUALIFYING TENANTS FOR LIHTC UNITS **PAGE**

Part 400	The Tenant Application	35
Part 410	Tenant Income Verification	35
	A. Effective Term of Verification	36
	B. Methods of Verification	36
	C. Discrepancies in Reported Income	37
	D. Assets	37
	E. Real Estate	38
	1. Normal Sale of Real Estate	38
	2. Real Estate used as Rental Property	38
	3. Foreclosure	38
	4. Short Sale	39
	5. Reverse Mortgages	39
	F. Computing the Total Household Income	39
	G. Anticipated Income	39
	H. Cash Payments	40
Part 420	Initial Tenant Income Certification Guidelines	40
Part 430	Annual Income Recertification Requirements	41
	A. For 100% Tax Credit Properties	41
	B. For Mixed Use Tax Credit Properties	43
	C. Recertification Procedure	43
	D. Annual Recertification Waiver (pre-2008)	43
Part 440	Student Status	43
	A. Part-time Students	43
	B. Full-time Students	44
	C. \$480 Student Income	44
	D. Financial Aide Verification	44
	E. Single Parent Full-time Student Self Affidavit	45
Part 450	The Lease and CTCAC required Lease Rider	45
Part 460	The Tenant/Unit File	46
Part 470	Qualifying Section 8 Tenants for LIHTC Units	47
Part 480	Qualifying Tenants in RHS Projects for LIHTC Units	48
Part 490	Acquisition and Rehabilitation	49

SECTION V – COMPLIANCE MONITORING **PAGE**

Part 500	The Compliance Manual	51
Part 510	Compliance Training Workshops	51
Part 520	Compliance Files and Records	52

Part 530	Compliance Forms	52
	A. Owner Certification	52
	B. Project Status Report	53
	C. Tenant Income Certification	53
	D. Tenant Income Certification Questionnaire	53
	E. Utility Allowance	53
	Option 1: RHS Methodology	54
	Option 2: HUD Project-based Section 8	54
	Option 3: Public Housing Authority	54
	Option 4: Utility Company Estimate	54
	Option 5: Energy Consumption Model	55
	Option 6: HUD Utility Model	55
	Option 7: Agency Estimate	55
	F. Utility Allowance (Sub-metering)	55
	G. Child Support Documents	56
	H. CTCAC Lease Rider	57
	I. Pay stub documentation	57
	J. Other Forms	57
	K. The Work Number	57
Part 540	Annual Certification for Section 42 requirements	58
	A. Annual Owner Certification	58
	B. Project Ownership Profile	58
	C. Annual Operating Expense Report	58
	D. Lender Report	59
	E. Project Status Report	59
	F. Utility Allowance Documentation	59
	G. Owner's Annual Support Services Certification (SSC)	59
Part 550	CTCAC Tenant/Unit File Review and On-site Project Inspections	59
	A. On-site (at Project or Management Office)	60
	B. In-house (at TCAC)	60
	C. Extended Use Monitoring	60
Part 560	Compliance Monitoring Fees	61
Part 570	Compliance Period	62
Part 580	Amendments to Compliance Monitoring Procedures	62

SECTION VI – NONCOMPLIANCE	PAGE	
Part 600	Types of Noncompliance	63
Part 610	Consequences	63
Part 620	Notification of Noncompliance to Owner	64
Part 630	Notification by Owner to TCAC	64
Part 640	Correction Period	64
Part 650	Reporting Noncompliance to IRS an Recapture	64
	A. Reporting	64

	B. Recapture	65
	<i>*Please refer to the IRS 8823 Guide at www.irs.gov</i>	
Part 660	Retention of Noncompliance Records by TCAC	65
Part 670	Liability	65
Part 680	Sale, Transfer, or Disposition of the Project after the Placed-in-Service Date	66

SECTION VII – SAMPLE ON-SITE AUDIT		PAGE
Part 700	Preliminary Requirements	67
	A. Notification	67
	B. Project Status Report (PSR)	67
	C. Utility Allowance	67
	D. Rent Roll	67
	E. Copy of Inspection Notice	67
	F. Failure to respond to preliminary requirements	68
Part 710	File Inspection	68
	A. Application	68
	B. Income Calculations (Wages)	58
	1. Regular Income	68
	2. Self – Employment	68
	3. Day Labor	69
	4. Anticipated Earnings	69
	5. Cash Wages	69
	C. Income Calculations (Other Forms of Income)	69
	1. Social Security and Supplemental Security	69
	2. Pensions, Annuities, Recurring Payments	70
	3. Gifts	70
	4. Asset Calculation	70
	D. CTCAC Required Forms	70
	E. Supplemental Information	70
	F. Rent Ledger	70
Part 720	Physical Inspection	71
Part 730	Findings Letters	73
Part 740	Correction Period	73
Part 750	Mixed-Income Property	
	A. HERA and Mixed-Income Properties	73
	B. Next-Available Unit Rule	74
	C. Applicable Fraction / Eligible Basis	74
Part 760	Service Amenities Verification	74

SECTION VIII – LEGISLATIVE CHANGES		PAGE
Part 800	Housing Economic Recovery Act of 2008 (HERA) HR 3221	76
	A. Requirement to perform Annual Recertifications	76
	B. Former Foster Care	77
	C. HERA Special Income and Rent Limits 2009	77
	D. Rent and Income Limits 2010 and going forward	77
	E. Tenant Collection Data	79
Part 810	American Recovery and Reinvestment Act of 2009 (ARRA)	80
	A. Credit Exchange Program (Section 1062)	80
	B. HUD Tax Credit Assistance Program (TCAP)	80

SECTION IX – APPENDICES

Appendix 1	LIHTC Foundations
	26 CFR Part 1 (IRS Compliance Monitoring Regulations)
	Internal Revenue Code Section 42
	California Tax Credit Allocation Committee Regulations Implementing the Federal and State Low Income Housing Tax Credit Laws California Code of Regulations, Title 4, Division 17, Chapter 1 (Updated Annually)
	Treasury Decision 9420: Utility Allowance Regulations Update (<i>July 2008</i>)
	Government Code 6250-6270 (Public Records Act)
	Blue Book (General Explanation of the Tax Reform Act of 1986)
Appendix 2	Handbooks and Guides
	IRS Guide to Form 8823
	HUD Handbook 4350.3 Chapter 5 (<i>Revision 3</i>) (Income, Assets, and Verification)
	HUD Office Numbers for the State of California
Appendix 3	CTCAC Required Forms
	2012 Maximum Income Limits (all tables)
	2012 Maximum Rent Limits (post 1989) (all tables)
	2012 Maximum Rent Limits (prior 1990)
	Required Forms:
	Annual Owner Certification (AOC)
	Annual Operating Expense Report (AOE)

Project Ownership Profile (POP)
 Project Status Report (PSR)
 Tenant Income Certification (TIC)
 Tenant Income Certification Questionnaire (TICQ)
 Verification of Employment (VOE)
 Under \$5,000 Asset Certification
 Certification of Zero Income
 Child – Spousal Support Self Affidavit
 Child – Spousal Support 3rd Party Verification
 Student Verification
 Student Financial Aid Verification
 Marital Separation Status
 Single Parent Full-time Student Self-Affidavit
 Live-in Aide Verification Form

Appendix 4 IRS Revenue Rulings, Notices, and Procedures

IRS Revenue Ruling 1990-60	Recapture Bonds
IRS Revenue Ruling 1990-89	Guidance on Tax Credit Eligibility and Maximum Combined Annual Income of Unrelated Occupants
IRS Revenue Ruling 1991-38	Answers to Frequently Asked Questions
IRS Revenue Ruling 1992-61	Manager's Unit
IRS Revenue Ruling 1992-79	Building Receiving 1989 and Post-1989 Credit
IRS Revenue Ruling 1994-57	Change in AMGI
IRS Revenue Ruling 1995-49	Tenant Right of First Refusal
IRS Revenue Ruling 1998-47	Tax-Exempt Bond Ruling on Assisted Living
IRS Revenue Ruling 2004-82	Eligible Basis and Qualified Basis
IRS Procedure 1994-57	Gross Rent
IRS Procedure 1994-65	Income from Assets \$5000 or Less
IRS Procedure 1995-28	Relief for Projects in Disaster Areas
IRS Procedure 1999-11	Alternative to Surety Bonds
IRS Procedure 2007-54	Relief in Disaster Areas (Updated)
IRS Notice 1988-80	Income Determination
IRS Notice 1988-91	Definition of a Building
IRS Notice 1988-116	Placement in Service
IRS Notice 1989-6	Utility Allowance: General Public Use
IRS Notice 1994-60	Obsolete Notices
IRS Final Regulations	(TD 8520) – Carryover Allocations, General Public Use, and Utility Allowances)
IRS Final Regulations	(TD 8731) – Section 42(d)(5) Federal Grants
IRS Final Regulations	(TD 8732) – Next Available Unit Rule

Appendix 5 Internal Revenue Service Sample Forms

IRS Form 4506-T Request for Transcript of Tax Return
 IRS Form 8586 Low Income Housing Credit
 IRS Form 8609 Low Income Housing Credit Allocation Certification
 IRS Form 8611 Recapture of Low Income Housing Credit
 IRS Form 8693 Low Income Housing Credit Disposition Bond
 IRS Form 8823 Low Income Housing Credit Agencies Report of Noncompliance

Appendix 6 NCSHA Recommended Practices

Appendix 7 Policy Memos

April 2004
May 2008
February 2009
July 2010

SECTION X – GLOSSARY